

#2009-167

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

In the Matter of:)
American National Bank)
Parma, Ohio)

AA-CE-09-75

CONSENT ORDER

The Comptroller of the Currency of the United States of America (“Comptroller”), through his National Bank Examiners, has supervisory authority over American National Bank, Parma, Ohio (“Bank”).

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 September 22, 2009, that is accepted by the Comptroller. By this Stipulation and Consent, which is incorporated by reference, the Bank has consented to the issuance of this Consent Order (“Order”) by the Comptroller.

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

ARTICLE I

CAPITAL PLAN AND HIGHER MINIMUMS

(1) The Bank shall, by December 31, 2009, achieve and thereafter maintain, the following capital levels (as defined in 12 C.F.R. Part 3):

- (a) Tier 1 capital at least equal to eight percent (8%) of adjusted total assets;¹
and
- (b) Total capital at least equal to twelve percent (12%) of risk-weighted assets.

(2) The Bank shall, by December 31, 2009, achieve and thereafter maintain, the following capital levels (as defined in 12 C.F.R. Part 3):

- (a) Tier 1 capital at least equal to eleven and a half percent (11.5%) of adjusted total assets; and
- (b) Total capital at least equal to sixteen and a half percent (16.5%) of risk-weighted assets.

(3) The requirements of paragraph (2) of this Article shall apply, and shall supersede the requirements of paragraph (1) of this Article, only so long as the Bank holds any residential mortgage servicing rights assets, with the exception of the mortgage servicing activity related to the Housing Finance Authority of Hillsborough County.

(4) 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).

(5) Within sixty (60) days, the Board shall develop, implement, and thereafter ensure Bank adherence to a Capital Plan for achieving and thereafter maintaining adequate capital commensurate with the Bank’s risk profile that may in no event be less than the capital levels required under this Article.

¹ Pursuant to 12 C.F.R. § 3.2(a), the Bank is required to compute and maintain its leverage ratio on the basis of actual, rather than average, total assets.

(6) Upon completion, the Bank's Capital Plan shall be submitted to the Assistant Deputy Comptroller for review and prior written determination of no supervisory objection. Upon receiving a determination of no supervisory objection from the Assistant Deputy Comptroller, the Board shall implement and thereafter ensure Bank adherence to the Capital Plan.

(7) The Board shall review and update the Capital Plan on a quarterly basis, or more frequently if necessary. Prior to adoption by the Board, any subsequent amendments or revisions to the Capital Plan shall be submitted to the Assistant Deputy Comptroller for review and prior written determination of no supervisory objection. Upon receiving a determination of no supervisory objection from the Assistant Deputy Comptroller, the Board shall immediately implement and thereafter ensure Bank adherence to the Capital Plan, as amended or revised.

(8) The Bank shall not declare any dividend without the prior written determination of no supervisory objection from the Assistant Deputy Comptroller.

(9) If the OCC determines, in its sole judgment, that the Bank has failed to submit an acceptable Capital Plan as required by paragraph (5) of this Article, or the Bank fails to implement and ensure Bank adherence to the Capital Plan as required by this Article, then the OCC, in its discretion, may notify and require the Board to develop and submit a Capital Contingency Plan. Within ten (10) days of receiving such written notice from the OCC, the Board shall develop and submit to the OCC for its review and prior written determination of no supervisory objection a Capital Contingency Plan, which shall detail the Board's proposal to sell or merge the Bank, or liquidate the Bank under 12 U.S.C. § 181. Failure to submit a timely, acceptable Capital Contingency Plan, after receiving written notice of such requirement, may be deemed a violation of this Order, in the exercise of the OCC's sole discretion. After the OCC

has advised the Bank in writing that the OCC does not take supervisory objection to the Capital Contingency Plan, the Board shall immediately implement, and thereafter ensure Bank adherence to, the terms of the Capital Contingency Plan.

ARTICLE II

NEW PRESIDENT

(1) Subject to paragraph (5) of this Article, within sixty (60) days, the Board shall appoint a new, full-time, capable president who shall be vested with the executive authority to fulfill the duties and responsibilities of the position and ensure the safe and sound operation of functions within the scope of the position's responsibility.

(2) Prior to the appointment of any individual to the president position, the Board shall submit to the Assistant Deputy Comptroller the following information:

- (a) a written description of the president's duties, responsibilities, and lines of authority;
- (b) a written analysis completed by the Board which details the skills and experience necessary for an individual to fulfill the duties and responsibilities of the Bank's president position;
- (c) a written statement of the Board's reasons for selecting the proposed individual; and
- (d) the information sought in the "Changes in Directors and Senior Executive Officers" and "Background Investigations" booklets of the Comptroller's Licensing Manual, and any other requested information for the proposed individual.

(3) Pursuant to 12 U.S.C. § 1831i and 12 C.F.R. § 5.51, the Assistant Deputy Comptroller shall have the authority to issue a notice of disapproval with respect to the appointment of the proposed new president. However, the lack of disapproval of such individual shall not constitute an approval or endorsement of the proposed president.

(4) If the president position is or at any time 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 the executive authority to ensure the Bank's compliance with this Order and the safe and sound operation of functions within the scope of the position's responsibility.

(5) If the Board is unable to locate an acceptable person to the president position within the timeframes required by this Article, despite its best efforts, the Board shall document its efforts to locate appropriate candidates. Thereafter, the Board shall provide quarterly reports to the Assistant Deputy Comptroller summarizing its continuing efforts to locate such candidates.

ARTICLE III

MORTGAGE SERVICING RISK MANAGEMENT

(1) Except as otherwise provided in this Article, within seventy (70) days, the Board shall ensure that the Bank has ceased all residential mortgage servicing activities.

(2) Notwithstanding the requirements of paragraph (1) of this Article, the Bank may only engage in residential mortgage servicing activities if the Board has developed, implemented, and thereafter ensured Bank adherence to a written mortgage servicing risk management program and a mortgage servicing asset and hedging policy for which the Bank has received no supervisory objection pursuant to paragraph (7) of this Article.

(3) The written mortgage servicing risk management program required by paragraph (2) of this Article shall be consistent with the “Mortgage Banking” booklet, I-MB, of the Comptroller’s Handbook and shall include, at a minimum, the following:

- (a) identification of existing interest rate, credit, liquidity, transaction, compliance, and reputation risks, and a written analysis of those risks, including the degree of risk;
- (b) action plans and time frames to reduce risks where exposure is high, particularly with regard to the interest rate risk inherent in the mortgage servicing asset, the credit risk inherent in the GNMA servicing portfolio, and the liquidity risk inherent in the servicing advance volumes;
- (c) a comprehensive Board risk governance and oversight structure;
- (d) policies, procedures or standards which establish risk limits for the degree of risk the Bank’s financial condition can support. Risk limits shall include, at a minimum:
 - (i) mortgage servicing asset in relation to Tier 1 capital;
 - (ii) earnings-at-risk of the mortgage servicing asset and hedge coverage position; and
 - (iii) aging of the loans held for sale;
- (e) procedures which ensure that strategic direction and risk tolerances are effectively communicated and followed throughout the Bank;
- (f) procedures which describe the actions to be taken where noncompliance with risk policies is identified;

- (g) systems to measure and control risks within the mortgage servicing activities of the Bank, including measurement systems that provide timely and accurate risk reports;
- (h) procedures to ensure that Bank employees have the necessary skills to manage the day-to-day activities within the mortgage servicing program, and procedures to describe the actions to be taken to address deficiencies in staff levels and skills;
- (i) policies, procedures, and programs to ensure a comprehensive and independent internal audit and quality control program covering all mortgage servicing related activities;
- (j) policies, procedures or standards which establish a comprehensive third party vendor review and monitoring program; and
- (k) Board management information system reports to include:
 - (i) internal audit and quality control findings and exception rates;
 - (ii) an assessment of compliance with Board-approved risk limits;
 - (iii) servicer advance volumes, trends, and agings;
 - (iv) loans held for sale positions and agings;
 - (v) trailing document metrics; and
 - (vi) custodial account reconciliation exception items.

(4) The written mortgage servicing asset and hedging policy required by paragraph (2) of this Article shall, at a minimum, address:

- (a) accountability for the fair valuation of the mortgage servicing asset and hedging instruments;

- (b) a detailed description of the mortgage servicing asset fair value methodology and calculations;
- (c) accountability for the review and approval of assumptions used in the mortgage servicing asset fair value calculation;
- (d) a requirement for the documented validation of assumptions used in the mortgage servicing asset fair value calculation;
- (e) the types of allowable hedging instruments and trade authority;
- (f) management responsibilities and reporting requirements to the Board;
- (g) contingency planning;
- (h) a requirement for the routine assessments of hedging effectiveness, including comprehensive stress testing scenarios;
- (i) counterparty risk measurement, monitoring, and approval;
- (j) risk limits;
- (k) a process for monitoring compliance with limits;
- (l) a process for Board approval of risk limit exceptions;
- (m) a process for the periodic review and validation of risk limits;
- (n) a process for the integration of mortgage servicing asset interest rate risk into the consolidated interest rate risk measurement process; and
- (o) conformance with Generally Accepted Accounting Principles and regulatory reporting requirements.

(5) By October 9, 2009, the Board shall identify and appoint an individual or entity with sufficient skills and demonstrated experience in mortgage servicing risk management to

oversee and implement the Bank's mortgage servicing risk management program and mortgage servicing asset and hedging policy. The individual or entity shall report to the Board.

(6) Upon the appointment or employment of any individual or entity to the mortgage servicing risk management position required under paragraph (5), the Board shall submit the name and qualifications of the selected individual or entity to the Assistant Deputy Comptroller for a written determination of no supervisory objection.

(7) The Board shall submit a copy of the program and policies required under this Article to the Assistant Deputy Comptroller for a written determination of no supervisory objection.

ARTICLE IV

LIQUIDITY MANAGEMENT

(1) Within forty (40) days, the Board shall adopt, implement, and thereafter ensure Bank adherence to a written liquidity management policy. In formulating this policy, the Board shall refer to the "Liquidity" booklet, L-L, of the Comptroller's Handbook. The policy shall, at a minimum, include:

- (a) a statement of the Board's overall funds management strategy that is consistent with the Bank's strategic plan and budget, and contains a description of the assumptions that form the basis for major projected changes in funding structure;
- (b) a requirement for periodic management reports that enable the Board and management to monitor the Bank's liquidity position and maintain liquidity at an adequate level. The reports shall include a statement of:

- (i) daily cash flow projections, including a statement of the critical assumptions, that include discrete and cumulative cash flow mismatches or gaps over specified time horizons under both expected and adverse business conditions, as well as the impact of mortgage servicing advances;
 - (ii) target amounts of unpledged liquid asset reserves, including a daily system that monitors which assets are immediately available for pledging or sale;
 - (iii) wholesale funding rollover risk;
 - (iv) measures used to identify volatile liability dependence and liquid asset coverage ratios;
 - (v) asset and funding concentrations, including funding concentrations that address diversification of funding sources and types such as large liability and borrowed funds dependency, secured versus unsecured funding sources, exposures to single providers of funds, and exposures to funds providers by market segments;
 - (vi) key early warning or risk indicators that alert management to a predetermined level of potential risk;
 - (vii) the status and availability of contingent funding sources; and
 - (viii) contingent liability exposures such as unfunded loan commitments or lines of credit and various types of secured lending.
- (c) guidelines concerning the nature, extent, and purpose of the Bank's use of brokered deposits, internet-based deposits, CD listing services, CDARS,

or deposits offered through special advertising programs offering premium rates to customers without another banking relationship, that are consistent with the Bank's overall funds management strategy and in compliance with the restrictions set forth in 12 C.F.R. § 337.6;

- (d) a statement of Board-approved risk limits for funding concentrations;
- (e) procedures for Board approval of funding concentrations above the Board-established limits; and
- (f) procedures for periodic review of the Bank's adherence to the policy.

(2) Immediately after submission to the Board or management, the reports required under paragraph (1)(b) of this Article shall be submitted to the Assistant Deputy Comptroller.

(3) Upon adoption, a copy of the liquidity management policy shall be forwarded to the Assistant Deputy Comptroller for determination of no supervisory objection.

ARTICLE V

CONTINGENCY FUNDING PLAN

(1) Within forty (40) days the Board shall adopt, implement, and thereafter ensure Bank adherence to a comprehensive Bank-specific Contingency Funding Plan consistent with the guidelines set forth in the "Liquidity" booklet, L-L, of the Comptroller's Handbook. The plan shall, among other things, include:

- (a) a statement of the Board's strategy for maintaining adequate sources of stable funding given the Bank's anticipated liquidity and funding needs;
- (b) a definition of a liquidity crisis for the Bank;

- (c) an identification of early warning liquidity triggers, including an assessment of possible liquidity events that the Bank may encounter;
- (d) an explicit quantification of the sources and uses of liquidity in stressed scenarios that correspond to the early warning liquidity triggers and identify the potential sequence in which sources of funds will be used for contingent needs;
- (e) detailed action plans to identify and obtain sources of liquidity to meet projected shortfalls, including any back-up facilities, the conditions related to the use of such back-up facilities, and the circumstances under which the Bank may use them;
- (f) an identification of responsible Bank employees to declare, manage, and resolve a liquidity crisis, including defined responsibilities and decision making authority so that all Bank employees understand their roles during a stressed liquidity scenario;
- (g) an internal and external communication process for disseminating relevant information, including a process for reporting to the Board; and
- (h) a process of regular testing to ensure that the Contingency Funding Plan is operationally robust.

(2) Upon adoption, the Board shall forward the Contingency Funding Plan to the Assistant Deputy Comptroller for determination of no supervisory objection.

ARTICLE VI
CONCENTRATIONS

(1) Within seventy (70) days, the Board shall adopt, implement, and thereafter ensure Bank adherence to a written asset diversification program. The program shall include, but not necessarily be limited to, the following:

- (a) a written analysis of any asset concentration identified in order to identify and assess the inherent risks, including, but not limited to, credit, liquidity, and interest rate risks;
- (b) an action plan approved by the Board to reduce the risk of any concentration deemed imprudent in the above analysis;
- (c) policies and procedures to set risk limits and monitor asset concentrations;
and
- (d) policies requiring notification to the Board when asset concentrations exceed risk limits.

(2) For purposes of this Article, a concentration is defined as direct, indirect, or contingent obligations which are linked by a common characteristic, and that, when combined, exceed 25 percent of the Bank's capital structure.

(3) The Board shall ensure that future potential asset concentrations are subjected to the analysis required by paragraph (1)(a) of this Article and if that analysis demonstrates that the concentration subjects the Bank to undue risk, the Board shall take appropriate steps to mitigate such risk.

(4) The Board shall forward a copy of any analysis performed on existing or potential asset concentrations to the Assistant Deputy Comptroller within five (5) days of the review.

ARTICLE VII

NEW PRODUCTS AND SERVICES

(1) Prior to the Bank's involvement in any new products or services, the Board shall prepare a written analysis of the new product or service consistent with guidance established in OCC Bulletin 2004-20, *Risk Management of New, Expanded, or Modified Bank Products and Services*. 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 strategic 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, if applicable, interest rate risk.

(2) The Bank shall not engage in the new product or service without Board approval after documented consideration of the analysis prepared pursuant to this Article.

(3) Prior to the Bank's involvement in the new product or service, a copy of the analysis shall be submitted to the Assistant Deputy Comptroller for a written determination of no supervisory objection.

ARTICLE VIII

CLOSING

(1) Although the Board is by this Order required to submit certain proposed actions and programs for the review or prior written determination of no supervisory objection of the Assistant Deputy Comptroller, the Board has the ultimate responsibility for proper and sound management of the Bank.

(2) It is expressly and clearly understood that if, at any time, the Comptroller deems it appropriate in fulfilling the responsibilities placed upon him 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.

(3) Any time limitations imposed by this Order shall begin to run from the effective date of this Order. Such time limitations may be extended in writing by the Assistant Deputy Comptroller for good cause upon written application by the Board.

(4) 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 in writing by the Comptroller.

(5) In each instance in this Order in which the Board is required to ensure that certain actions are taken, and to ensure adherence to certain programs, policies, and procedures, it is intended to mean that the Board shall:

- (a) authorize and adopt such actions on behalf of the Bank as may be necessary for the Bank to perform its obligations and undertakings under the terms of this Agreement;

- (b) require Bank management to report on a timely basis on the results of such actions directed by the Board to be taken under the terms of this Agreement;
- (c) analyze the underlying reasons for any non-compliance with such actions in a timely and appropriate manner; and
- (d) initiate corrective action deemed appropriate for any non-compliance with such actions in a timely manner.

(6) This Order is intended to be, and shall be construed to be, a final order issued pursuant to 12 U.S.C. § 1818(b), and expressly does not form, and may not be construed to form, a contract binding on the Comptroller or the United States.

(7) The terms of this Order, including this paragraph, are not subject to amendment or modification by any extraneous expression, prior agreements or prior arrangements between the parties, whether oral or written.

IT IS SO ORDERED, this 22nd day of September, 2009.

Carolyn G. DuChene
Assistant Deputy Comptroller
Cleveland Field Office

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

In the Matter of:)
American National Bank)
Parma, Ohio)

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

The Comptroller of the Currency of the United States of America (“Comptroller”) is prepared to initiate cease and desist proceedings against American National Bank, Parma, Ohio (“Bank”) pursuant to 12 U.S.C. § 1818(b) for unsafe or unsound banking practices in the Bank’s mortgage servicing program.

The Bank, in the interest of compliance and cooperation, consents to the issuance of a Consent Order, dated September 22, 2009 (“Order”);

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

ARTICLE I

Jurisdiction

(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).

(4) This Order shall cause the Bank not to be designated as an “eligible bank” for purposes of 12 C.F.R. § 5.3(g), unless otherwise informed in writing by the Comptroller.

ARTICLE II

Agreement

(1) The Bank, without admitting or denying any wrongdoing, hereby consents and agrees to the issuance of the Order by the Comptroller.

(2) 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). Notwithstanding the absence of mutuality of obligation, or of consideration, or of a contract, the Comptroller may enforce any of the commitments or obligations herein undertaken by the Bank under his supervisory powers, including 12 U.S.C. § 1818(i), and not as a matter of contract law. The Bank expressly acknowledges that neither the Bank nor the Comptroller has any intention to enter into a contract.

(3) The Bank also expressly acknowledges that no officer or employee of the Comptroller has statutory or other authority to bind the United States, the U.S. Treasury Department, the Comptroller, or any other federal bank regulatory agency or entity, or any officer or employee of any of those entities to a contract affecting the Comptroller’s exercise of his supervisory responsibilities.

ARTICLE III

Waivers

- (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 a hearing and a final agency decision pursuant to 12 U.S.C. § 1818(i), 12 C.F.R. Part 19;
 - (d) all rights to seek any type of administrative or judicial review of the Order; and
 - (e) any and all rights to challenge or contest the validity of the Order.

ARTICLE IV

Other Action

(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, it deems it appropriate to do so to fulfill the responsibilities placed upon it by the several laws of the United States of America.

IN TESTIMONY WHEREOF, the undersigned, authorized by the Comptroller as his representative, has hereunto set her hand on behalf of the Comptroller.

/s/

Carolyn G. DuChene
Assistant Deputy Comptroller
Cleveland Field Office

9/22/09

Date

IN TESTIMONY WHEREOF, the undersigned, as the duly elected and acting Board of Directors of the Bank, have hereunto set their hands on behalf of the Bank.

/s/

Gust Gallucci

9/22/09

Date

/s/

Herman Kopf

9/22/09

Date

/s/

Thomas Ohradzansky

9/22/09

Date

/s/

Alvin Siegal

9/22/09

Date

/s/

George Szeretvai

9/22/09

Date
