

by FIRREA. Accordingly, it is an "insured depository institution" as that term is defined in Section 3(c) of the FDIA, as amended by FIRREA (to be codified at 12 U.S.C. 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, the Association 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, as amended by FIRREA (to be codified at 12 U.S.C. 1818(b)).

3. Consent. The Association consents to the issuance by the OTS of the Order. It 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 under Section 8(b) of the FDIA, as amended by FIRREA (to be codified at 12 U.S.C. 1818(b)). Upon its issuance by the District Director for the Indianapolis District Office, OTS, 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 (to be codified at 12 U.S.C. 1818(i)).

5. Waivers. The Association waives its right to a notice of charges and the administrative hearing provided by Section 8(b) of the FDIA, as amended by FIRREA (to be codified at 12 U.S.C. 1818(b)), and further waives any right to seek judicial review of the Order, including any such right provided by Section 8(h) of the FDIA, as amended by FIRREA (to be codified at 12 U.S.C. 1818(h)), or otherwise to challenge the validity of the Order.

WHEREFORE, in consideration of the foregoing, the OTS, by and through its District Director for the Indianapolis District Office, OTS, and the

UNITED STATES OF AMERICA
Before The
OFFICE OF THRIFT SUPERVISION

In the Matter of)
)
Lake Federal Savings)
and Loan Association of Hammond)
Hammond, Indiana)
)

Re: Resolution No. IND 91-1

Dated: Jan. 15, 1991

ORDER TO CEASE AND DESIST

WHEREAS, Lake Federal Savings and Loan Association of Hammond, Hammond, Indiana (the "Association"), through its directors, has executed a Stipulation and Consent to Issuance of Order to Cease and Desist, which is incorporated herein by reference ("Stipulation") and is accepted and approved by the Office of Thrift Supervision ("OTS"), acting through its District Director for the Indianapolis District Office; and

WHEREAS, the Association, in the Stipulation, has consented and agreed to the issuance of this Order to Cease and Desist ("Order") pursuant to Section 8(b) of the Federal Deposit Insurance Act, as amended by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, Pub. L. No. 101-73, 103 Stat. 183 ("FIRREA") (to be codified at 12 U.S.C. 1818(b)).

NOW, THEREFORE, IT IS ORDERED that the Association and its directors, officers, employees, agents and service corporations shall cease and desist from any violation of, or the aiding and abetting of any violation of, 12 C.F.R. Section 563.43 and 12 C.F.R. Section 563.93.

IT IS FURTHER ORDERED that:

1. Business Plan. The Board of Directors of the Association shall adopt a Business Plan for calendar years 1991 through 1994 and submit such Business Plan to the Indianapolis District Director of OTS for review and comment by

January 15, 1991. Such Business Plan shall address all significant operations of the Association and shall include pro-forma financial statements for 1991 through 1994. Such Business Plan shall specifically address the capital needs of the Association in excess of the regulatory requirements and shall include specific long and short term capital goals. In addition, the Business Plan shall incorporate the impact of all requirements of this Cease and Desist Order.

2. New Policies. The Board of Directors of the Association shall adopt policies on Conflicts of Interest and Appraisals and Internal Loan Review. Such policies shall be submitted to the District Director for approval within 90 days and shall address all relevant federal statutes, OTS regulations, and policies as well as principles of safe and sound operation of a financial institution .

3. Revised Policies. The Board of Directors of the Association shall revise its current Commercial Loan Policy, Interest Rate Risk Policy, and Investment Policy and submit such revised policies to the District Director for approval within 90 days. Such revised policies shall address all relevant federal statutes, OTS regulations, and policies as well as principles of safe and sound operation of a financial institution.

4. FHLMC Stock. The Board of Directors of the Association shall not permit any additional investment by the Association in Federal Home Loan Mortgage Corporation ("FHLMC") Stock. The Board must develop a strategy for divestiture of FHLMC stock to a prudent level. Such divestiture strategy shall be submitted in writing to the District Director within sixty (60) days. The strategy shall be incorporated in the Business Plan. The divestiture strategy shall identify the intended use of the proceeds of the eventual sale

of the FHLMC stock. The impact on regulatory capital of the losses on the sale of stock, mark-to-market accounting, and the phase-out from regulatory capital required by FIRREA must also be quantified in the divestiture strategy. The Investment Policy of the Association must specifically address future investment in equity securities by the Association.

5. Mortgage Backed Securities. The Business Plan and Investment Policy must establish definitive guidelines relative to the Association's investment in Mortgage Backed Securities. Adequate documentation shall be made prior to any purchases of Mortgage Backed Securities. The District Director's approval of the Business Plan and Investment Policy may limit investments in Mortgage Backed Securities based upon the condition of the association as determined by the District Director.

6. Commercial Non-Mortgage Lending. The Association shall not make any additional commercial non-mortgage loan commitments until and unless the Business Plan and Commercial Loan Policy are approved by the District Director. The Association shall not renew or extend any currently existing commercial non-mortgage loan for a period exceeding one hundred twenty (120) days or alter its decision to sell its current portfolio until and unless the Business Plan and Commercial Loan Policy are approved by the District Director. All renewals and extensions of loans shall be made in compliance with Federal statutes and OTS regulations and policies, and shall be in compliance with principles of safety and soundness.

7. Kaptur Transaction. The Board of Directors of the Association shall make a good faith attempt to sell without loss and without recourse a \$215,000

loan made by the Association on January 6, 1988 to the Kaptur family. It is the opinion of the OTS that such loan was made in violation of 12 C.F.R. Section 563.43(c)(1), so the sale is designed to eliminate a conflict of interest which OTS believes to exist as a result of the loan. The board of directors shall report to the District Director within 60 days on the efforts to sell this loan.

8. Conflicts/Affiliates Regulations. The Association shall not violate 12 C.F.R. Section 563.41, 563.43 or any successor regulations. The Association further shall not violate Sections 23A, 23B, or 22(h) of the Federal Reserve Act as made applicable to savings associations pursuant to Section 11 of the Home Owners Loan Act as amended by FIRREA. Any current lending relationships which provide preferential treatment to directors or officers in violation of Section 22(h) of the Federal Reserve Act shall be revised to place the lending relationship on a market basis within 30 days. The Association shall calculate the benefit already received by any insider borrower in violation of Section 22(h) and shall demand prompt payment of such benefit from such insider borrowers. The Association shall notify the District Director of any such insider borrower who fails to reimburse the association within 30 days of receiving a demand letter from the Association.

9. Internal Audit Function. The Board of Directors of the Association must establish a comprehensive internal audit program tailored to the circumstances of the Association and submitted to the District Director within 120 days. The Association shall comply with the internal audit program upon approval by the District Director. The program shall take into consideration other policies of the Association as well as federal statutes, OTS regulations and policies and principles of safe and sound operation of a financial institution.

10. General Valuation Allowance. Any decrease in the Association's General Valuation Allowance shall require the prior approval of the District Director.

OFFICE OF THRIFT SUPERVISION

BY: _____ /S/
Jill A. Drake
Acting District Director
Indianapolis District Office