



**Caribbean Confederation
of Credit Unions**

Regional Savings Guaranteed Fund Operating Policy

Phase II – Stabilization Program

**Regional Stabilization and
Supervision Unit**



**In Partnership with
World Council of Credit Unions and
Caribbean Confederation of Credit Unions**



Regional Savings Guaranteed Operating Policy

(Guide for Examiners)

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Regional Savings Guarantee Operating Policy

1. The Regional Stabilization and Supervision Committee (RSSC) through the delegated authority from the Caribbean Confederation of Credit Union's (CCCU) Board of Directors manage the Regional Savings Guarantee Fund. The League Board of Directors has the ultimate authority on the Regional Savings Guarantee Insurance Fund. The League through its rules has the power:
 - a. To establish standards of sound business and financial practices for member societies; and
 - b. When member societies are found not to be operating according to safe and sound practices and financial principles, to place such a member society under the supervision of the League, with the authorization from the Office of the Registrar.
2. The current government's fiscal policy of high interest rates has contributed to the failure of numerous banks and has sent shock waves throughout the economy. This has affected every sector in the economy including credit unions.
3. In a move to establish the fund and pre-empt Government action for the Credit Union Movement, the Regional Savings Guaranteed Fund is being established as a means of:
 - a. Self-regulating the Credit Union as an interim measure until the Stabilization and Supervision Program is fully implemented.
 - b. To ensure preservation of the Regional Savings Guarantee Insurance Fund.
 - c. To protect and stabilize credit unions in financial difficulties by loans, advances or grants and where necessary supervision

A. Policy Statement

1. The Regional Savings Guarantee Insurance Fund will operate as a mandatory requirement for all member societies with strict enforcement of **Rule 77** of the League's Rules, which state that each member society will pay the Regional Savings Guaranteed Insurance Fund the Levy amount established by CCCU within six months of its assessment.
2. The Regional Stabilization and Supervision Committee may make loans, advances or grants from the Regional Savings Guaranteed Insurance fund to member societies for any of the following purposes:
 - a. Carrying on, encouraging and assisting in technical and advisory matters relating to member societies.
 - b. Purchase or acquiring a safe, vault or other safety equipment necessary to ensure the safety of money and documents entrusted to the member society by its members for safekeeping or required in the provision of services to its members; When the League is satisfied that the member society seeking assistance has made every effort to meet its obligations and carry on its affairs from its own resources.

B. Regional Stabilization and Supervision Committee Role & Authority

1. The Stabilization and Supervision Committee is delegated the authority to provide financial and non-financial assistance to credit unions by the Board of Directors of the League. The League Board has the ultimate authority in providing any type of assistance.



C. Types of Special Assistance

1. The major categories of Special Assistance are Non-Financial and Financial Assistance. Financial Assistance can be further defined as - Permanent; Temporary; Non-Cash; Cash; Regional Savings Guaranteed Fund Savings Deposits, Loans and Asset Purchases; or Liquidity Assistance.

1. Non-Financial Assistance

- a. Undivided earnings and other reserves first absorb extraordinary losses, followed by regular reserves or revocable reserves in excess of regulatory reserve requirements.
- b. In most non-financial assistance cases, a representative of the Regional Stabilization and Supervision Committee will issue a **“Letter of Understanding and Agreement”** (LUA) containing a repayment schedule to replenish regular reserves for approved reserve changes or reserve transfer reductions.

2. Financial Assistance

1. If a member society has inadequate available reserves and a deficit in undivided earnings results, the Regional Stabilization and Supervision Committee may consider granting financial assistance to continue operations, in lieu of liquidation or merger. The RSSC Board has the authority to provide special assistance to avoid liquidation:

... In order to reopen a closed insured credit union or in order to prevent the closing of an insured credit union, which the League Board has determined, is in danger of closing or in order to assist in the voluntary liquidation of a solvent credit union ...

2. The RSSC Board may grant assistance when the RSSC Units' (examiners) determines that such action is necessary to protect the Regional Savings Guarantee Fund or the interests of the members of the credit union.
3. The RSSC Board may consider a credit union with a deficit in undivided earnings, that has absorbed all available reserves (including regular reserves) except for the Allowance for Loan Losses account to be in danger of closing. The RSSC Board must approve some form of financial assistance for an insured credit union with a deficit in undivided earnings to pay dividends on all share types including regular and contractual share accounts.
4. If a credit union has not absorbed all available reserves, whether the credit union is "in danger of closing " is somewhat subjective and depends on the circumstances of each individual case.
5. The Regional Stabilization and Supervision Committee may conclude that a credit union is "in danger of closing" if two or more, of the following conditions exist:
 - a. Probable failure of the credit union or loss to the Regional Savings Guaranteed Fund based upon an established (not temporary) trend or condition (i.e., projected insolvency of the credit union in 12 months or less). For example, successive periods of losses are projected to continue and further deplete the probable asset share ratio;
 - b. Identification of specific unusual and non-recurring financial or economic factors or other quantifiable circumstances that will lead to the highly probable or imminent cessation of credit union operations;



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- c. Inability of management to correct identified problems. The Regional Stabilization and Supervision Committee may also grant financial assistance (1) to facilitate a merger or purchase and assumption (P&A) of an insured credit union, or (2) to aid in the voluntary liquidation of an insured credit union. In the case of assisted mergers or P&A's, the RSSC will already have determined that the credit union being merged or P&A'd is insolvent or is in danger of closing (as defined above).
6. Financial assistance may be temporary or permanent in nature. Generally, the RSSC limits temporary financial assistance to two quarterly (or six monthly) dividend periods for all dividends including dividends on regular shares, share certificates, and other share accounts.
7. The RSSC normally limits permanent financial assistance (subsequent to any temporary assistance period) to a 24-month workout period¹. The Committee, with concurrence of the Supervisory Examiner, may grant a one-time extension, not to exceed an additional 12 months. The Supervisory Examiner issues a Letter of Understanding and Agreement (LUA) for all permanent financial assistance requests approved outlining the terms and conditions of the assistance.
8. Permanent financial assistance may be either non-cash or cash. Non-cash assistance includes (1) a Prior Undivided Earnings Deficit (PUED) – or (2) The Regional Savings Guaranteed Fund guarantees a credit union asset account or accounts. Cash assistance includes (1) a Regional Savings Guaranteed Fund loan, (2) share deposit, (3) capital note, or (4) asset purchases.
9. The request for assistance must justify that the proposed plan is the best alternative for the credit union's members and the Regional Savings Guarantee Insurance Fund. The Regional Stabilization and Supervision Unit ensures that the request includes documentation of (1) the resolution alternatives considered, (2) the estimated costs, and (3) information to support cost estimates. If an alternative other than the one selected would cost the Regional Savings Guarantee Insurance Fund less, the examiner must specifically address and clearly support the reason for not selecting the least costly.

3. Permanent Assistance

1. Before requesting permanent financial assistance, credit unions must meet the specific operational requirements addressed below.
2. In most financial assistance cases, the RSSC Committee has already or will simultaneously approve non-financial assistance to allow a charge to regular reserves or to waive short term reserving requirements.
3. **The request for assistance must document that the credit union has:**
 - a. A viable Field of Membership;
 - b. Competent, capable officials in place consisting of a board of directors, supervisory committee, and where bylaws so provide, a credit committee;
 - c. Full and Fair Disclosure;
 - d. Balanced and accurate books and records;

¹ Historical experience has shown those workout periods of longer than 24-months are not likely to succeed. The Regional Stabilization and Supervision Board will periodically review success rates, as well as staff resources needed, for extended workout cases.



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- e. A workout plan that repays or amortizes the assistance within the maximum of two years;
 - f. A track record of performance by operating management, or an agreement between the RSSC Committee and the credit union's board for hiring well-qualified operating management;
 - g. Corrected, or agreed-upon a plan to correct, the root causes of the problems within a reasonable time frame (six months or less);
 - h. Written policies and procedures or an agreed-upon plan to develop and implement such within a reasonable time frame (six months or less);
 - i. A viable business plan or an agreed-upon plan to develop such a plan within a reasonable time frame (six months or less).
4. If the RSSC provides financial assistance to enable a credit union to hire capable management, the requirements for full and fair disclosure, balanced books and records, written policies and procedures, and a viable business plan need not be met before approval of the assistance. However, if the credit union exhibits deficiencies in any of these areas, the assistance LUA must include correction of these deficiencies after capable management is in place.
 5. Financial assistance workout plans may involve a combination of the many available forms of assistance. The most common forms of assistance are: (1) Non-cash Assistance, (2) Cash Assistance, and (3) Liquidity Assistance.

4. Temporary Financial Assistance

1. Insured credit unions with deficits in Undivided Earnings may not disburse dividends without the concurrence of the Regional Stabilization and Supervision Committee and concurrence from the Registrar's Office. The credit union must ask the RSSC Committee in writing that they approve a PUED – Regional Savings Guaranteed Insurance Fund account and allow payment of reasonable dividends.
2. The RSSC intends temporary financial assistance to prevent the collapse of the credit union while providing time to correct root problems, make necessary management changes, and provide clean financial statements.
3. The RSSC's approval of temporary financial assistance allows the credit union to establish a temporary ***“Prior Undivided Earning Deficit”*** (PUED) – The Regional Savings Guaranteed Insurance Fund account up to a maximum estimated deficit amount and to pay dividends for a maximum of two quarters or six months. This allows the credit union and the examiners time to either prepare a well-thought-out permanent financial assistance plan or to select another alternative.
4. The RSSC grants dividend authority in quarterly (three-month) increments and the credit union must make a separate request for each quarterly period. When the credit union declares and pays dividends monthly, the RSSC will approve each monthly dividend payment contingent upon receipt and approval of the credit union's proposed dividend rates and anticipated dividend expenses.
5. The RSSC Committee must not use temporary dividend authority to delay strong corrective action.



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5. Non-cash Assistance

1. Non-cash assistance includes PUED – Regional Savings Guaranteed Insurance Fund account and Asset Guarantees.
 - a. **PUED – Regional Savings Guaranteed Insurance Fund Account.** Since no credit union with a deficit in Undivided Earnings may pay dividends, the credit union may request non-cash financial assistance in the form of a PUED – Regional Savings Guarantee Insurance Fund account (which means the RSGF is guaranteeing the deficit in the Undivided Earnings). The credit union footnotes the assistance on its financial statements and transfers the deficit amount into this special account.
 - b. **Regional Savings Guaranteed Insurance Fund - Asset Guarantee.** After exhausting all remedies, the best business decision for the RSSC and the Regional Savings Guarantee Insurance Fund may be to arrange a merger, or purchase and assumption (P&A), or to liquidate the problem credit union. The RSSC considers asset guarantees and indemnification clauses appropriate in limited merger and P&A agreements and, when used, the examiner must project significant savings to the Regional Savings Guaranteed Insurance Fund in its documentation and justification.
2. The RSSC approves asset guarantees only in rare situations and normally for short periods of time (less than twelve months.) The examiners must provide justification in the concurrence package if the requested asset guarantee exceeds twelve months.

6. Cash Assistance

1. Cash assistance includes Regional Savings Guaranteed Insurance Fund Capital Notes, savings deposits, loans, and asset purchases. The LUA may restrict the use of cash financial assistance to specific purposes, such as funding of share withdrawals, short-term investments; the hiring of qualified management, etc. The RSSC Board must approve all cases where the Supervisory Examiner recommends granting financial assistance for the specific purpose of hiring qualified management.

7. Regional Savings Guaranteed Insurance Fund – Savings Deposits, Loans, and Asset Purchases

1. In some cases, a financial assistance workout plan may include a savings deposit in the credit union, a loan to the credit union, or a purchase of the credit union's assets. The Supervisory Examiner defines the terms and conditions of these special assistance accounts in the LUA or other contractual agreement developed as part of the assistance plan.

8. Liquidity Assistance

1. A credit union may need liquidity assistance when emergencies or situations such as sponsor problems; natural disasters, embezzlements, or other problems arise. A credit union may request a guaranteed line of credit (LOC) by the Regional Savings Guaranteed Insurance Fund through the Regional Finance Facility (RFF).

D. Repayment

1. In cases where the RSSC provides financial assistance into a workout plan, the LUA will stipulate the repayment plan, which includes all charges, interest rates and any other charges, which may be made.
2. In addition, imposing an inflexible policy requiring full repayment of all assistance in all cases may cause a continued strain on the long-range prospects of the assisted credit union.



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3. The RSSC adopted the following policy regarding the repayment of Incentive Forgiveness:
 - a. Total Repayments to the Regional Savings Guaranteed Insurance Fund will not exceed two years.
 - b. Repayments will begin when the credit union's net capital (all retained earnings less amounts needed in the various allowance accounts for full and fair disclosure) is equal to 3 percent of assets.

E. Recommendation for Special Assistance

1. An on-site contact at the credit union by the examiner supports each request for special assistance. The Office of the Registrar will be advised when possible assistance will be extended to a troubled member society.
2. If examiners discover the need for assistance during a normal examination or supervision contact, they will not recommend special assistance to credit union officials before discussing the case with the supervisory examiner and the RSSC Committee. In all cases the supervisory examiner's comments will accompany the recommendation.
3. After deciding to recommend special assistance, the Regional Stabilization and Supervision Unit will work with the credit union officials and employees to develop a workout plan that addresses the entire problem and provides for correction and for return to normal operations within a reasonable period. They submit the recommendation including complete and comprehensive related data to the RSSC Committee. The recommendation summarizes the type and the amount of needed assistance, the basic problem causing the need for assistance, and future prospects.
4. The recommendation should include the following documentation:
 - a. Concurrence memorandum to appropriate parties;
 - b. The summary will explain the problem, resolution to the problem, supervision efforts, and advantages and disadvantages of the available alternatives, including cost estimates of the alternatives discussed;
 - c. Copies of the proposed or outstanding LUA and other contracts;
 - d. Copies of the most recent financial statements that reflect a "clean" set of records and "full and fair" disclosure. In the case of an assisted merger or P&A, include copies of the continuing credit union's financial statements, and key ratio trends calculated before and after the consolidation. In addition, include comments on management's ability to effectively manage the continuing credit union;
 - e. PEARLS Financial Performance Reports;
 - f. A copy of the credit union's request, which should include the amount and type of assistance. Also include projections of balance sheet and income statement items, with assumptions, as well as projected key ratios for the next 12 months;
 - g. A schedule of share accounts and dividend rates to determine whether the credit union is paying at or below market rates; and
 - h. Any other information needed to provide background or support for the requested assistance amount.



F. Letters of Understanding & Agreement

1. An LUA signed by representatives of the Regional Stabilization and Supervision Committee and the credit union always supports special assistance under financial assistance (a) (1) of the RSSC Boards' Policy and the use of reserves. Contracts or other types of written agreements support other forms of special assistance. The LUA or other contracts clearly sets out the assistance offered and establish the terms and conditions that the credit union must meet. The LUA's language should be specific and clear so that all parties understand the expectations.

G. Merger, Purchase & Assumption (P&A)

1. A merger or P&A with or without special assistance may be an alternative when a credit union cannot feasibly continue operations.
2. Every effort should be made to find a merger or P&A partner that will minimize loss to the Regional Savings Guaranteed Insurance Fund and will allow service to continue to the field of membership.
3. In a merger, the continuing credit union absorbs the rights of members and creditors and the credit union's assets and liabilities. The merging credit union is simply made a part of the continuing credit union. Accordingly, the continuing credit union must honor all legal commitments except a commitment or liability assumed before merger by a third party, usually the Regional Savings Guaranteed Insurance Fund. In a merger, liquidation of the merging credit union never occurs.
4. In a P&A, the purchasing and assuming institution buys only specified identified assets and assumes only certain specified liabilities, which may include share accounts, after the RSSC Committee places the credit union into liquidation.
5. Those assets not purchased and liabilities not assumed, including any that are contingent or unrecorded, become the responsibility of the Regional Savings Guaranteed Insurance Fund. The P&A alternative enable the Regional Savings Guaranteed Insurance Fund to repudiate or invalidate various contracts that may not be acceptable to the assuming institution.
6. Negotiations for any special assistance to facilitate a merger or P&A start with the known and the estimated losses (estimated cost to Regional Savings Guarantee Insurance Fund) as of the effective date. The assistance amount will not exceed the estimated loss to the Regional Savings Guaranteed Insurance Fund in the event of liquidation as of the same date. The field of membership and assets and deposits represent value that the continuing credit union should consider when negotiating in a merger or a P&A. A competitive bidding process often reduces the ultimate cost to the Regional Savings Guaranteed Fund. Potential P&A partners will perform their own "*due diligence*" but they must sign a confidentiality statement prior to going into the merging credit union. Final approval of every merger is the responsibility of the General Manager or the RSSC Board.
7. The Supervisory Examiner requests authority not delegated and requiring action by the Regional Savings Guarantee Insurance Fund Committee in the form of a CAM. Prior to submission to the RSSC Committee, the action requested by the Supervisory Examiner requires concurrence of other offices. The RSSC Committee may require the League's attorney's to review financial assistance or administrative action that require the RSSC Committee's approval.



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8. The reviewing office needs adequate time to review and respond. Therefore, the examiners send requested actions to the RSSC Office at least 15 days before the scheduled RSSC Boards' meeting. The Supervisory Examiner submits a report to the Secretary of the Board no later than 16 working days in advance of the Board meeting. Except in emergencies of which the examiners have properly notified the RSSC Unit and other interested, concerned and affected parties in advance, the RSSC Unit will process late concurrence packages the following month.
9. The Supervisory Examiner should provide Committee Action Memorandum's (CAM's) to the Secretary of the Board of the RSSC no later than one week after the due date. The CAM should be in a concise style (2 pages or less) stating the problem needed action, accomplishments and future prognosis. A detailed summary and backup material will also be submitted as deemed appropriate, but not as part of the CAM's text. As a minimum, the backup material will include:
 - a. Current financial statements, PEARLS Report (or other form of historical trending), Financial Performance Report's, etc.
 - b. Balance sheet and income projections (monthly or quarterly) with assumptions for one year.
 - c. Ratios as they relate to peer group and national averages.
 - d. Strategy for resolving problems.
 - e. History of the case (normally a summary which includes a history of management, supervision history with appropriate comments, alternatives considered, estimated costs of alternatives, and other supporting documentation as deemed necessary).
 - f. Copies of the three most recent examination reports for administrative actions.

H. Conservatorship – (Administration)

1. An on-site contact at the credit union by the examiner supports each request for special assistance. The Office of the Registrar will be advised when possible assistance will be extended to a troubled member society.
2. The Regional Stabilization and Supervision Committee may take conservatorship action whenever any of the following grounds are present:
 - a. Current financial statements, PEARLS Report (or other form of historical trending), Financial Performance Report's, etc.
 - b. The credit union's asset require conserving;
 - c. The Regional Savings Guarantee Funds are at risk;
 - d. The members' interest need protection;
 - e. The credit union consents to conservatorship by resolution of its board of directors;
 - f. Management conceals or refuses to make available the books and records for inspection by an examiner or lawful agent of the RSCC Board.
3. The Supervisory Examiner recommends conservatorship actions to the RSSC Board. After obtaining concurrence from the RSSC Board the action is recommended to the



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Office of the Registrar for approval. Approval from the Registrar is required in all of these types of cases.

4. Conservatorships generally should not exceed 12 to 24 months. To ensure recovery or resolution within a realistic time frame, the examiner develops a written plan to resolve immediate problem areas and documents its prognosis for the credit union's future. The examiner's resolution plan includes estimated time frames for returning the credit union to the membership, merger, or liquidation.
5. Normally, the Supervisory Examiner will present the resolution plan at the time of the request to the Regional Stabilization and Supervision Committee for approval of the conservatorship action. If the examiner has not completed the resolution plan at the time of the request for conservatorship approval, it must explain the reasons for the delay in the CAM.
6. In cases where the examiner determines that the credit union can resolve its problems and the membership can again control it, the examiner requests a written business plan from the conservatorship management team within 180 days of the conservatorship order date. Among other things, the plan establishes operational and financial goals, performance benchmarks, and target dates. The conservatorship management team and the Supervisory Examiner (as agent for the conservator) develop and sign the business plan. In lieu of signatures on the plan itself, the aforementioned individuals should evidence their review and approval of the plan.
7. The Supervisory Examiner must follow financial assistance concurrence and approval procedures for conservatorship cases. The (General Manager or the RSSC Board in some cases) must approve financial assistance to continue payment of dividends in any credit union experiencing a deficit in undivided earnings.
8. The Supervisory Examiner prepares an LUA similar to those issued to other financial assistance cases for conservatorships receiving financial assistance. The LUA will require a detailed business plan and outline the financial performance benchmarks that the credit union must achieve for the duration of the financial assistance workout period. The agent for the conservator signs the LUA on behalf of the credit union.
9. When the Regional Stabilization and Supervision Committee releases the conservatorship, many of the LUA requirements may pass on to the management of the credit union (i.e., board of directors). The Supervisory Examiner must consider this when structuring the financial assistance LUA. The Supervisory Examiner may modify a financial assistance LUA in conjunction with returning control of the credit union to its membership or when warranted by changing conditions, using the appropriate approval and concurrence process.
10. The Regional Stabilization and Supervision Committee requires an annual examination for all insured credit unions. In the case of a conservatorship, an independent examination provides an additional measure of quality control and a snapshot of the credit union's overall financial and operating condition as of a given date. It is in the best interest of the credit union and the Regional Stabilization and Supervision Unit to have experienced staff not previously involved in the management of the conservatorship conducts the examination. Assigned staff members will complete an examination with an effective date not more than 120 days prior to the proposed action to return control of the credit union to the membership.



I. Regional Stabilization and Supervision Units' Examiners

1. The examiners will identify, controls, and correct serious problems in short periods of time to maintain the integrity and soundness of the Regional Savings Guaranteed Insurance Fund. The Regional Stabilization and Supervision Committee's commitment to strong and responsive problem resolution represents a regional concern. The examiners identify the problem cases so that they can be dealt with in a manner that will minimize any loss to the Regional Savings Guaranteed Insurance Fund. The Regional Stabilization and Supervision Committee will use all available resources to accomplish this task.

1. Goals of the Regional Stabilization and Supervision Units' Examiners

1. The overall national risk management goals pertaining to the Regional Savings Guaranteed Insurance Fund established by the RSSC Board and implemented by the respective district examiner are as follows:
 - a. Current financial statements, PEARLS Report (or other form of historical trending), Financial Performance Report's, etc.
 - b. Detect potential and emerging problems early through effective district management;
 - c. Develop results-oriented supervision on marginal performance;
 - d. Reduce PEARLS Code 4s and 5s and large Code 3s; and reduce the risk to the Regional Savings Guaranteed Insurance Fund.
2. Specific examination goals that ensure the efficient and effective use of specialized resources in assistance or administrative action cases include:
 - a. Establishing and maintaining control of identified problems;
 - b. Restructuring management within 90 days, when appropriate within the Regional Stabilization and Supervision Unit's guidelines;
 - c. Achieving profitability within six months; and
 - d. Achieving solvency within two years.
3. The policy states that all permanent financial assistance cases will work out over a two-year period or less. The RSSC Board can make exceptions in rare instances.
4. The Regional Stabilization and Supervision Committee recognizes that some cases may require a shakeout period and an extension of the established time frames. Also, after exhausting all remedies, the credit union still may not meet specific goals; therefore the examiner must develop a "best solution". The best business decision for the Regional Savings Guaranteed Insurance Fund is the ability to move ahead to new and emerging problems and remain ahead of the problem case curve.

2. Reporting on Problem Credit Unions

1. The Supervisory Examiner, the General Manager of the CCCU and the Director of the Examination Unit will monitor the problem cases to evaluate progress and the effectiveness of problem credit union management, establishing specific time frames to ensure an orderly flow of current information.



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2. The Regional Stabilization and Supervision Committee may ask the Supervisory Examiner to review and report monthly on the progress of identified cases so that they can fully understand the financial liabilities and political challenges facing the insurance fund.
3. Using the PEARLS program, each examiner will send the RMS updated information on all credit unions operating with non-financial assistance or financial assistance, or conservatorship to the RSSC Unit's Office. The field staff will update the information on the Risk Management System (RMS) monthly.
4. The Supervisory Examiner, and the Office of Regional Finance Facility (RFF) will submit "Reserve Needs" recommendations, containing realistic estimated losses, to the Regional Stabilization and Supervision Committee each month. This reporting function is the agency's best estimate of eventual cash outlay by the Regional Savings Guaranteed Insurance Fund.

3. Training for Solving Problem Credit Unions

1. Training is an integral part of the examiner's role in minimizing risk of loss to the Regional Savings Guaranteed Insurance Fund. The examiners will be highly trained and motivated group with strong technical and decision-making skills to ensure the soundness and consistency of problem resolution nationally. While experience is an important "teacher," it cannot entirely replace education for such a specialized group of examiners.
2. Regional Stabilization and Supervision Unit will hold periodic conferences that include all examiners. Inter-district work, especially in large, complex and unique situations provides further training to enhance the different professional and experience levels in each district. This sharing of experience provides a consistency to problem resolution that will positively affect the risk of loss to the Regional Savings Guaranteed Insurance Fund.
3. The Caribbean Confederation Credit Union League and the Office of Training and Development (OTD) provide examiners specialized training in the areas of commercial lending, investments, agricultural lending, marketing strategies, micro-enterprise lending, negotiation tools, motivation, and stress management and other areas critical to accomplishing the mission of the RSSC Unit.
4. The examiner's experience and training in solving problem credit unions must filter to the rest of the field staff in order to improve the level of quality expected from all examiners. The Supervisory Examiner with assistance of the Director of the Regional Stabilization and Supervision Unit will determine how to accomplish this at the regional level. Examples would include team jobs with the examiner-in-charge of the problem credit union to work with other examiners and individually tailored training sessions. The OTD offers specialized training such as the Problem Resolution Seminars. The more training and more experience the examiner staff obtains in the area of special actions, the better able they will be to minimize the potential for risk of loss to the Regional Savings Guaranteed Insurance Fund.

4. Returning A Credit Union to Solvency - (workout plans)

1. No single workout plan exists for the problems encountered in credit unions. Successful workout plans combine results-oriented management with results-oriented supervision.
2. **Following is a general workout strategy:**
 - a. Establish basic credit union operations with a lean, functional organizational structure and current, accurate records including fully and accurately reconciled general ledger



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accounts. A workout plan that bases operational and financial decisions on unreliable information could easily fall apart.

- b. Meet full and fair disclosure provisions.
- c. Establish the credit union's business strategy for lending and shares, and incorporate these into a business plan.
- d. Outline the conditions for solvency within a maximum of 24 months, and list the events that must occur in order for profitability and solvency to return.
- e. Ensure implementation of the business plan.

3. Understand three "laws" of workout plans:

1. Everyone must understand the nature of the problem and the urgency of resolving it;
2. The credit union can change income, operating expenses, and cost of funds;
3. Success hinges on the quality of management and a viable field of membership.

5. Dos & Don'ts for Examiners

1. For a workout plan to have the best chance of succeeding, the examiner should:

- a. Obtain a financial statement that breaks down each balance sheet item into yields and costs;
- b. Survey competing financial institutions to see what they offer;
- c. Obtain good resumes or job histories on management and officials;
- d. Involve management from other credit unions;
- e. Develop plans to become profitable within one or two months;
- f. Look for items that have an immediate positive effect on operations;
- g. Set up short-term "to do" lists so that management and staff can see immediate results, no matter how minor;
- h. List actions accomplished weekly and set up actions for staff to accomplish for the next week;
- i. Set up short-term goals for the credit union;
- j. Improve the credit union's image (clean up, fix up, make it look business-like);
- k. Correct the basics (lending, collection, budgeting, and record-keeping);
- l. Accept only the best in record keeping. Strength in this area pays for itself;
- m. Account for full and fair disclosure; and

2. Pay attention to internal controls. Offset established goals and objectives by appropriate internal control steps performed by an independent department or party (e.g., review file maintenance reports to ensure that reductions in delinquency are due to collection activities, not file maintenance transactions; review accuracy of accruals and deferrals to ensure proper statement of income; etc.).

3. Examiners should not:

- a. Keep studying when they know the answer;
- b. Argue pennies and theories;
- c. Accept vague warnings without facts;
- d. Take action incrementally; or Exempt "sacred cows" from review.