

#2001-71

**UNITED STATES OF AMERICA
DEPARTMENT OF THE TREASURY
OFFICE OF THE COMPTROLLER OF THE CURRENCY**

IN THE MATTER OF)
MAURICEVILLE NATIONAL BANK)
MAURICEVILLE, TEXAS)

CONSENT ORDER

The Comptroller of the Currency of the United States of America (Comptroller), through his National Bank Examiner, has examined the Mauriceville National Bank (Bank), and his findings are contained in the Report of Examination, dated July 31, 2001 (ROE).

The Bank, by and through its duly elected and acting Board of Directors (Board), has executed a "Stipulation and Consent to the Issuance of a Consent Order," dated August 22, 2001, that is accepted by the Comptroller. By this Stipulation and Consent, that is incorporated herein by reference the same as if fully set forth, the Bank has consented to the issuance of this Consent Order (Order) by the Comptroller.

Pursuant to the authority vested in him by the Federal Deposit Insurance Act, as amended, 12 U.S.C. ' 1818, the Comptroller hereby orders that:

ARTICLE I

Compliance Committee

- (1) Within ten (10) days, the Board shall appoint a Compliance Committee of at least

five (5) directors, of which no more than one shall be an employee of the Bank or any of its affiliates (as the term "affiliate" is defined in 12 U.S.C. § 371c(b)(1)), or a family member of any such person. Upon appointment, the names of the members of the Compliance Committee shall be submitted in writing to the Director for Special Supervision/Fraud. The Compliance Committee shall be responsible for monitoring and coordinating the Bank's adherence to the provisions of this Order.

(2) The Compliance Committee shall meet at least monthly.

(3) By the last day of each month, the Compliance Committee shall submit a written progress report to the Board setting forth in detail:

- (a) actions taken to comply with each Article of this Order;
- (b) the results of those actions; and,
- (c) a description of the actions the Bank will take to achieve full compliance with each Article of the Order.

(4) The progress reports should also include any actions initiated by the Board and Bank management pursuant to the criticisms and comments in the ROE or in any future Report of Examination.

(5) By the 10th day following the end of each month, the Board shall forward a copy of the Compliance Committee's report, with any additional comments by the Board, to the Director for Special Supervision/Fraud.

ARTICLE II

Capital

(6) No later than December 31, 2001, the Bank shall achieve and thereafter maintain, at a minimum, the following capital levels (as defined in 12 C.F.R. § 3):

- (a) Tier 1 capital at least equal to six percent (6%) of adjusted total assets.¹
- (b) Tier 1 capital at least equal to seven percent (7%) of risk-weighted assets;
and,
- (c) Total capital at least equal to ten (10%) of risk-weighted assets.

(7) The requirement in this Order to meet and maintain a specific capital level means that the Bank may not be deemed to be “well capitalized” for purposes of 12 U.S.C. § 1831o and 12 C.F.R. Part 6 pursuant to 12 C.F.R. § 6.4(b)(1)(iv).

(8) Within thirty (30) days, the Board shall develop, implement, and thereafter ensure Bank adherence to a three year capital plan, consistent with the Bank's business and profit plan.

The plan shall include:

- (a) specific plans for the maintenance of adequate capital that may in no event be less than the requirements of paragraph (6);
- (b) projections for growth and capital requirements based upon a detailed analysis of the Bank's assets, liabilities, earnings, fixed assets, and off-balance sheet activities;

¹ Adjusted total assets is defined in 12 C.F.R. § 3.2(a) as the average total asset figure stated in a bank's most recent quarterly call report, minus end-of-quarter intangible assets and deferred tax assets. As further noted in 12 C.F.R. § 3.2(a), the OCC may require a bank to compute and maintain its leverage ratio on the basis of actual, rather than average, total assets.

- (c) projections of the sources and timing of additional capital to meet the Bank's current and future needs;
- (d) the primary source(s) from which the Bank will strengthen its capital structure to meet the Bank's needs;
- (e) contingency plans that identify alternative methods should the primary source(s) under (d) above not be available; and,
- (f) a dividend policy that permits the declaration of a dividend only:
 - (i) when the Bank is in compliance with its approved capital program;
 - (ii) when the Bank is in compliance with 12 U.S.C. §§ 56 and 60; and,
 - (iii) with the prior written approval of the Director for Special Supervision/Fraud.

(9) Upon completion, the Board shall submit the Bank's capital plan to the Director for Special Supervision/Fraud for approval. Upon approval by the Director for Special Supervision/Fraud, the Bank shall implement and adhere to the capital plan. The Board shall review and update the Bank's capital plan on an annual basis, or more frequently if necessary. Copies of the reviews and updates shall be submitted to the Director for Special Supervision/Fraud.

(10) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the program developed pursuant to this Article.

ARTICLE III

Draws Against Uncollected Funds

(11) Within thirty (30) days, the Board shall adopt, implement and thereafter ensure Bank adherence to a written policy on funds availability on all deposit transaction accounts offered by the Bank. At a minimum, this policy shall:

- (a) prohibit draws against uncollected funds on any transaction account(s) of Bank customers whose loans or other extensions of credit from the Bank have been previously charged off, or are classified loss;
- (b) place holds on deposits of uncollected funds on all transaction accounts, not to exceed the time limitations and other conditions imposed by the Expedited Funds Availability Act of 1987 ("Act") and 12 C.F.R. § 229;
- (c) set forth the types of deposits the Bank will make available for withdrawal within shorter time frames than the maximum hold periods established by the Act, and establish daily aggregate dollar limits per customer. In order for Bank management to make these determinations, the policy shall include, at a minimum, guidelines which address:
 - (i) risks to the Bank's capital;
 - (ii) the financial strength of the customer;

- (iii) account history, including overdraft activity;
- (iv) credit history of the customer;
- (v) location of the maker and paying bank of deposited checks;
- (vi) treatment of new accounts;
- (vii) any other conditions which would warrant such decisions; and,

(d) include a description of controls and procedures for issuing and approving cashiers' checks, and for training Bank personnel on the Bank's funds availability policy requirements.

(12) Upon adoption, the Bank shall forward a copy of the policy to the Director for Special Supervision/Fraud.

(13) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the policy developed pursuant to this Article.

ARTICLE IV

Overdrafts

(14) Within thirty (30) days, the Board shall adopt, implement, and thereafter ensure Bank adherence to a written policy concerning the extension of overdrafts that shall include, at a minimum:

- (a) conditions and circumstances under which overdrafts will be allowed for any Bank customer, also taking into consideration the requirements of 12 U.S.C. § 375b;

- (b) Bank officers who are authorized to approve overdrafts, and dollar limits per officer on granting overdrafts;
- (c) procedures for approving overdrafts, and documenting approval actions;
- (d) fees that will be levied against depositors using overdrafts; and,
- (e) conditions and circumstances under which overdrafts will be charged off.

(15) At least monthly, the Board shall review reports on overdrafts which contain the following information:

- (a) Bank customers who frequently overdraw their accounts during that month, including average monthly dollar amounts;
- (b) Large overdrafts;
- (c) Bank customers whose aggregate extensions of credit, including overdrafts, are close to the Bank's legal lending limit; and,
- (d) overdrafts in excess of thirty (30) days outstanding.

(16) The Board shall ensure that Bank personnel receive adequate training on the Bank's overdraft policy requirements, and that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the policy developed pursuant to this Article.

ARTICLE V

Board to Ensure Competent Management

(17) Within sixty (60) days, the Board shall ensure that the Bank has competent management, including the positions of President and Cashier, in place on a full-time basis, to

carry out the Board's policies, ensure compliance with this Order, ensure compliance with applicable laws, rules and regulations, and manage the day-to-day operations of the Bank in a safe and sound manner.

(18) For incumbent officers in the positions mentioned in Paragraph (17) of this Article, the Board shall, within thirty (30) days, assess each of these officers' performance, qualifications, and capabilities to perform their present and anticipated duties. The Board will determine whether management changes should be made, including the need for additions to or deletions from current management.

(19) If a position mentioned in Paragraph (17) of this Article is vacant now or in the future, including if the Board realigns an existing officer's responsibilities and a position mentioned in Paragraph (17) of this Article becomes vacant, the Board shall within thirty (30) days of such vacancy appoint a capable person to the vacant position who shall be vested with sufficient executive authority to ensure the Bank's compliance with this Order, and the safe and sound operation of functions within the scope of that position's responsibility.

(20) Prior to the appointment of any individual to an executive officer position, the Board shall submit to the Director for Special Supervision/Fraud the information required by 12 C.F.R. § 5.51 and more fully described in the *Changes in Directors and Senior Executive Officers* booklet of the Comptroller's Corporate Manual.

(21) The Director for Special Supervision/Fraud shall have the power of veto over the employment of the proposed executive officer. However, the failure to exercise such veto power shall not constitute an approval or endorsement of the proposed officer.

(22) The requirement to submit information and the prior veto provisions of this Article are based on the authority of 12 U.S.C. § 1818(b) and do not require the Comptroller to complete his/her review and act on any such information or authority within ninety (90) days.

ARTICLE VI

Chief Operations Officer

(23) Within sixty (60) days, the Bank shall employ a capable, experienced and fully qualified Chief Operations Officer, who shall be vested with sufficient executive authority to fulfill the duties and responsibilities of the position and ensure the safe and sound operation of the Bank.

(24) Prior to the appointment of any individual to the position of Chief Operations Officer, the Board shall submit to the Director for Special Supervision/Fraud the information required by 12 C.F.R. ' 5.51 and more fully described in the *Changes in Directors and Senior Executive Officers* booklet of the Comptroller's Corporate Manual.

ARTICLE VII

Business and Profit Plan

(25) Within sixty (60) days, the Board shall adopt, implement, and thereafter ensure Bank adherence to a written business/profit plan for the Bank covering at least a three-year period. The plan shall establish objectives for growth, balance sheet mix, off-balance sheet activities, liability structure, capital adequacy, development of products and services, market

areas that the Bank intends to develop, and to improve the Bank's earnings performance. At a minimum, the plan shall include:

- (a) a mission statement that forms the framework for the establishment of strategic goals and objectives;
- (b) a description of the strategies to achieving the objectives of the plan;
- (c) an assessment of the Bank's present and future operating environment;
- (d) an identification of the Bank's present and future product lines (assets and liabilities) that will be utilized to accomplish the strategic goals and objectives established in (b) of this Article;
- (e) an evaluation of the Bank's internal operations, staffing requirements, board and management information systems and policies and procedures for their adequacy and contribution to the accomplishment of the goals and objectives developed under (b) of this Article;
- (f) market segments that the Bank intends to promote or develop;
- (g) an action plan to improve the Bank's earnings;
- (h) a financial forecast to include projections for major balance sheet and income statement accounts and desired financial ratios over the period covered by the business plan;
- (i) systems to monitor the Bank's progress in meeting the plan's goals and objectives.

(26) Upon adoption, a copy of the plan shall be forwarded to the Director for Special

Supervision/Fraud for review and approval.

(27) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the plan developed pursuant to this Article.

ARTICLE VIII

New Products and Services

(28) Prior to the Bank's involvement in any new products or services, the Board shall prepare a written analysis of said product or service. The analysis shall, at a minimum, include the following:

- (a) an assessment of the risks and benefits of the product or service to the Bank;
- (b) an explanation of how the product or service is consistent with the Bank's business plan;
- (c) an evaluation of the adequacy of the Bank's organizational structure, staffing, MIS, internal controls and written policies and procedures to identify, measure, monitor, and control the risks associated with the product or service; and,
- (d) a profitability analysis, including growth projections and interest rate risk.

(29) Prior to the Bank's involvement in the new product or service, a copy of the analysis shall be submitted to the Director for Special Supervision/Fraud.

ARTICLE IX

Internal Audit

(30) Within sixty (60) days, the Board shall adopt, implement, and thereafter ensure Bank adherence to an independent, internal audit program sufficient to:

- (a) detect irregularities in the Bank's operations;
- (b) determine the Bank's level of compliance with all applicable laws, rules and regulations;
- (c) evaluate the Bank's adherence to established policies and procedures, with particular emphasis directed to the Bank's adherence to its loan policies concerning underwriting standards and problem loan identification and classification;
- (d) ensure adequate audit coverage in all areas; and,
- (e) establish an annual audit plan using a risk based approach sufficient to achieve these objectives.

(31) As part of this audit program, the Board shall establish an Audit Committee, to consist of no less than three (3) directors who are not Bank employees, to evaluate the audit reports of any party providing services to the Bank, and assess the impact on the Bank of any audit deficiencies cited in such reports. The internal auditor and the Audit Committee shall make a full report on audit conclusions and corrective actions taken by Bank management to the Board on at least a quarterly basis.

(32) Upon adoption, a copy of the internal audit program shall be promptly submitted

to the Director for Special Supervision/Fraud.

(33) The Board shall ensure that the audit function is supported by an adequately staffed department or outside firm, with respect to both the experience level and number of the individuals employed.

(34) The Board shall ensure that the audit program is independent. The persons responsible for implementing the internal audit program described above shall report directly to the Audit Committee and the Board, which shall have the sole power to direct their activities. All reports prepared by the audit staff shall be filed directly with the Audit Committee and the Board and not through any intervening party.

(35) All audit reports shall be in writing. The Audit Committee shall ensure that immediate actions are undertaken to remedy deficiencies cited in audit reports, and that auditors maintain a written record describing those actions. The Audit Committee shall hold Bank management accountable for corrective actions on deficiencies cited in audit reports, and shall review and evaluate management's progress.

(36) The audit staff shall have access to any records necessary for the proper conduct of its activities. National bank examiners shall have access to all reports and work papers of the audit staff and any other parties working on its behalf.

(37) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the program developed pursuant to this Article.

ARTICLE X

Violations of Law

(38) The Board shall immediately take all necessary steps to ensure that Bank management corrects each violation of law, rule or regulation cited in the ROE and in any subsequent Report of Examination. The monthly progress reports required by Article I of this Order shall include the date and manner in which each correction has been effected during that reporting period.

(39) Within thirty (30) days, the Board shall adopt, implement, and thereafter ensure Bank adherence to specific written procedures to prevent future violations as cited in the ROE.

(40) Within thirty (30) days of receipt of any subsequent Report of Examination which cites violations of law, rule, or regulation, the Board shall adopt, implement, and thereafter ensure Bank adherence to specific procedures to prevent future violations as cited in the ROE, and shall adopt, implement, and ensure Bank adherence to general procedures addressing compliance management, which incorporate internal control systems and education of employees regarding laws, rules and regulations applicable to their areas of responsibility.

(41) Upon adoption, a copy of these procedures shall be promptly forwarded to the Director for Special Supervision/Fraud.

(42) The Board shall ensure that the Bank has policies, processes, personnel, and control systems to ensure implementation of and adherence to the procedures developed pursuant to this Article.

ARTICLE XI

(43) Although the Board is by this Order required to submit certain proposed actions and programs for the review or approval of the Director for Special Supervision/Fraud, the Board has the ultimate responsibility for proper and sound management of the Bank.

(44) It is expressly and clearly understood that if, at any time, the Comptroller deems it appropriate in fulfilling the responsibilities placed upon it by the several laws of the United States of America to undertake any action affecting the Bank, nothing in this Order shall in any way inhibit, estop, bar or otherwise prevent the Comptroller from so doing.

(45) Any time limitations imposed by this Order shall begin to run from the effective date of this Order. Such time limitations may be extended by the Director for Special Supervision/Fraud for good cause upon written application by the Board.

(46) The provisions of this Order are effective upon issuance of this Order by the Comptroller, through his authorized representative whose hand appears below, and shall remain effective and enforceable, except to the extent that, and until such time as, any provisions of this Order shall have been amended, suspended, waived, or terminated by the Comptroller.

IT IS SO ORDERED, this 22 day of August , 2001.

/s/
Ronald G. Schneck
Director for Special Supervision/Fraud

**UNITED STATES OF AMERICA
DEPARTMENT OF THE TREASURY
OFFICE OF THE COMPTROLLER OF THE CURRENCY**

IN THE MATTER OF)
MAURICEVILLE NATIONAL BANK)
MAURICEVILLE, TEXAS)

**STIPULATION AND CONSENT TO THE ISSUANCE
OF A CONSENT ORDER**

The Comptroller of the Currency of the United States of America (Comptroller) has initiated cease and desist proceedings against the Mauriceville National Bank (Bank) pursuant to 12 U.S.C. § 1818(b).

The Bank, in the interest of compliance and cooperation, consents to the issuance of a Consent Order, dated August 22, 2001 (Order);

In consideration of the above premises, the Comptroller, through his/her authorized representative, and the Bank, through its duly elected and acting Board of Directors, hereby stipulate and agree to the following:

ARTICLE I

(1) The Bank is a national banking association chartered and examined by the Comptroller pursuant to the National Bank Act of 1864, as amended, 12 U.S.C. § 1 *et seq.*

(2) The Comptroller is "the appropriate Federal banking agency" regarding the Bank pursuant to 12 U.S.C. §§ 1813(q) and 1818(b).

(3) The Bank is an "insured depository institution" within the meaning of 12 U.S.C. § 1818(b)(1).

ARTICLE II

(1) The Bank, without admitting or denying any wrongdoing, hereby consents and agrees to the issuance of the Order by the Comptroller. The Bank further agrees that said Order shall be deemed an "order issued with the consent of the depository institution" as defined in 12 U.S.C. § 1818(h)(2), and consents and agrees that said Order shall become effective upon its issuance and shall be fully enforceable by the Comptroller under the provisions of 12 U.S.C. § 1818(i).

ARTICLE III

- (1) The Bank, by signing this Stipulation and Consent, hereby waives:
- (a) the issuance of a Notice of Charges pursuant to 12 U.S.C. § 1818(b);
 - (b) any and all procedural rights available in connection with the issuance of the Order;
 - (c) all rights to seek any type of administrative or judicial review of the Order; and
 - (d) any and all rights to challenge or contest the validity of the Order.

ARTICLE IV

(1) The Bank agrees that the provisions of this Stipulation and Consent shall not inhibit, estop, bar, or otherwise prevent the Comptroller from taking any other action affecting the Bank if, at any time, he/she deems it appropriate to do so to fulfill the responsibilities placed upon him/her by the several laws of the United States of America.

IN TESTIMONY WHEREOF, the undersigned, authorized by the Comptroller as his/her

/s/
Iris Nugent

August 22, 2001
Date

 /s/
Jim H. Nugent

August 22, 2001
Date

 /s/
Kenneth D. Rogers

August 22, 2001
Date