

UNITED STATES OF AMERICA  
Before the  
OFFICE OF THRIFT SUPERVISION

\_\_\_\_\_  
In the Matter of )  
 )  
First Federal Savings Bank )  
of Dover )  
Dover, Ohio )  
OTS NO. 04088 )  
\_\_\_\_\_

Resolution No.: CIN 93-5  
Dated: April 14, 1993

STIPULATION AND CONSENT TO THE ENTRY OF A  
CEASE AND DESIST ORDER

The Office of Thrift Supervision ("OTS") by and through its Regional Director for the Central Region of OTS and First Federal Savings Bank of Dover, Dover, Ohio ("First"), stipulate and agree as follows:

1. Consideration. The OTS, based upon information reported to it, is of the opinion that grounds exist to initiate an administrative cease and desist proceeding against First pursuant to §8(b) of the the Federal Deposit Insurance Act ("FDIA"), 12 U.S.C. §1818(b), specifically, First failed to comply with a Supervisory Agreement entered into with OTS on May 8, 1992 and engaged in repeat violations of statutes and regulations governing compliance issues. First desires to cooperate with the OTS and to avoid the time and expense of such administrative litigation and, without admitting or denying that such grounds exist, hereby stipulates and agrees to the following terms in consideration of the forbearance by the OTS from initiating such administrative cease and desist litigation against First with respect to the matters covered in the accompanying Order to Cease and Desist ("Order").

2. Jurisdiction.

(a) First is a "savings association" within the meaning of §3 of

the FDIA and §2 of the Home Owners' Loan Act. Accordingly, it is an "insured depository institution" as that term is defined in §3(c) of the FDIA, 12 U.S.C. § 1813(c).

(b) Pursuant to §3 of the FDIA, 12 U.S.C. §1813, the OTS is the "appropriate Federal Banking agency" to maintain an enforcement proceeding against such a savings association. Therefore, First is subject to the authority of OTS to initiate and maintain a cease and desist proceeding against it pursuant to §8(b) of the FDIA, 12 U.S.C. §1818(b).

3. Consent. First consents to the issuance by the OTS of the Order. It further agrees to comply with the terms of the Order upon its issuance and stipulates that the Order complies with all requirements of law.

4. Finality. The Order is issued under §8(b) of the FDIA, 12 U.S.C. §1818(b). Upon issuance by the Regional Director for the Central Region, OTS, it shall be a final Order, effective and fully enforceable by the OTS under the provisions of §8(i) of the FDIA, 12 U.S.C. §1818(i).

5. Waivers. First waives its right to a notice of charges and the administrative hearing provided by §8(b) of the FDIA, 12 U.S.C. §1818(b) (Supp. I 1989), and further waives any right to seek judicial review of the Order, including any such right provided §8(h) of the FDIA, 12 U.S.C. §1818(h), or otherwise to challenge the validity of the Order.

6. Pre-existing Supervisory Agreement. The requirements of the Supervisory Agreement between First and OTS entered into on May 8, 1992 ("Agreement") are incorporated in this Order, so as to alleviate any confusion that might arise if First is simultaneously operating under an Order to Cease and Desist and a similar Supervisory Agreement. Upon issuance of this Order, the pre-existing Agreement will be released. This release shall not be interpreted as fulfillment of its obligations under the Agreement by First.

WHEREFORE, in consideration of the foregoing, the OTS, by and through its Regional Director for the Central Regional Office, OTS, and First by a majority of its directors, execute this Stipulation and Consent to Entry of a Cease and Desist Order.

**OFFICE OF THRIFT SUPERVISION**

First Federal Savings Bank of Dover  
Dover, Ohio  
by a majority of its directors

/S/  
\_\_\_\_\_  
Ronald W. Karr  
Regional Director  
Central Region  
Office of Thrift Supervision

By: \_\_\_\_\_ /S/  
Director

By: \_\_\_\_\_ /S/  
Director

By: \_\_\_\_\_ /S/  
Director

By: \_\_\_\_\_ /S/  
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ORDER TO CEASE AND DESIST

WHEREAS, First Federal Savings Bank of Dover, Dover, Ohio ("First" or "Institution") through its board of directors "(Board)", has executed a Stipulation and Consent to Entry of a Cease and Desist Order ("Stipulation") which is incorporated herein by reference and is accepted and approved by the Office of Thrift Supervision ("OTS") acting through its Regional Director for the Central Region; and

WHEREAS, First in the Stipulation, has consented and agreed to the issuance of this Order to Cease and Desist ("Order") pursuant to §8(b) of the Federal Deposit Insurance Act, 12 U.S.C. §1818(b) (Supp. I 1989).

NOW THEREFORE, IT IS ORDERED that First and its directors, officers, employees, agents, and service corporations shall cease and desist from any action (alone or with another or others) or participation in, counseling or the aiding and abetting of any violation of 12 C.F.R. Sections 202.9, 202.12, 205.9, 226.4, 226.17, 226.18, 226.22, 528.2a, 528.4, 528.6, 535.3, 563.8, 563.27, 563.99, 563.177, 563e.4, 563e.5, 563e.6, 568.3, 568.4, 3500.7, 3500.8, 31 C.F.R. Sections 103.27, 103.28, and 103.29.

IT IS FURTHER ORDERED THAT:

DIRECTORATE AND MANAGEMENT

1. The Board shall seek a minimum of three new directors, either as replacement for current directors, board expansion or a combination of both; one new director shall take office before July 14, 1993. The Board shall seek strong and qualified leadership for the Institution, and shall consider requesting resignation of current directors who do not meet Dover's standards of fiduciary responsibility. The Board shall submit to the OTS the names and qualifications of the candidates for positions on the Board and shall not appoint any candidate to the Board without the prior approval of the OTS. Candidates shall possess areas of expertise and leadership capabilities that would be advantageous to the Institution. Candidates with experience in areas of business the same as or related to that of the Institution are considered advantageous to the Institution. The Board shall submit monthly progress reports on that search to the Assistant Director. Such monthly reports should identify all candidates considered, note all contacts with those candidates and reflect all offers of a position on the Board.

2. Within 60 days of the effective date of this Order, the Board shall submit to the Assistant Director a comprehensive plan which assesses the management structure and delegation of management responsibilities at the Institution ("Plan"). The assessment shall be performed with the assistance of an independent consultant or agency. The Plan shall include an organizational chart which delineates clear lines of functional responsibility and authority, and detailed job descriptions and position

qualifications. The Plan shall evaluate the staffing and training needs, particularly in the areas of internal control, accounting and lending. The Plan shall include the hiring of an additional middle management employee with financial institution experience. Upon approval by the Board and OTS, the Plan shall be implemented. Written reports shall be provided to the Assistant Director monthly respecting progress in filling positions created by the Plan for the first time, until all such positions are filled. Any material amendments or modifications to the Plan shall receive the prior written approval of the OTS.

3. Within 30 days of the effective date of this Order, the Board shall hire a compliance officer possessing sufficient knowledge and work experience to develop and implement written Compliance and Community Reinvestment Act ("CRA") programs for the Institution. Such programs shall, at a minimum, consist of written policies and procedures, and provide adequate employee training that will ensure improved regulatory compliance. In addition, the programs shall include a written self-assessment procedure describing how compliance and CRA performance will be periodically evaluated by management and the Board.

#### LENDING POLICIES AND PROCEDURES

4. Within 60 days of the effective date of this Order, First shall establish detailed written procedures to provide that disclosures required by Regulation Z, 12 C.F.R. Part 226, are provided to all applicants within the prescribed time period. These written procedures shall provide for the disclosure of credit life and/or disability insurance premium as required by Regulation Z. In addition, these written procedures shall provide for proper disclosures of estimated items involved in combination construction/

permanent loans and for disclosure of monthly payments of interest during the construction period in the payment schedule.

5. Within 60 days of the effective date of this Order, First shall provide for appropriate restitution to all mortgage loan accounts for which the finance charge and Annual Percentage Rate were understated due to the incorrect disclosure of credit life and/or disability insurance premiums. All calculations for the restitution shall be performed in accordance with The Interagency Policy Guide For Restitution contained in Section 310 of the OTS Compliance Activities.

6. Within 60 days of the effective date of this Order, First shall establish detailed written procedures to provide for compliance with the OTS Mortgage Regulation, 12 C.F.R. §563.99. These procedures shall provide procedures for making proper disclosures to all applicants for adjustable rate mortgage ("ARM") loans. In addition, within the same time period, First shall revise its loan program disclosures for ARM loans so that the loan example: (a) accurately displays the history of the index used by First; (b) is based on the index in effect on the listed date; and (c) meets all other requirements of in 12 C.F.R. §563.99.

7. Within 60 days of the effective date of this Order, First shall revise its mortgage and consumer loan underwriting standards to clearly state the requirements for all types of loans available as required by 12 C.F.R. §528.2a. The revised standards shall provide for nondiscriminatory lending on an equal opportunity basis.

8. Within 60 days of the effective date of this Order, First shall establish detailed written procedures that require staff to complete all of the data required for monitoring purposes pursuant to 12 C.F.R. §528.6.

9. Within 60 days of the effective date of this Order, First shall develop detailed written procedures that will provide that adverse action notices are sent to all applicants, as required by the Equal Credit Opportunity Credit Act, 15 U.S.C. §1601 et seq, and 12 C.F.R. Part 202.

10. Within 60 days of the effective date of this Order, First shall establish detailed written procedures for properly disclosing pro-rated property taxes paid at closing by the borrower on the HUD-1 Settlement Statement, as required by 24 C.F.R. §3500.8(b) and shall provide Good Faith Estimates as required by 24 C.F.R. §3500.7.

11. Within 30 days of the effective date of this Order, First shall develop detailed written procedures specifying the circumstances in which its lending staff will be required to furnish the necessary cosigner disclosure notice prior to obligating the cosigner. The timing and content of the notice shall be in accordance with 12 C.F.R. §535.3.

#### OTHER POLICIES AND PROCEDURES

12. Within 60 days of the effective date of this Order, First shall revise its written policies under the Bank Secrecy Act ("BSA"), 31 U.S.C. 5311, and 31 C.F.R. Part 103 and 12 C.F.R. §563.177 to prohibit the use of Social Security cards as identification for BSA purposes. First shall implement the training and internal review requirements of its BSA policy by (a) conducting training sessions within 90 days of the issuance of this Order; (b) reviewing Currency Transaction Reports for completeness and accuracy before filing; (c) reviewing the accuracy of the Monetary Sales Log; and (d) documenting of all BSA training.

13. Within 30 days of the effective date of this Order, First shall revise its written Bank Protection Act Program ("BPA Program"). The revised

Program shall meet all requirements of 12 C.F.R. §568.3, and shall specify the methods that will be used to assist in the identification of persons that commit crimes against the bank and establish a method of preserving the evidence to aid in the prosecution of those persons involved in the crime. Immediately after revision of the BPA Program, the Board approved Security Officer shall prepare a review of the revised BPA Program and present the results of this review to the Board at the next regular Board meeting, and at least annually thereafter as specified in 12 C.F.R. §568.4.

14. Within 60 days of the effective date of this Order, First shall develop detailed written procedures for determining that First has only issued interest-bearing Negotiable Order of Withdrawal ("NOW"), or similar transaction based deposit accounts to eligible entities specified in 12 C.F.R. §§563.8 and 561.29, and 12 U.S.C. §1832.

15. First shall not use inaccurate and/or misleading advertisements, and shall establish written procedures that will provide for all print advertisements to contain the equal housing logotype or legend as required by 12 C.F.R. §528.4. No future advertisements shall make a representation that is inaccurate or misrepresents the institution's services, contracts, investments, or financial condition as required in 12 C.F.R. §563.27.

16. Within 60 days of the effective date of this Order, First shall establish detailed written procedures that will provide electronic funds transfer account holders the necessary periodic account statements that comply with requirements of the Electronic Funds Transfer Act 15 U.S.C. §1601 et seq., and 12 C.F.R. Part 205.

COMMUNITY REINVESTMENT ACT

17. Within 90 days of the effective date of this Order, First shall establish a CRA program which addresses on-going ascertainment of community credit needs, marketing, community development and periodic review of the geographic distribution of loan applications, denials and extensions of credit throughout First's lending community, and preparing a demographic analysis of the Institution's delineated community which shall include, but not be limited to, information on low and moderate income areas within First's community, income levels of applicants and other demographic information pertaining to the community.

18. Within 30 days of the effective date of this Order, First shall revise its CRA Notice attached to its CRA Statement to include the necessary text pertaining to the availability of the CRA Performance Evaluation as specified in 12 C.F.R. §563e.6.

19. Within 90 days of the effective date of this Order, First shall revise its CRA Statement to include an accurate listing of all types of credit available, as required pursuant to 12 C.F.R. §563e.4. Additionally, First shall revise its CRA public file to include copies of all CRA Statements in effect for the previous two years as specified in 12 C.F.R. §563e.5.

PROGRESS REPORTS

20. The Board shall provide monthly reports to the Assistant Director concerning the actions taken with respect to items 1 through 19 above.

CLOSINGS

21. (a) Any policies and procedures required by this Order shall be implemented by First, its directors, officers, employees, agents and service corporations.

(b) Although the Board is by this Order required to submit certain proposed actions and programs for the review or approval of the OTS, the Board has the ultimate responsibility for proper and sound management of the Institution. In exercising and fulfilling its fiduciary duties, the Board may consider the reports of management, counsel, and other agents and consultants of the Board. Nothing contained herein shall require the Board or any member or agent thereof to take any action or omit to take any action inconsistent with his or her fiduciary duties.

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

(d) Any time limitations imposed by this Order shall begin to run from the date of issuance of this Order, unless otherwise noted herein. Such time limitations may be extended by the Regional Deputy Director or his/her designee for good cause upon written application by the Board.

(e) All technical words or terms used in this Order, for which meanings are not specified or otherwise provided by the provision of this Order, shall, insofar as applicable, have meanings as defined in the rules and regulations adopted by the OTS (including, without limitation, Chapter V of Title 12 Code of Federal Regulation). Any such technical words or terms used in this Order and undefined in said rules and regulations shall have meanings that accord with the best custom and usage in the thrift industry.

(f) The terms and provisions of this Order shall be binding upon, and inure to the benefit of, the parties hereto and their successors in interest.

(g) It is understood that the execution of this Order shall not be construed as an approval of any application or notices that are contemplated by the Institution.

(h) Any report or other document required by this Order to be submitted to the OTS shall be filed with the Office of Thrift Supervision, 8260 NorthCreek Dr., Suite 200, Cincinnati, Ohio 45236, Attn: Assistant Director. All reports and other documents shall be deemed filed when received by the OTS.

(i) In the event any provision of this Order shall be declared invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

(j) The section headings used in this Order are for convenience of reference only and are not to affect the construction of or be taken into consideration in the interpretation of this Order.

(k) This Order shall remain in effect until terminated, modified, or suspended by the OTS, acting through the Regional Director or his designee.

**IT IS SO ORDERED**, this 14th day of April 1993.

THE OFFICE OF THRIFT SUPERVISION

/S/

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Ronald N. Karr  
Regional Director  
Central Region