

ALABAMA CREDIT UNION ADMINISTRATION
MONTGOMERY, ALABAMA

In the Matter of

CRAIG CREDIT UNION
SELMA, ALABAMA

(Insured State Credit Union)

Charter No: 54065

ORDER TO
CEASE AND DESIST

2017: 001

The Alabama Credit Union Administration (“Administration”) has supervisory authority over Craig Credit Union, Selma, Alabama (“Credit Union”). The Administrator (the “Administrator”), with the approval of a majority of the Credit Union Board of the Administration (“Credit Union Board”), may issue an order to cease and desist (“Order”) pursuant to Code of Alabama Section 5-17-8 (1980).

The Administrator and Credit Union Board have found that the Credit Union and/or one or more of the Credit Union’s officers, directors, committee members, or employees (individually and collectively, “Institution-Affiliated Parties”) have engaged in unsafe or unsound practices, violations of law, rule or regulation, and have violated conditions duly imposed in writing by the Administrator in the Reports of Examination and in the Letter of Understanding and Agreement (“LUA”) dated, April 24, 2017, thus leading to the issuance of this Order.

The Administrator and Credit Union Board have determined that the requirements for issuance of an Order under the Code of Alabama Section 5-17-8 have been satisfied. Pursuant to the authority vested by Code of Alabama Code Section 5-17-8, the Administrator hereby orders the following:

ORDER TO CEASE AND DESIST

IT IS HEREBY ORDERED, that the Credit Union, its Institution-Affiliated Parties, and its successors and assigns cease and desist from the following unsafe and unsound practices and violations of law, rule or regulation:

- (a) Operating with a board of directors ("Board") that has failed to provide adequate supervision over and direction to management of the Credit Union;
- (b) Operating with inadequate management who has failed to demonstrate the ability to correct problems and implement appropriate risk management practices;
- (c) Failure to remediate other significant and/or material deficiencies as provided in the Reports of Examination, third party audit reports, and failure to comply with the terms and conditions in the LUA;
- (d) Operating with net losses in recent years or insufficient income to support net worth growth to protect the members' interests;
- (e) Operating with ineffective loan and collection policies and practices that have resulted in high delinquency and loan losses;
- (f) Operating with declining net worth, a result of excessive loan losses;
- (g) Violating laws, regulations, and statements of policy and/or conditions imposed in writing by the Administrator, as more fully described in the Reports of Examination including the Documents of Resolution and the LUA; and,
- (h) Failure to reduce the dollar amount of reportable delinquencies by 25% on or before July 31, 2017 as agreed to in the LUA.

IT IS FURTHER ORDERED, that the Credit Union, its Institution-Affiliated Parties, and its successors and assigns, take affirmative action as follows:

CORPORATE GOVERNANCE

1. Board of Directors

(a) As of the effective date of this Order, the Board shall improve oversight of the affairs of the Credit Union, assuming full responsibility for the approval of sound policies, procedures and objectives for the supervision of all of the Credit Union's activities, consistent with the role and expertise commonly expected for directors of financial institutions of comparable size. This improved oversight shall include meetings to be held monthly at which, at a minimum, the following areas shall be reviewed and approved: delinquency reports and delinquency trends (30+ days); collection activity reports; extensions; repossessions and other real estate, including current valuations; net worth trends; adoptions of credit union specific policies; and, ensure compliance with the LUA and the Reports of Examination; including a detailed review and discussion of corrective measure(s) implemented relative to deficiencies of third party audit reports; and compliance with all applicable laws, rules, regulations and this Order. Board meeting minutes shall document these reviews and approvals monthly, including the action taken by each director with respect to each agenda item.

(b) The Directors' Committee of the Credit Union's Board of Directors shall formulate and review monthly reports detailing the Credit Union's action(s) with respect to compliance with this Order, the LUA and all Reports of Examination. The Directors' Committee shall present a report detailing Credit Union's adherence to this Order, the LUA and all Reports of Examination to the Board at each regularly scheduled Board meeting. Such report shall be

recorded in the appropriate minutes of the Board's meetings and shall be retained in the Credit Union's records. Establishment of this committee does not in any way diminish the responsibility of the entire Board to ensure compliance with the provisions of this Order, the LUA, and all Reports of Examination.

(c) Within thirty (30) days from the effective date of this Agreement, the Directors' Committee, shall further conduct due diligence with other credit unions for the sole purpose of merging the Credit Union to protect the interests of the members of the Credit Union. The dual responsibilities of the Directors' Committee shall be specific to the following:

(i) The Directors' Committee shall identify a merger partner that has a robust infrastructure to properly underwrite loans, manage credit risk and collect past due/problem loans. The Directors' Committee shall report the results of their due diligence considerations for a voluntary merger with the proposed credit union in writing to the full Board of Directors who shall then vote and prepare a Board Resolution supporting this action. The merger partner is expected to be the surviving credit union in a voluntary merger with the Credit Union. A copy of such report shall be provided to the Administrator prior to such meeting.

2. Management

(a) Within 60 days from the effective date of this Order, the Credit Union shall recruit and retain a qualified chief executive officer with the qualifications and experience commensurate with assigned duties and responsibilities at the Credit Union unless an agreement to merge the Credit Union is entered into with another financial institution being the surviving entity.

(i) The chief executive shall have the written authority from the Board to implement the provisions of this Order.

(ii) The chief executive must have a proven ability in managing a credit union of comparable size and in effectively implementing lending, collection and other operating policies in accordance with safe and sound practices while ensuring compliance with all applicable laws, rules and regulations and regulatory orders and recommendations;

CREDIT RISK

Management failed to reduce the dollar amount of reportable delinquencies as of December 31, 2016 by 25% on or before July 31, 2017 as agreed to in the LUA. The Board and management must reduce delinquencies as of December 31, 2016 by 50% on or before December 31, 2017. The Board must ensure that the reduction in reportable delinquencies is not accomplished by extending or renewing loans to borrowers who do not demonstrate an ability to repay. The Board and management must increase collection efforts and charge off uncollectible loans.

GENERAL PROVISIONS

The Board must provide oversight to ensure management complies with this Order and addresses the concerns noted in the LUA, Reports of Examination, including Document(s) of Resolution (DORs), Examiner's Findings, Loan Exceptions and any other third party audit reports. This includes any future Report of Examination or follow-up examination report(s) by ACUA and NCUA and third party audit reports.

The Credit Union is in troubled condition as defined by 12 C.F.R. §700.2 and must apply Parts §701.14 and §750. During the life of this Order, the Credit Union shall notify the Administration and NCUA, in writing, of the resignation or termination of any of the Credit Union's directors or senior executive officers. Prior to the addition of any individual to the Board or the employment of any individual as a senior executive officer, the Credit Union shall provide the Administration and NCUA with 30-days written notice and obtain approval from the Administration and NCUA, and shall comply with the requirements of Section 212 of the Federal Credit Union Act, 12 U.S.C. § 1790a and NCUA Rules and Regulations, Parts §741.205, 750 and 750.4. If the Administration or NCUA issues a notice of disapproval with respect to the proposed individual, then such individual may not be added to the Board or employed by the Credit Union. As specified in the joint Letter of Understanding and Agreement, executed in April 2017, any severance payments or termination compensation must be approved by NCUA and the Administration in accordance with NCUA Regulation 750.0 (defining golden parachute payments and limiting payment by institutions in troubled condition) and 750.4 (allowing payments with approval of NCUA and the Administration).

The provisions of this Order shall not bar, estop, or otherwise prevent the Administration or any other federal or state agency or department from taking any other action against the Credit Union.

The Administrator, with the approval of a majority of the Credit Union Board of the Administration, ex parte without notice, may appoint the Administration as conservator and immediately take possession and control of the business and assets of the Credit Union in any case in which any one of the following occurs:

1. The Administration determines that the action is necessary to conserve the assets of the Credit Union or the interests of the members of the Credit Union.

2. The Credit Union, by resolution of its Board of Directors, consents to the action by the Administration.

3. There is a willful violation of this Order after it is final.

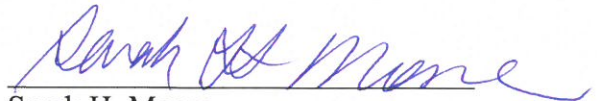
4. There is concealment of books, papers, records, or assets of the Credit Union or refusal to submit books, papers, records, or affairs of the Credit Union for inspection to any examiner or to any lawful agent of the Administration.

This Order shall be effective ten (10) days after it is delivered to the Credit Union. The provisions of this Order shall be binding upon the Credit Union, its directors, members of the Supervisory Committee, and employees, and any successors and assigns thereof.

The Credit Union shall have ten (10) days from the receipt of this Order to make a written notice of appeal to the Credit Union Board pursuant to the Code of Alabama Section 5-17-8 (1980). This Order shall remain in full force and effect during the pendency of any appeal hereof.

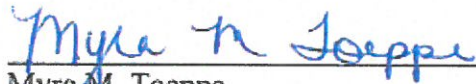
The provisions of this Order shall remain effective and enforceable except to the extent that and until such time as any provision has been modified, terminated, suspended, or set aside in writing.

Dated this 17 day of August, 2017.



Sarah H. Moore
Administrator
Alabama Credit Union Administration

The undersigned, as Region III Director of the National Credit Union Administration, acknowledges this Cease and Desist ORDER issued by the Alabama Credit Union Administration and considers its acceptance by the Board of Directors of Craig Credit Union, Selma Alabama, as their commitment to the National Credit Union Administration to comply with the terms of this ORDER.



Myra M. Toeppe
Region III Director
National Credit Union Administration