

UNITED STATES OF AMERICA

Before the  
OFFICE OF THRIFT SUPERVISION

In The Matter of )  
)

ROCHELLE SAVINGS AND LOAN )  
ASSOCIATION )  
ROCHELLE, ILLINOIS )  
)

Re: Resolution No. CHI-92-10

Date: March 17, 1992

STIPULATION AND CONSENT TO ISSUANCE  
OF ORDER TO CEASE AND DESIST

The Office of Thrift Supervision ("OTS"), by and through its Regional Director for the Central Region, OTS, and Rochelle Savings and Loan Association, Rochelle Illinois, ("Rochelle"), hereby 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 Rochelle pursuant to Section 8(b) of the Federal Deposit Insurance Act ("FDIA"), 12 U.S.C. Section 1818(b). Rochelle 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 Rochelle with respect to the matters covered in the accompanying Order to Cease and Desist ("Order").
2. Jurisdiction. (a) Rochelle is a "savings association" within the meaning of Section 3 of the FDIA and Section 2 of the Home Owners' Loan Act of 1933, as amended by FIRREA. Accordingly, it is an "insured depository institution" as that term is defined in Section 3(c) of the FDIA, 12 U.S.C. Section 1813(c).

(b) Pursuant to Section 3 of the FDIA, as amended by FIRREA, the Director of OTS is the "appropriate Federal Banking agency" to maintain an enforcement proceeding against such a savings association. Therefore, Rochelle is subject to the authority 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. Section 1818(b).





IT IS FURTHER ORDERED THAT:

Affiliated Transactions

- (1) Within thirty (30) days from the date of this Order, the Board shall develop, adopt and submit to the OTS Manager for written approval, a comprehensive written Conflict of Interest Policy ("Conflict Policy") to be applicable to all directors, officers and employees of Rochelle. The Conflict Policy, in addition to defining a conflict of interest, shall, at a minimum, address the following:
  - (a) overdraft protection, including line of credit overdraft protection consistent with 12 C.F.R. § 563.43 and Section 22(h) of the Federal Reserve Act (as made applicable by 12 U.S.C. § 1468(b));
  - (b) the assessment of overdraft charges for affiliates and non-affiliates;
  - (c) avoidance of conflicts of interest, the appearance of conflicts of interest, and violation of fiduciary duty; and
  - (d) disclosure of actual and potential conflicts of interest to the Board, and periodic disclosure of "related interest" as defined by 12 C.F.R. § 215(k).
- (2) Upon receipt of the written approval from the OTS Manager, as required in Paragraph 1, the Board shall implement and adhere to the Conflict Policy in all respects.
- (3) The Board shall, on at least a monthly basis, monitor Rochelle's adherence to the Conflict Policy identified in Paragraph 1 and shall resolve to maintain all of Rochelle's relationships and transactions to be in conformance with the Conflict Policy and 12 C.F.R. § 571.7.
- (4) As of the date of this Order, Rochelle, under the direction of the Board, shall not either directly or indirectly make a loan to any affiliate of Rochelle or purchase such a loan, other than in accordance with each of the provisions set forth under 12 C.F.R. § 563.43(b).
- (5) As of the date of this Order, Rochelle, under the direction of the Board, shall not directly or indirectly make any loan to or purchase, other than through the secondary market such as the Federal Home Loan Mortgage Corporation, any loan made to any third party on the security of real property purchased from an affiliate of Rochelle, other than in accordance with the provisions set forth in 12 C.F.R. § 563.43(c).

Loan Underwriting Standards and Documentation

- (6) As of the date of this Order, Rochelle, under the direction of the Board, shall not fund, purchase or refinance any loan or investment in real estate, or grant any other types of credit, or commit to such action, unless Rochelle possess documentation complying with each of the requirements of Rochelle's written underwriting standards and the OTS regulations and guidelines, including, but not limited to 12 C.F.R. § 563.170(c)(1) and the provisions of this Order. In particular, Rochelle's records shall include, but not be limited to:
- (a) a written report signed by a designated Rochelle employee(s) which identifies and explains any delinquencies, judgments, and/or liens contained in credit reports;
  - (b) for any commercial loan or any real estate loan secured by other than one-to-four family dwelling units, a written report, signed by the Rochelle officer(s) or employee(s) designated by the Board by resolution as qualified, evidencing that material items in the borrower's/guarantor's financial statements have been verified and analyzed to ensure, to the extent possible, that the borrower/guarantor has sufficient assets and cash flow to retire the loan under the terms of the note and/or guarantee;
  - (c) documentation identifying when and by whom such loans were approved and the terms and conditions of such approval; and
  - (d) appropriate statements, prepared by qualified persons, of the values of security property for any loans secured by property other than real estate, including, but not limited to:
    - (i) verifications of the lien status of the security property current through the dates of loan decisions;
    - (ii) documentation verifying the existence of the proposed security property; and
    - (iii) documentation that such property is or will be owned by the proposed borrowers.
- (7) Within thirty (30) days from the date of this Order, the Board shall revise its current lending policies to specifically address:

- (a) maximum maturities for various types of mortgage loans offered by Rochelle;
  - (b) minimum down payments for various types of mortgage loans offered by Rochelle;
  - (c) guidelines for purchasing mortgage loans or participations;
  - (d) maximum loan to value ("LTV") limits on new and used automobile loans offered by Rochelle;
  - (e) documentation requirements when consumer credit LTV ratios exceed Board established limits;
  - (f) documentation requirements for used automobile values; and
  - (g) suggested guidelines for the level of real estate mortgage, commercial, and consumer installment loans as a percentage of total loans to be offered by Rochelle.
- (8) As of the date of this Order, Rochelle shall not fund, purchase or refinance all or any part of any loan or investment secured by real property, or commit to such action, until an appraisal report of the security property has been obtained which complies with 12 C.F.R. Part 564.

#### Business Plan

- (9) Within sixty (60) days of the date of this Order, the Board shall submit in writing to the OTS Manager, a comprehensive business plan in form and content satisfactory to the OTS Manager, and adhere to such business plan. The business plan shall cover the period of the date of its submission through December 31, 1994. Furthermore, any changes to the business plan shall be in a form and content satisfactory to the OTS Manager. The business plan shall include, but not be limited to:
- (a) the method by which Rochelle shall be in compliance with written conditions imposed by the OTS and agreements entered into with the OTS;
  - (b) the method by which Rochelle shall maintain compliance with the applicable capital requirements set forth in 12 C.F.R. Part 204;
  - (c) the strategies to be implemented by management to improve the net income of Rochelle, and specifically to reduce operating expenses; and
  - (d) the method by which Rochelle shall be in compliance with prohibitions against affiliated transactions as set forth in 12 C.F.R. § 563.43.

### Lending Limitations

- (10) As of the date of this Order, Rochelle, under the direction of the Board, shall not originate or purchase any loan or participating interest in any loan in which the security is anything other than owner-occupied one-to-four family dwelling units and consumer loans, unless and until Rochelle submits a comprehensive business plan, which has been deemed satisfactory by the OTS Manager as set forth in Paragraph 9 herein, or unless the OTS Manager does not object thereto. Refinancing of existing loans secured by other than owner-occupied one-to-four family dwelling units is permitted.
- (11) As of the date of this Order, Rochelle, under the direction of the Board, shall not engage in any secured or unsecured commercial lending activity or in any commercial real estate lending which exceeds the amount of \$250,000 per loan, unless the OTS Manager does not object thereto. Rochelle shall also not engage in any such lending activity involving collateral located more than 200 miles from Rochelle, Illinois, unless the OTS Manager does not object thereto. The provision of this Paragraph shall remain in full force and effect until the OTS Manager informs Rochelle in writing of any modification reducing or eliminating such limitations.
- (12) Within sixty (60) days, the Board shall develop and submit to the OTS Manager its plan ("Plan") to reduce Rochelle's dependence on its external auditors for the preparation of certain materials, including but not limited to:
- (a) quarterly consolidated capital calculations;
  - (b) Thrift Bulletin 13 materials; and
  - (c) the maintenance of records and supporting schedules as well as the preparation of financial statements for Rochelle's first and second tier subsidiaries.
- (13) The Plan identified in Paragraph 12 shall address the capability of personnel assigned to prepare the minimum materials identified in Paragraph 12 as well as the realistic time constraints of those persons in performing such work.

### Closings

- (14) Any report or other document required by this Order to be submitted to the OTS shall be filed with the Office of Thrift Supervision, 111 E. Wacker Drive, Suite 800, Chicago, Illinois 60601, Attn.: Cheryl G. Petty, Manager. All reports and other documents shall be deemed filed when received by the OTS.
- (15) Although the Board is by this Order required to submit certain proposed actions and programs for the review or approval of the OTS Manager or Deputy Regional Director or Regional Director, the Board has the ultimate responsibility for proper and sound management of Rochelle.
- (16) It is expressly and clearly understood that if, at any time, the OTS 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 Rochelle, nothing in this Order shall in any way inhibit, estop, bar, or otherwise prevent the OTS from doing so.
- (17) Any time limitations imposed by this Order shall begin to run from the effective date of this Order, unless otherwise provided for. Such time limitations may be extended by the OTS Manager for good cause upon written application by the Board.
- (18) 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 (including, without limitation, 12 C.F.R. § 500.1 et seq., § 541.1 et seq., and § 561.1 et seq. (1991)). 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.
- (19) The provisions of this Order are effective upon issuance of this Order by the OTS, through its 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 OTS.
- (20) 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.
- (21) 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.

- (22) 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.
- (23) 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.
- (24) 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 17 day of March 1992.

THE OFFICE OF THRIFT SUPERVISION

By: <sup>/S/</sup>  
Stuart M. Braiman  
Regional Director  
Central Region