

UNITED STATES OF AMERICA
Before the
OFFICE OF THRIFT SUPERVISION
OF THE
DEPARTMENT OF THE TREASURY

_____)	
In the Matter of)	
)	
PENN FEDERAL SAVINGS)	Resolution No. NE92-023
BANK, Newark, NJ)	March 16, 1992
_____)	

STIPULATION AND CONSENT TO ISSUANCE
OF ORDER TO CEASE AND DESIST

The Office of Thrift Supervision ("OTS"), by and through its Regional Director, the Board of Directors ("Board") of Penn Federal Savings Bank, of Newark, New Jersey ("Penn Federal") and the individual members of the Board, stipulate and agree as follows:

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 the Board and its individual members pursuant to Section 8(b) of the Federal Deposit Insurance Act ("FDIA"), as amended by the Financial Institutions Reform, Recovery and Enforcement Act of 1989 ("FIRREA"), 12 U.S.C. § 1818(b). The Board and its individual members desire 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 stipulate and agree to the following terms in consideration of the forbearance by the OTS from initiating

WHEREAS, after investigation, the Office of Thrift Supervision ("OTS") is of the opinion that violations of regulations or laws and/or breaches of fiduciary duties in the conduct of the affairs of Penn Federal have occurred by virtue of (i) the failure of the former Boards of Directors of Penn Federal ("Board") properly to monitor contracts and transactions entered into by Penn Federal with Blasi and ICI at a time when Blasi was an institution-affiliated party of Penn Federal; (ii) the failure of the former Boards to adopt and maintain proper policies and procedures for the making and purchasing of loans and the underwriting of such loans; and (iii) the failure of the former Boards to ensure that Penn Federal complied with directives of the OTS Supervisory Agent; and

WHEREAS, the management of Penn Federal has changed and the Board has taken constructive actions to correct the problems and concerns raised above; and

WHEREAS, the present Board and its individual members, without admitting or denying the opinions of OTS, have knowingly, voluntarily and after consultation with counsel, agreed to the entry of this Order and to abide by the terms thereof, which consent is set forth in the Stipulation and Consent to Issuance of Order to Cease and Desist, of even date herewith; and

WHEREAS, in the interest of regulatory compliance and cooperation, Penn Federal and the members of the present

Board have executed a consent to this Order to Cease and Desist, which is accepted and approved by OTS.

NOW, THEREFORE, it is DETERMINED and ORDERED that:

1. The Board has taken actions to ensure and shall continue to ensure that Penn Federal complies fully with any and all existing directives issued by OTS.

2. The Board has implemented and shall continue to implement and maintain policies and procedures for the purchase of home improvement loans, second mortgage loans, or similar types of loans, from brokers and companies outside the institution.

3. The Board has implemented and shall continue to implement and maintain policies and procedures for the underwriting by Penn Federal of any and all home improvement loans, second mortgage loans and similar types of loans, purchased by Penn Federal from brokers and companies outside the institution.

4. The Board has implemented and shall continue to implement and maintain policies and procedures, including a conflict of interest policy and lending policies, for limiting and controlling transactions involving institution-affiliated parties.

5. The Board shall take such actions as are necessary to ensure that Penn Federal has not improperly or inaccurately charged or reported interest paid by borrowers on loans held and serviced by Penn Federal, including in particular, borrowers on loans purchased from Blasì and ICI,

and if it is determined that Penn Federal has improperly or inaccurately charged or reported interest paid by any such borrowers, the Board shall inform the Regional Director and agrees to cause Penn Federal to provide such notice and to take such actions as may be determined by the Regional Director to be appropriate.

6. 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 the rules and regulations adopted by the OTS. 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.

8. Penn Federal shall, upon request, furnish the Regional Director with such written reports that, in his or her discretion, are necessary to assure him or her of Penn Federal's compliance with the provisions of this Order.

9. This Order shall remain in effect until terminated by the OTS, acting through its Regional Director. The Regional Director may grant a written request for termination of the Order if, in his or her sole discretion, Penn Federal has satisfactorily complied with the provisions of this Order.

10. Notwithstanding any other provisions of this Order, the Board of Directors of Penn Federal shall at all times continue to have the ultimate responsibility for the safe and

sound management and operation of Penn Federal.

12. The Board of Directors of Penn Federal shall take appropriate action to ensure compliance by Penn Federal and each of its subsidiaries with the provisions of this Order.

/S/

ANGELO VIGNA
Regional Director
Northeast Region
Office of Thrift Supervision

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WHEREAS, Penn Federal is a "savings association" as defined by the Home Owners' Loan Act ("HOLA"), Sections 2(4) and 10(b) and the Federal Deposit Insurance Act ("FDIA"), Section 3(b), as amended by FIRREA, 12 U.S.C. §§ 1462(4), 1467a(a)(1)(A) and 1813(b), respectively, and is an "insured depository institution" as defined by FDIA Section 3(c), as amended by FIRREA, 12 U.S.C. §1813(c), and prior to enactment of FIRREA on August 9, 1989, Penn Federal was an insured institution as defined by the National Housing Act ("NHA"), Section 408(a), formerly 12 U.S.C. § 1730a(a), whose accounts were insured by the FSLIC.

WHEREAS, Between 1983 and 1990, Nicholas R. Blasi ("Blasi") was a member of the Board. Throughout that period, Blasi was also the president, director and sole owner of a mortgage lending business known as ICI Mortgage Corporation ("ICI") which originated and serviced, among other things, home improvement loans and second mortgage loans.

such administrative cease and desist litigation against the Board and its individual members with respect to the matters covered in the accompanying Order to Cease and Desist ("Order").

Jurisdiction

(a) The Board and the individual members of the Board admit the jurisdiction of OTS over them, that they are "institution-affiliated parties" within the meaning of Section 3(u) of FDIA, as amended by FIRREA, 12 U.S.C. § 1813(u), and that they are "persons participating in the conduct of the affairs of an insured institution" as that phrase is utilized in 12 U.S.C.A. § 1730(g) (1982).

(b) Pursuant to Section 3 of FDIA, as amended by FIRREA, 12 U.S.C. § 1813, OTS is the "appropriate Federal Banking agency" to maintain an enforcement proceeding against the Board and its individual members. Therefore, the Board and its individual members are subject to the authority of the OTS to initiate and maintain a cease and desist proceeding against them pursuant to Section 8(b) of FDIA, as amended by FIRREA, 12 U.S.C. § 1818(b).

Consent

The Board and its individual members hereby acknowledge and state that they enter into this Stipulation and Consent willingly and without any coercion or promises of any kind from the OTS or any officer, attorney, agent or employee thereof. The Board and its individual members consent to the issuance by the OTS of the Order. They further agree to

comply with the terms of the Order upon issuance and stipulate that the Order complies with all requirements of law.

Finality

The Order is issued under Section 8(b) of FDIA, as amended by FIRREA, 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, as amended by FIRREA, 12 U.S.C. §1818(i).

Waivers.

The Board and the individual members of the Board waive their rights to a Notice of Charges and the administrative hearing provided by Section 8(b) of FDIA, as amended by FIRREA, 12 U.S.C. § 1818(b), and further waive any right to seek judicial review of the Order, including any such right provided by Section 8(h) of FDIA, as amended by FIRREA, 12 U.S.C. § 1818(h), or otherwise to challenge the validity of the Order.

Cooperation.

The Board and its individual members agree to cooperate with the OTS in its continuing investigation related to Penn Federal Savings Bank, and in any litigation resulting therefrom, by making themselves, individually and collectively, reasonably available to OTS for interviews and testimony, by testifying when called upon in a complete and truthful manner and by causing Penn Federal to make available

any documents, files, analyses, employees or other evidence or witnesses which are reasonably requested by OTS.

The Board and its individual members acknowledge and agree that their consent to the entry of the Order is for the purpose of resolving this OTS civil proceeding only, and does not resolve, effect nor preclude any other civil or criminal proceeding which may be brought against them by any other governmental agency.

WHEREFORE, in consideration of the foregoing, the OTS, by and through its Regional Director, and the Board and its individual members execute this Stipulation and Consent to Issuance of the Order to Cease and Desist.

DATE:

OFFICE OF THRIFT SUPERVISION

/S/

ANGELO VIGNA
Regional Director
Northeast Region
Office of Thrift Supervision

DATE:

3/10/92

/S/

PENN FEDERAL SAVINGS BANK
By: Joseph L. LaMonica
President

DATE:

3/10/92

/S/

William C. Anderson
Chairman of the Board

DATE:

3/10/92

/S/

Joseph L. LaMonica
Director

DATE: 3-10-92

/S/

Patrick D. McTernan
Director

DATE: 3-10-92

/S/

Amadeu Carvalho
Director

DATE: 3/10/92

/S/

Marvin D. Schoonover
Director

DATE: 3/10/92

/S/

Mario Teixeira, Jr.
Director