

**STATE OF OREGON**  
**DEPARTMENT OF CONSUMER AND BUSINESS SERVICES**  
**DIVISION OF FINANCE AND CORPORATE SECURITIES**

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**In the Matter of:** )  
 ) **STIPULATED FINAL ORDER**  
**POINT WEST CREDIT UNION, a** )  
**federally insured state chartered credit** )  
**union,** )  
 )  
**Respondent.** )

**WHEREAS**, under ORS 705.135, the Division of Finance and Corporate Securities (“DFCS”), on behalf of the Director of the Oregon Department of Business and Consumer Services (“DCBS Director”), has the authority to examine federally insured state chartered credit unions to determine their condition and whether they are complying with Oregon law, including such other matters as DFCS may prescribe.

**WHEREAS**, DFCS conducted an examination of Point West Credit Union (**POINT WEST**), a federally-insured, Oregon-chartered credit union.

**WHEREAS**, under ORS 723.822, DFCS may issue a cease and desist order if it determines from competent and substantial evidence that a credit union or any person associated with a credit union is engaged, has engaged, or has reasonable cause to believe that a credit union is about to engage, in an unsafe or unsound practice.

**WHEREAS**, under ORS 723.822, DFCS may issue a cease and desist order if it determines from competent and substantial evidence that a credit union or any person associated with a credit union is violating, has violated, or has reasonable cause to believe that a credit union is about to violate, a material provision of any law, regulation, or written agreement made with federal and state credit union regulators.

**WHEREAS**, **POINT WEST** submitted to DFCS and the National Credit Union Administration (“NCUA”) a Net Worth Restoration Plan, as modified and approved by DFCS and NCUA on May 6, 2010, that required **POINT WEST** to, among other things, improve its profitability and net worth ratio.

**WHEREAS**, under its statutory authority, DFCS and **POINT WEST**, by and through its Board of Directors (“**POINT WEST BOARD**”), have agreed and consented to the terms and conditions of the order (“**STIPULATED FINAL ORDER**”) set forth below.

**WHEREAS**, **POINT WEST** wishes to avoid the time, cost, and expense of administrative litigation and seeks to obtain finality without invoking its right to a hearing and appeal under ORS chapter 183.

**NOW THEREFORE**, under ORS 723.822, DFCS hereby issues the following findings of fact, the applicable provisions governing or prohibiting the activity, and the **STIPULATED FINAL ORDER**, to which **POINT WEST** has consented as evidenced by the signatures of the attached Stipulation and Consent to Stipulated Final Order (**CONSENT TO FINAL ORDER**).

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Labor and Industries Building  
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Salem, OR 97301-3881  
Telephone: (503) 378-4387



1 **FINDINGS OF FACT**

2 DFCS FINDS that:

3 1. **POINT WEST** is an Oregon chartered credit union operating under ORS chapter  
4 723. Its principal place of business is located at 718 NE 12th Avenue, Portland Oregon. The  
5 National Credit Union Share Insurance Fund (NCUSIF), administered by the NCUA, insures  
6 **POINT WEST'S** member shares and deposits. As a federally insured state chartered credit  
7 union, **POINT WEST** is subject to the regulatory authority and jurisdiction of DFCS and  
8 NCUA.

9 2. Beginning on February 8, 2010 and ending on February 19, 2010, DFCS and the  
10 NCUA jointly conducted a regular risk-focused examination ("Joint Examination") of **POINT**  
11 **WEST** that covered the 12-month period as of December 31, 2009.

12 3. Based on the Joint Examination, DFCS makes the following findings:

13 a. Net Worth Ratio: As of December 31, 2009, **POINT WEST'S** Net Worth  
14 to Total Assets Ratio was 3.80 percent, after the effects of corporate credit  
15 union stabilization-related expenses and impairments.

16 b. Earnings: For the 12-month period ending December 31, 2009, **POINT**  
17 **WEST'S** Return on Average Assets was a negative 2.91 percent.

18 c. Undercapitalization: As of December 31, 2009, **POINT WEST'S** net  
19 worth has fallen below 7.00 percent and into prompt corrective action  
20 classification as defined by Part 702 NCUA Rules and Regulations.

21 4. **POINT WEST** previously submitted a Net Worth Restoration Plan, as modified and  
22 approved by DFCS and NCUA, to return **POINT WEST** to profitability and into compliance  
23 with NCUA Rules and Regulations and state law.

24 5. **POINT WEST** was operating and continues to operate in an unsafe and unsound  
25 manner; therefore, prompt corrective action is required to prevent the interest of **POINT**  
WEST'S members from being seriously prejudiced and to reduce losses that caused **POINT**  
WEST to be undercapitalized as defined by Part 702 of the NCUA Rules and Regulations.

RELEVANT PROVISIONS AND CONCLUSIONS OF LAW

DFCS CONCLUDES the following:

6. ORS 723.126 authorizes DFCS to initiate any action or proceeding necessary for  
enforcing any provision of ORS chapter 723, including but not limited to, requiring prior approval  
for acquisitions, branching, and entering into new lines of business; restricting transactions with  
and ownership of a CUSO; restricting payment of dividends; prohibiting or reducing asset growth;  
altering, reducing, or terminating certain activities that pose excessive risk to a credit union;  
prohibiting nonmember deposits; dismissing directors or senior executive officers; requiring a  
credit union to employ qualified senior executive officers; restricting senior executive officers'  
compensation; requiring a credit union merger, conservatorship, or liquidation; and any other  
action necessary to satisfy the requirements of Oregon or Federal law.

7. ORS 723.822(1)(a) authorizes DFCS to issue orders to prevent federally-insured,  
Oregon-chartered credit unions from engaging in unsafe or unsound practices in conducting credit  
union business.

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2 8. ORS 723.822(1)(b) authorizes DFCS to issue a cease and desist order to prevent a credit union from violating Part 702 of the NCUA Rules and Regulations, 12 C.F.R. Part 702.

3 9. Under Part 702 of the NCUA Rules and Regulations, a credit union with a net worth ratio of less than 5.99 percent is required to take four mandatory supervisory actions: an earnings transfer; submission of an acceptable net worth restoration plan; unless operating under a regulator-approved net worth restoration plan, a restriction on asset growth; and restrict member business lending.

6 10. Part 702 of the NCUA Regulations, 12 C.F.R. § 702.202, requires undercapitalized credit unions to increase net worth and transfer earnings to its regular reserve account in accordance with 12 C.F.R. § 702.201.

8 11. Under ORS chapter 723, DFCS has authority to require that **POINT WEST**, a federally-insured, Oregon-chartered credit union, take prompt corrective action to protect member deposits and reduce losses to the NCUSIF insurance fund.

10 **STIPULATED FINAL ORDER**

11 Therefore, DFCS **ORDERS** that:

12 1. **POINT WEST** understands and accepts DFCS' findings and conclusions, and agrees that prompt corrective action is needed to protect member deposits and reduce potential losses to the NCUSIF insurance fund.

14 2. **POINT WEST** may continue to operate pursuant to a revised Net Worth Restoration Plan ("REVISED PLAN"), as modified and approved by DFCS and NCUA on May 6, 2010, that addressed and resolved the problems raised in the REVISED PLAN and the STIPULATED FINAL ORDER.

17 3. The REVISED PLAN is incorporated in this STIPULATED FINAL ORDER as if it was fully set forth herein, and the failure to comply with the terms and conditions of the REVISED PLAN constitutes a violation of this STIPULATED FINAL ORDER.

19 4. **POINT WEST** and the POINT WEST BOARD comply with the STIPULATED FINAL ORDER, REVISED PLAN, and applicable laws and regulations, and that they take appropriate steps to ensure that **POINT WEST** is operating in a safe and sound manner.

21 5. **POINT WEST** is required to obtain the written approval of DFCS and the NCUA Regional Director of any changes in **POINT WEST'S** officials, including members of the POINT WEST BOARD, committee members, and senior executive officers and must provide written notice at least 30 days before the effective date of any addition or replacement of a member of the POINT WEST BOARD or committee member or the employee or change in responsibilities of any individual to a position of senior executive officer.

22 6. **POINT WEST** and the POINT WEST BOARD are required to take affirmative corrective steps to ensure compliance with Part 702 of the NCUA Rules and Regulations as required by state law, and any other applicable state or federal laws, while maintaining **POINT WEST'S** safety and soundness.



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7. The POINT WEST BOARD is required to review the REVISED PLAN at each regularly scheduled board meeting in order to do, among other things, the following: monitor compliance with the REVISED PLAN and STIPULATED FINAL ORDER, track and correct deviations from projected figures, and take any actions that are necessary to ensure compliance with state law and NCUA Rule and Regulations.

8. If POINT WEST'S net worth as reported on its NCUA Call Report fails to remain at or above 3.75 percent based on quarter-end numbers, the POINT WEST BOARD must begin the process of determining potential merger partners that are willing and able to accept the merger of the POINT WEST assets and liabilities at no cost to the NCUSIF and provide written notice of those partners to DFCS and NCUA within sixty days of the quarter-end.

9. If the ratio declines to 3.50 percent based on quarter-end numbers, POINT WEST and the identified merger partner(s) will begin the due diligence process, the POINT WEST BOARD will sign board resolutions for a potential merger, the merger application will be made to federal and state regulators, and the process for conducting a membership vote on the merger should be established. The POINT WEST BOARD must provide written notice of the potential merger timelines to DFCS and NCUA within thirty days of the quarter-end.

10. If the net worth ratio continues to decline, then a merger must occur before the net worth ratio reaches 3.00 percent based on quarter-end numbers.

11. POINT WEST is required to provide DFCS with a monthly report of net income, including an analysis of budget variances and actions that POINT WEST has taken to ensure achievement of the budget and generation of a positive net income from recurring sources until DFCS determines otherwise.

12. Subject to the written approval of DFCS and NCUA, POINT WEST may use its regular reserves when undivided earnings fall below zero. Additionally, POINT WEST will make the reserve transfer in arrears at such time funds are available in undivided earnings.

13. Subject to DFCS' written approval, POINT WEST may pay dividends on its share accounts provided the dividends do not exceed the market rate.

14. As of the effective date of the STIPULATED FINAL ORDER, POINT WEST is prohibited from making any additional member business loans.

15. POINT WEST is required to take all steps necessary and consistent with sound credit union practices to ensure the future compliance with all applicable laws, rules, and regulations.

16. During the term of the STIPULATED FINAL ORDER, the REVISED PLAN will not be modified, amended, or rescinded without the prior written approval of NCUA and DFCS.

17. DFCS and NCUA, in their sole discretion, may grant written extensions of time to POINT WEST to comply with the REVISED PLAN and the STIPULATED FINAL ORDER.

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1 18. The provisions of the REVISED PLAN and the STIPULATED FINAL ORDER are  
binding upon **POINT WEST**, the POINT WEST BOARD, and their successors and assignees.

2 19. Each provision of the REVISED PLAN and the STIPULATED FINAL ORDER  
3 remain effective until stayed, modified, suspended, or terminated in writing by DFCS and  
NCUA.

4 20. The provisions of this REVISED PLAN and the STIPULATED FINAL ORDER do  
5 not bar, estop, or otherwise prevent DFCS and NCUA, or any other federal or state agency from  
6 taking any other action affecting **POINT WEST**, the POINT WEST BOARD, or their  
successors or assignees.

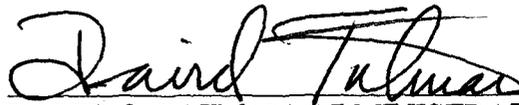
7 21. **POINT WEST** waives its right to an administrative hearing, judicial review, or  
8 any other action or proceeding challenging the validity and legality of the STIPULATED FINAL  
ORDER and the attached CONSENT TO FINAL ORDER.

9 22. The Administrator, having duly approved the STIPULATED FINAL ORDER, and  
10 **POINT WEST**, through the POINT WEST BOARD, agree that the issuance of the  
STIPULATED FINAL ORDER is binding between **POINT WEST** and DCBS to the same  
11 degree and legal effect that such STIPULATED FINAL ORDER would be binding upon **POINT**  
WEST if the Administrator had issued a separate order and included all of the provisions of the  
12 STIPULATED FINAL ORDER and attached CONSENT TO FINAL ORDER into a separate  
order as required by ORS 183.417(3)(b).

13 23. The STIPULATED FINAL ORDER and the attached CONSENT TO FINAL  
14 ORDER are final orders effective and fully enforceable by DFCS on the date set forth below.

15 **IT IS SO ORDERED.**

16 Dated this 15<sup>th</sup> day of July, 2010.

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18 DAVID C. TATMAN, ADMINISTRATOR  
19 DIVISION OF FINANCE AND CORPORATE SECURITIES

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