

**UNITED STATES OF AMERICA  
NATIONAL CREDIT UNION ADMINISTRATION  
NATIONAL CREDIT UNION ADMINISTRATION BOARD**

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In the Matter of the	)	
Cease-and-Desist Order of	)	
	)	
<b>S M Federal Credit Union</b>	)	
Philadelphia, PA	)	Docket No. 16-0188-R2
_____	)	

**ORDER TO CEASE AND DESIST**

The National Credit Union Administration Board (“NCUA”), through its Regional Director, has supervisory authority over S M Federal Credit Union (the “Credit Union”), and has authority to issue an order to cease and desist (the “Order”) to its directors, officers, committee members, and employees pursuant to Section 206(e) of the Federal Credit Union Act, 12 U.S.C. § 1786(e).

The Credit Union, by and through a majority of its duly elected board of directors, and the NCUA Regional Director have executed a “Stipulation and Consent to Issuance of an Order to Cease and Desist,” dated December 8, 2016 (“Stipulation and Consent”). By this Stipulation and Consent, which is incorporated herein by reference, the Credit Union has consented to the issuance of this Order by NCUA.

Pursuant to the authority vested in it by the Federal Credit Union Act, as amended, 12 U.S.C. § 1786(e), NCUA **HEREBY ORDERS** that the Credit Union must:

1. Provide any member account information requested in writing to the compensated auditor engaged to complete a verification of Credit Union member accounts as required by 12 C.F.R. § 715.8 by December 15, 2016 and comply with any further written requests from the compensated auditor in a prompt and reasonable manner.
2. Provide any requested accounting information and financial statements requested in writing to the compensated auditor engaged to complete a supervisory committee audit as required by 12 C.F.R. § 715.7 by December 15, 2016 and comply with any further written requests from the compensated auditor in a prompt and reasonable manner.
3. Make all reasonable efforts to ensure completion and receipt of the results of the verification of Credit Union member accounts as required by 12 C.F.R. § 715.8 by January 31, 2017.
4. Make all reasonable efforts to ensure completion and receipt of the Credit Union's supervisory committee audit report as of June 30, 2016 and for the preceding thirty-two months then ended, as required by 12 C.F.R. § 715.4 by January 31, 2017.
5. Reconcile the share and loan ledgers to the general ledger and prepare accurate financial statements, as set forth in the Federal Credit Union Bylaws, 12 C.F.R. Part 701, Appendix A, and in accordance with the Accounting Manual for Federal Credit Unions, by December 20, 2016 for the month

ending November 30, 2016, and within 20 days after the close of every month thereafter.

6. Calculate loan delinquency using the spreadsheet tool introduced and discussed in the NCUA December 31, 2012 supervision contact report, and discussed in subsequent NCUA examination reports and directives, and actively and effectively collect past due loans, by December 31, 2016 and every month thereafter.
7. Track delinquent loans in accordance with the Accounting Manual for Federal Credit Unions, and accurately report them on the quarterly Call Report in accordance with the NCUA 5300 Call Report Instructions, by December 31, 2016 and every quarter thereafter.
8. Refrain from granting any new loans until NCUA deems the Credit Union to be operating in a manner conducive to making sound lending decisions, including the existence of an effective internal control structure to monitor loans in an ongoing manner, as communicated to the Credit Union in writing by the NCUA Regional Director.
9. Ensure the supervisory committee is fully staffed and composed of no more than one member serving on both the committee and board of directors, as required by the Federal Credit Union Act, 12 U.S.C. § 1761(b), and further that the supervisory committee fulfills all obligations set forth in the Federal Credit Union Act, 12 U.S.C. § 1761d, the Credit Union's bylaws, and the

Supervisory Committee Guide for Federal Credit Unions, including the maintenance of monthly or quarterly meeting minutes of all actions taken.

10. Maintain and preserve Credit Union records in accordance with Appendix A to Part 749 of the NCUA Rules and Regulations, 12 C.F.R. Part 749, Appendix A.
11. Provide the Credit Union's NCUA District Examiner with the Credit Union's monthly financial statements, to include balance sheet, income statement, delinquency and charge-off reports, along with monthly board meeting minutes and minutes created by any other Credit Union committee, including the supervisory committee, by the 20<sup>th</sup> of the following month, beginning with the reports and information prepared for December 2016.

**IT IS FURTHER ORDERED THAT:**

1. The Stipulation and Consent dated December 8, 2016 is approved and is incorporated into this Order by reference.
2. The effective date of the Order is December 8, 2016.

**FOR THE NATIONAL CREDIT UNION ADMINISTRATION BOARD**

\_\_\_\_\_/s/ Jane A. Walters\_\_\_\_\_  
By: Jane A. Walters  
Regional Director, Region II  
National Credit Union Administration

\_\_\_\_\_12-9-2016\_\_\_\_\_  
Date