

NOW, THEREFORE, on these premises, Jarrettsville hereby stipulates and agrees as follows:

1. Jurisdiction.

a. Jarrettsville is a “savings association” within the meaning of Section 3(b) of the FDIA, 12 U.S.C. § 1813(b), and Section 2(4) of the Home Owners’ Loan Act (HOLA), 12 U.S.C. § 1462(4). Accordingly, Jarrettsville is an “insured depository institution” as that term is defined in Section 3(c) of the FDIA, 12 U.S.C. § 1813(c).

b. Pursuant to Section 3(q) of the FDIA, 12 U.S.C. § 1813(q), the Director of the OTS is the “appropriate Federal Banking agency” with jurisdiction to maintain an administrative cease and desist proceeding against such a savings association.

Therefore, the Association is subject to the jurisdiction of the OTS to initiate and maintain a cease and desist proceeding against it pursuant to Section 8(b) of the FDIA, 12 U.S.C. § 1818(b). The Director of the OTS has delegated to the Regional Director of the Southeast Region of the OTS or his/her designee (Regional Director) the authority to issue cease and desist orders where an association has consented to the issuance of the order.

2. OTS Findings of Fact.

a. The OTS finds that the Association has engaged in certain unsafe and unsound practices and violated various laws and regulations to which the Association is subject, as outlined in detail in the OTS’s June 7, 2004 Report of Examination of Jarrettsville (2004 Examination). Such violations include violations of the Bank Secrecy Act (BSA),² Home Mortgage Disclosure Act (HMDA),³ and the Real Estate Settlement Procedures Act (RESPA).⁴

b. The Association was criticized for substantive violations of certain consumer laws and regulations in its immediately preceding OTS examination report, the January 8, 2001 Report of Compliance Examination (2001 Examination or Prior Examination). The Association also was instructed by the OTS to correct the violations and thereafter comply with such laws and regulations. The Board failed to

² 31 U.S.C. § 5311 et seq.

³ 12 U.S.C. § 2801 et seq.

⁴ 12 U.S.C. § 2601 et seq.

correct the identified problems and Jarrettsville engaged in additional violations of these consumer laws and regulations.

c. The Association was criticized in the Prior Examination for substantive violations of the BSA. The OTS determined that the Association's independent testing of its BSA Compliance Program was inadequate and that the Board failed to review the independent test results and adopt and implement appropriate corrective actions. The Association's BSA Compliance Program also failed to provide adequate policies and procedures to ensure the identification of structuring, suspicious transactions or other forms of money laundering. The Association's training of its employees was deficient and the training materials were outdated. The Board failed to take corrective action as mandated by the OTS and additional repetitive violations occurred, as detailed in the 2004 Examination.

d. The Association was criticized in the 2001 Examination for substantive violations of the HMDA and RESPA. Specifically, the OTS found numerous completion errors on the Association's Loan Application Register. Further, the OTS determined that the Association did not provide accurate HUD-1 settlement statements or Good Faith Estimates to borrowers. The Board was instructed to correct these violations and thereafter to comply with applicable HMDA and RESPA related laws and regulations. The Board failed to take corrective action as mandated by the OTS and additional repetitive violations occurred, as detailed in the 2004 Examination.

3. Consent.

Jarrettsville consents to the issuance by the OTS of the accompanying Consent Order to Cease and Desist for Affirmative Relief (Order). The Association further agrees to comply with the terms of the Order upon issuance and stipulates that the Order complies with all requirements of law.

4. Finality.

The Order is issued pursuant to Section 8(b) of the FDIA, 12 U.S.C. §§ 1818(b). Upon its issuance by the Regional Director it shall be a final order, effective and fully

enforceable by the OTS under the provisions of Section 8(i) of the FDIA, 12 U.S.C. § 1818(i).

5. Waivers.

Jarrettsville waives the following:

- a. the right to be served with a written notice of the OTS's charges against it as provided by Section 8(b) of the FDIA, 12 U.S.C. § 1818(b);
- b. the right to an administrative hearing of the OTS's charges against it as provided by Section 8(b) of the FDIA, 12 U.S.C. § 1818(b);
- c. the right to seek judicial review of the Order, including, without limitation, any such right provided by Section 8(h) of the FDIA, 12 U.S.C. § 1818(h), or otherwise to challenge the validity of the Order;
- d. any and all claims against the OTS, including its employees and agents, and any other governmental entity for the award of fees, costs or expenses related to this OTS enforcement matter and/or the Order, whether arising under common law, the Equal Access to Justice Act, 5 U.S.C. § 504, or 28 U.S.C. § 2412; and
- e. the right to assert this proceeding, its consent to the issuance of the Order or the issuance of the Order, as the basis for a claim of double jeopardy in any pending or future proceeding brought by the United States Department of Justice or any other governmental entity.

6. Other Governmental Actions Not Affected.

- a. Upon the OTS's issuance of the accompanying Order, following the OTS's acceptance of this Stipulation executed by Jarrettsville, the OTS does release and discharge Jarrettsville from all potential claims and charges that have been or might have been asserted by the OTS, based upon the alleged violations described in the Findings of Fact set forth in Paragraph 2 of this Stipulation, to the extent known to the OTS as of the effective date of the accompanying Order. However, the violations alleged above in Paragraph 2 of this Stipulation may be utilized by the OTS in future enforcement actions to establish a pattern or practice of violations or the continuation of a pattern or practice of violations. This release shall not preclude or affect any

right of the OTS to determine and ensure compliance with the terms and provisions of this Stipulation and the accompanying Order.

b. Jarrettsville acknowledges and agrees that its consent to the issuance of the accompanying Order is solely for the purpose of resolving certain potential OTS administrative charges as provided by Paragraph 6a above, and does not otherwise release, discharge, compromise, settle, dismiss, resolve, or in any way affect any actions, charges against, liability, or other administrative, civil, or criminal proceeding that may arise pursuant to this action or otherwise, and that may be or has been brought by the OTS or another governmental entity.

7. Reservation of Rights.

Jarrettsville acknowledges that the OTS reserves the right to bring such additional action(s), charge(s), or proceeding(s) arising from or related in any way to the Findings of Fact or any other matter, as the OTS deems appropriate, in its sole discretion.

8. Agreement for Continuing Cooperation.

Jarrettsville agrees that, on reasonable notice and without service of a subpoena, it will promptly respond to any written request from the OTS for documents that the OTS reasonably requests to demonstrate compliance with the Order. Jarrettsville agrees to cooperate with the OTS or any other federal agency in any review requested by the OTS or any other federal government agency, or in any investigation, litigation, or other proceeding relating to Jarrettsville, its subsidiaries, service corporations, or institution-affiliated parties.

9. Miscellaneous.

a. The construction and validity of this Stipulation and the Order shall be governed by the laws of the United States of America.

b. If any provision of this Stipulation or the Order is ruled to be invalid, illegal, or unenforceable by the decision of any Court of competent jurisdiction, the validity, legality, and enforceability of the remaining provisions hereof shall not in any way be

affected or impaired thereby, unless the Regional Director in his or her sole discretion determines otherwise.

c. All references to the OTS in this Stipulation and the Order shall also mean any of the OTS's predecessors, successors, and assigns.

d. The section and paragraph headings in this Stipulation and the Order are for convenience only, and such headings shall not affect the construction or interpretation of this Stipulation or the Order.

e. The terms of this Stipulation and the Order represent the final agreement of the parties with respect to the subject matters hereof and constitute the sole agreement of the parties with respect to such subject matters.

f. This Stipulation and the Order shall remain in effect until terminated, modified, or suspended in writing by the OTS, acting through its Director, Deputy Director, Regional Director, or other authorized representative.

10. Signature of Directors.

Each Director signing this Stipulation attests that he/she voted in favor of a resolution authorizing the execution of the Stipulation.

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WHEREFORE, Jarrettsville, by a majority of its directors, executes this Stipulation intending to be legally bound hereby.

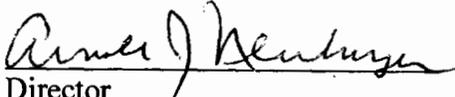
JARRETTSVILLE FS&LA
Accepted by a majority of its directors:

By: 
Director

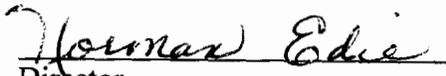

Director


Director

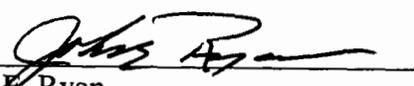

Director


Director


Director


Director

OFFICE OF THRIFT SUPERVISION


John E. Ryan
Regional Director

Dated: 11/15/04

UNITED STATES OF AMERICA
Before The
OFFICE OF THRIFT SUPERVISION

_____))
In the Matter of))
))
JARRETTSVILLE FEDERAL))
SAVINGS AND LOAN ASSOCIATION))
Jarrettsville, Maryland))
))
OTS Docket No.: 06351))
_____))

Order No.: ATL-2004-32
Date: November 15, 2004

CONSENT ORDER TO CEASE AND DESIST FOR AFFIRMATIVE RELIEF

WHEREAS, Jarrettsville Federal Savings and Loan Association, Jarrettsville, Maryland, OTS Docket No. 06351 (Jarrettsville or Association) by and through its Board of Directors (Board), has executed a Stipulation and Consent to the Issuance of an Order to Cease and Desist for Affirmative Relief (Stipulation); and

WHEREAS, Jarrettsville, by executing the Stipulation, has consented and agreed to the issuance of this Consent Order to Cease and Desist for Affirmative Relief (Order) by the Office of Thrift Supervision (OTS), pursuant to Section 8(b) of the Federal Deposit Insurance Act (FDIA), 12 U.S.C. § 1818(b)¹; and

WHEREAS, the Director of the OTS has delegated to the Regional Directors of the OTS the authority to issue consent orders on behalf of the OTS pursuant to provisions of Section 8 of the FDIA, 12 U.S.C. § 1818.

NOW, THEREFORE, IT IS ORDERED THAT:

¹ All references to the United States Code (U.S.C.) are as amended.

Order to Cease and Desist

1. The Association and its directors, officers, employees, and agents shall cease and desist from any action (alone or with another or others) for or toward causing, bringing about, participating in, counseling or the aiding and abetting of any violation of:
 - a. the Currency and Foreign Transactions Reporting Act, as amended by the USA PATRIOT Act and other laws (the Bank Secrecy Act or BSA), 31 U.S.C. §§ 5311 et seq., and the related BSA regulations issued by the U. S. Department of the Treasury, 31 C.F.R. §§ 103.11 et seq., and the OTS, 12 C.F.R. § 563.177 (collectively with the aforementioned laws and regulations, the BSA Laws and Regulations);
 - b. the Home Mortgage Disclosure Act, 12 U.S.C. § 2801 et seq. (HMDA), and the regulations set forth at 12 C.F.R. Part 203 (Regulation C);
 - c. the Real Estate Settlement Procedures Act, 12 U.S.C. § 2601 et seq. (RESPA), and the regulations set forth at 24 C.F.R. Part 3500 (Regulation X);
 - d. the Equal Credit Opportunity Act (ECOA), 15 U.S.C. § 1691 et seq. (ECOA), and the regulations set forth at 12 C.F.R. Part 202 (Regulation B); and
 - e. the regulations governing loans to officers, directors and principal shareholders set forth in 12 C.F.R Part 215 and 12 C.F.R. § 563.43.

Effective Anti-Money Laundering/BSA Compliance Program

2. Within thirty (30) days after the Effective Date of this Order, the Board shall review and amend the Association's BSA policies and procedures (BSA Policy) to:
 - a. designate a member of Senior Management² to serve as the BSA Officer and actively manage, coordinate and monitor the Association's day-to-day compliance with the BSA Laws and Regulations and the Association's BSA Compliance Program;

² The term Senior Management shall be deemed, for purposes of this Order, to mean any individual who meets the definition of Executive Officer as defined in Regulation O at 12 C.F.R. § 215.2(e).

- b. establish procedures to ensure that known or suspected criminal activity against or involving the Association, including transactions that are or appear to be structured to evade or circumvent the BSA requirements, are timely detected and reported, in an accurate and complete manner, to law enforcement and supervisory authorities by the filing of a Suspicious Activity Report (SAR), as required by the suspicious activity reporting provisions of 12 C.F.R. § 563.180(d) and 31 C.F.R. § 103.18 (collectively the SAR Regulations);
 - c. adopt such procedures as are necessary to ensure the accurate completion of Currency Transaction Reports (CTRs) filed by the Association; and
 - d. require a log documenting compliance with FinCEN Section 314a, 31 C.F.R. § 103.18, requests by noting the date of the request, the control number of the request, date that the search was initiated, the date that the search was completed, and the number of responsive hits.
3. Within sixty (60) days after the Effective Date of this Order, the Board shall amend the Association's BSA Policy to require annual independent testing of the Association's BSA Compliance Program (BSA Program) by a qualified, independent outside third party with knowledge of the BSA Laws and Regulations and experience in compliance with the requirements imposed by such laws and regulations. The BSA Policy shall require the independent test to be completed within ninety (90) days after each fiscal year end. The independent test shall comprehensively review the Association's BSA risk-assessment; the Association's internal controls for preventing money laundering and terrorism financing; and the Association's compliance with BSA Laws and Regulations. The Board shall ensure that the scope of the test considers and incorporates, as appropriate for the size and complexity of the Association, the examination procedures established by the OTS in Section 400 of the Compliance Activities Handbook and the BSA checklist contained in the OTS Compliance Self-Assessment Guide. Each independent test shall, at a minimum, include:
- a. a review of the Association's policies and procedures regarding compliance with the BSA; Office of Foreign Assets Control (OFAC) required checks, 31 C.F.R. Part 500; Customer Identification Program (CIP), 12 C.F.R. § 563.177(b)(2) and 31 C.F.R. §

103.121; and Suspicious Activity Report (SAR) filings, 12 C.F.R. § 563.180(d) and 31 C.F.R. § 103.18 (collectively, the SAR Regulations), to determine that such policies and procedures are in compliance with applicable laws and regulations, including any changes to such laws and regulations;

- b. a test of the Association's internal control procedures for monitoring compliance with the BSA, OFAC, CIP, and SAR Policies, including interviews of employees involved in or responsible for the Association's compliance, and their supervisors;
- c. a review of the Association's CTR filings for accuracy and completeness;
- d. a test and confirmation of the integrity and accuracy of the systems for the reporting of large currency transactions, including a review of the reasonableness of the amount designated by the Association as a "large transaction" for inclusion on the report;
- e. a review of the Association's large currency transactions report and the Association's analysis of large currency transactions and determinations regarding the filing of any SARs;
- f. a review of all SARs filed by the Association to evaluate their accuracy and completeness;
- g. a determination of whether the Association has any customers exempt from CTR filings, a review of the exempt customer list to confirm that the Association is maintaining the required list, a test of the validity and reasonableness of the CTR filing exemptions granted by the Association, verification that the Association is performing an annual review of each exempt customer to determine their continued qualification for an exemption, and confirmation that required procedures to re-designate or, if appropriate, remove customers from the exempt list are being followed;

- h. a test confirming the integrity and accuracy of the Association's recordkeeping system to ensure that all required records are being created and retained by the Association in accordance with all applicable record retention requirements;
- i. a review of the Association's most recent examination report and the results of the immediately preceding BSA Program independent test and verification of Board review and the adoption and implementation of adequate and appropriate corrective action;
- j. a test of the Association's policies and procedures regarding the designation, identification and monitoring of high risk accounts for possible money laundering or other suspicious activity for which a SAR must be filed;
- k. a review of the Association's policies and procedures for receiving and responding to requests from the Financial Crimes Enforcement Network (FinCEN), made pursuant to Section 314(a) of the USA PATRIOT Act and 31 C.F.R. § 103.100, which shall require, at a minimum, maintenance of a log that lists each Section 314(a) request received by the Association, logged in by the FinCEN assigned control number, the date the request was received, the date that the Association's review was completed, the number of hits found, and, if applicable, the date the Association responded to FinCEN;
- l. a test of the Association's CIP and requirements to determine the effectiveness in complying with the Association's customer information policies and applicable legal and regulatory requirements;
- m. a review of the Association's due diligence procedures for correspondent accounts;
- n. a review of tellers' work forms and CTR forms;

- o. a determination that the Association has procedures in place for maintaining required information on customers purchasing monetary instruments for cash amounts between \$3,000 and \$10,000 and that appropriate identification measures are in place;
 - p. a determination that the Association is conducting an ongoing annual training program for its employees and verification that the Association is maintaining records of such training;
 - q. a determination that the Association is monitoring cash shipments to and from the Federal Reserve Bank or its correspondent bank; and
 - r. a determination that the Association is retaining all workpapers generated by or in connection with each independent test of the Association's BSA Program, the results and findings of each independent test, and the Board meeting minutes reflecting the Board's review of the independent test results and any required corrective action(s) adopted by the Board.
4. Within thirty (30) days after the Effective Date of this Order, the Board shall engage a qualified independent outside third party to conduct an independent test of the Association's BSA Program, including the Association's compliance with the BSA Laws and Regulations. The independent test shall comply with the requirements set forth in Paragraph 3 above and shall be completed within ninety (90) days after the Effective Date of this Order.
5. The final findings of each annual independent test conducted pursuant to Paragraph 3 above shall be promptly reported to and reviewed by the Board at the next regularly scheduled Board meeting following completion of the independent test. The Board shall ensure that its discussions of the testing results, including any actions taken or required by the Board, are thoroughly and accurately documented in the Board meeting minutes. The Association shall retain all workpapers generated by or in connection with the independent testing of the Association's BSA Program and compliance.

BSA/SAR Training

6. Within sixty (60) days after the Effective Date of this Order, Jarrettsville's Board shall develop, implement, and thereafter ensure the Association's adherence to a comprehensive training program for all appropriate operational and supervisory personnel to ensure their awareness of their responsibility for compliance with the requirements of: (i) the BSA Laws and Regulations; and (ii) the SAR Regulations (BSA Training Program).

7. The BSA Training Program should include strategies for mandatory attendance, the frequency of training, procedures and timing for updating training programs and materials including a thorough review of previously identified violations and deficiencies and the method for delivering training. The Association shall maintain documentation of all BSA training attended by its employees.

Customer Identification Program

8. The Board shall amend the Association's Customer Identification Program (CIP) to ensure that it:
 - a. contains specific requirements and procedures governing the origination and establishment of new accounts;
 - b. establishes guidelines to be followed for verifying a customer's identity;
 - c. requires verification of the identity of loan applicants;
 - d. requires Association employees to fully and accurately complete the Association's CIP worksheet; and
 - e. provides for the required customer notification to be placed at each location where loan applications are accepted.

Home Mortgage Disclosure Act

9. The Board shall require the immediate correction of all loan application register (LAR) errors identified in the Association's 2004 Examination and shall ensure that all other HMDA and

LAR-related items of concern as noted in the 2004 Examination are fully addressed and resolved. The Board shall require, within sixty (60) days after the Effective Date of this Order, that Management prepare and submit to the Board a report identifying all loans with HMDA deficiencies or otherwise not in compliance with HMDA's requirements, including those loan applications that should have been included on the Association's LAR but were omitted. The report to the Board shall specify the corrective actions taken by Management to correct all HMDA deficiencies identified by Management. The Board shall review Management's report and adopt such additional corrective actions as are necessary to address and resolve the deficiencies. The Board shall require Management to implement any corrective actions adopted by the Board and to provide the Board with documentation demonstrating that corrective action has been taken and that all deficiencies, including those discovered by Management and those noted in the 2004 Examination, have been corrected.

10. Within sixty (60) days after the Effective Date of this Order, the Board shall review and amend the Association's policy regarding compliance with the HMDA and Regulation C (the HMDA Policy) to ensure that the Association complies with the HMDA and Regulation C. The Association's revised HMDA Policy shall, at a minimum:
 - a. designate an individual who shall be responsible for ensuring the accurate collection and recordation of all data and information required to be collected and maintained on the Association's LAR by the provisions of the HMDA and Section 203.4 of Regulation C (HMDA Officer);
 - b. require periodic reviews of the Association's HMDA compliance by comparing entries on the LAR to a sample of loan files; and
 - c. provide for the use of a HMDA summary sheet for each loan application file that identifies all information required to be entered and maintained on the Association's LAR to ensure accurate and timely entry of such data on the LAR.

Real Estate Settlement Procedures Act

11. Within sixty (60) days after the Effective Date of this Order, the Board shall review and amend the Association's written policies and procedures regarding compliance with the

RESPA and Regulation X (the RESPA Policy) to ensure that the Association complies with RESPA and 24 C.F.R. Part 3500. The RESPA Policy shall designate a member of Management who shall be responsible for ensuring the Association's day-to-day compliance with its RESPA Policy, the RESPA, and 12 C.F.R. Part 3500 (RESPA Officer). The RESPA Policy shall, at a minimum:

- a. require additional training of lending staff on the technical requirements of Regulation X;
- b. provide for additional internal review and controls, including the establishment of a formal regulatory review of all required disclosures, to ensure that RESPA compliance is achieved; and
- c. require that a quarterly review be conducted of a sample of loans to assess the Association's compliance with its RESPA Policy, the RESPA, and Regulation X.

Advertising

12. Within thirty (30) days after the Effective Date of this Order, the Board shall adopt such policies and procedures as are necessary to ensure that the Association's advertisements, including its web site, are in compliance with applicable law and regulation. The policies and procedures shall provide for a formal review process whereby the Association's compliance officer reviews the Association's advertisements and web site for compliance with all applicable laws and regulations.

13 Within sixty (60) days after the Effective Date of this Order, the Board and Management shall have corrected each of the advertising deficiencies noted by the OTS in the Association's 2004 Examination.

Loans to Insiders

14. Within thirty (30) days after the Effective Date of this Order, the Board shall draft, adopt and require Management to implement a policy governing the payment of overdrafts of officers,

directors, employees and principal shareholders of the Association (Overdraft Policy). The Overdraft Policy shall comply with the requirements of 12 C.F.R. Part 215.

15. The Board shall require Management to prepare a quarterly report detailing all overdrafts of officers, directors and principal shareholders to ensure compliance with the Association's Overdraft Policy. The Board's review, including any required corrective action, shall be documented in the appropriate Board meeting minutes.

Board Compliance Committee

16. Within thirty (30) days after the Effective Date of this Order, the Board shall appoint a committee (the Regulatory Compliance Committee) comprising three or more Directors, the majority of whom shall be independent of Management, to monitor and coordinate the Association's compliance with the provisions of this Order.
17. By December 31, 2004, and thereafter within thirty (30) days after the end of each calendar quarter, the Regulatory Compliance Committee shall submit a written progress report to the Board detailing the actions taken to comply with each provision of this Order and the results of those actions (Regulatory Compliance Report).
18. By January 30, 2005, and thereafter within sixty (60) days after the end of each calendar quarter, the Board shall submit to the Regional Director: (i) a copy of the Regulatory Compliance Report required by Paragraph 17 above, with any additional comments made by the Board, to the Regional Director; and (ii) a written certification that each Director has reviewed the Regulatory Compliance Report.

Definitions

19. All technical words or terms used in this Order for which meanings are not specified or otherwise provided by the provisions of this Order shall, insofar as applicable, have meanings as defined in Chapter V of Title 12 of the Code of Federal Regulations, the Home

Owners' Loan Act (HOLA), the FDIA, OTS Memoranda or other published OTS guidance. Any such technical words or terms used in this Order and undefined in said Code of Federal Regulations, the HOLA, the FDIA, or OTS Memoranda/guidance shall have meanings that are in accordance with the best custom and usage in the savings and loan industry.

Successor Statutes, Regulations, Guidance, Amendments

20. Reference in this Order to provisions of statutes, regulations, OTS Memoranda, and other published regulatory guidance shall be deemed to include references to all amendments to such provisions as have been made as of the Effective Date and references to successor provisions as they become applicable.

No Violations Authorized; OTS Not Restricted

21. Nothing in this Order or the Stipulation shall be construed as: (a) allowing the Association to violate any law, rule, regulation, or policy statement to which it is subject, or (b) restricting or estopping the OTS from taking any action(s) that it believes are appropriate in fulfilling the responsibilities placed upon it by law including, without limitation, any type of supervisory, enforcement or other action that the OTS determines to be appropriate, arising out of matters described in the 2004 Examination, or based on other matters.

Time Limits; Effect of Headings; Separability Clause; Stipulation Incorporated

22. Time limitations for compliance with the terms of this Order run from the Effective Date, unless otherwise noted.

23. The section and paragraph headings herein are for convenience only and shall not affect the construction hereof.

24. In case any provision in this Order is ruled to be invalid, illegal or unenforceable by the decision of any court of competent jurisdiction, the validity, legality and enforceability of the

