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UNITED STATES OF AMERICA
Before The
OFFICE OF THRIFT SUPERVISION

In the Matter of)
)
Stockdale Savings and Loan)
Association, Bakersfield,)
California)
_____)

Re: Resolution No. SF-91-016

Dated: April 22, 1991

STIPULATION AND CONSENT TO ISSUANCE
OF ORDER TO CEASE AND DESIST

The Office of Thrift Supervision ("OTS"), by and through its Regional Counsel for the Western Region, OTS, and Stockdale Savings and Loan Association, Bakersfield, California ("Stockdale"), 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 Stockdale Savings and Loan Association 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, Pub. L. No. 101-73, 103 Stat. 183 ("FIRREA") (to be codified at 12 U.S.C. § 1818(b)). Stockdale 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 Stockdale with respect to the matters covered in the accompanying Order to Cease and Desist ("Order").

2. Jurisdiction.

(a) Stockdale is a "savings association" within the meaning of Section 3 of the FDIA and Section 2 of the Home Owners' Loan Act, as amended 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, Stockdale 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. Stockdale 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 Regional Director for the Western Region, 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. Stockdale 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.

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ORDER TO CEASE AND DESIST

WHEREAS, Stockdale Savings and Loan Association, Bakersfield, California ("Stockdale" or "Association"), through its directors, has executed a Stipulation and Consent to Issuance of Order of 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 Regional Director for the Western Regional Office; and

WHEREAS, Stockdale, 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. Section 1818(b)).

NOW THEREFORE, IT IS ORDERED that Stockdale 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: Title 12 CFR, part 202 (Regulation B); Title 12 CFR, Part 203 (Regulation C); Title 12 CFR, Part 205 (Regulation E); Title 15 CFR, Part 3500 (Regulation X); Title 12 CFR, Part 226 (Regulation Z); Title 12 CFR, Part 229 (Regulation CC); Title 12 CFR, Part 528; Title 12 CFR, Part 563a; Title 12 CFR Sections 571.24, 563.99, 563.177, and 545.12; Title 31, CFR, Part 103 (Bank Secrecy Act); and 42 U.S.C. Section 3601 (Fair Housing Act).

IT IS FURTHER ORDERED THAT:

1. Within 90 days of the date of this Order, Stockdale will hire and/or appoint a qualified Compliance/CRA Officer. This position shall be either a full time position covering both the Compliance and CRA responsibilities, or the positions may be filled with two individuals whose primary responsibility is the Compliance or CRA function, respectively. The proposed hire's and/or appointee's name and qualifications shall be submitted to this Office for approval based on the review of the individual's competence, experience, character, and integrity. Concurrently, Stockdale will develop and submit to this Office for approval position descriptions and reporting relationships and shall vest this position with the appropriate level of responsibility, authority, and resources to carry out the duties of these positions.

2. Within 60 days of the date of this Order, the members of Stockdale's Board of Directors and senior management will receive training in their duties and responsibilities under federal civil rights, fair housing and lending, consumer protection, and other compliance laws and regulations administered by this Office. Prior to providing such training to Stockdale's Board of Directors and senior management, the Association will submit a training plan to this Office for review and comment.
3. Within 60 days of appointing the Compliance/CRA Officer, in order to ensure ongoing, effective compliance with nondiscrimination, fair housing and lending, consumer protection, and other compliance laws and regulations, Stockdale will develop a comprehensive strategy, including an agenda for full implementation and an mechanism for effective Board of Directors' oversight. The strategy should address not only the matters covered by this Order but also those aspects of Stockdale's business covered by OTS's Compliance Activities Handbook and any other pertinent federal and state laws and regulations. At a minimum, the strategy should include the following actions:
 - a. The association will undertake a complete self-assessment, conducted by the Compliance Officer, to develop and submit to OTS a plan ("the Plan") for identifying and correcting existing deficiencies. This Plan is to include: (i) a timetable for the review, (ii) the means of implementing corrective actions, and (iii) the follow-up to ensure the effectiveness of such actions thereafter. Subsequently, a quarterly report on the status of the Plan's completion is to be submitted to this Office by the Board of Directors.
 - b. The association will develop a written ongoing compliance program encompassing (i) development and periodic updating of policies and procedures, (ii) training of new and periodic retraining of existing staff, (iii) day-to-day operational controls, (iv) periodic compliance audits, and (v) mechanisms for updating the program and correcting deficiencies that arise. The responsibility and timetable for implementing each aspect of this program, as well as the specific areas it will cover, should be included. The roles, responsibilities, and relationships between relevant management personnel should be defined, and a description of the Board of Directors' involvement and oversight role should be set forth.
 - c. The association will establish a procedure to review applications denied after the date revised lending standards are implemented in accordance with the Report of Examination dated November 14, 1990, for conformance with the association's revised standards and compliance with pertinent regulations. The results of such review will be incorporated into the association's comprehensive ongoing compliance program set forth above.
 - d. The association will develop and implement a program for monitoring loan applications received, granted, and denied in order to identify and address any disparate patterns in the association's lending, particularly with respect to low/moderate-income areas of the association's community, minorities, and members of other protected classes. This monitoring should at a minimum conform to the recommended analyses set forth in Thrift Bulletin 25, dated

April 19, 1989, and any applicable subsequent bulletins and should include a mechanism for providing at least semiannually its results to the Board of Directors and for incorporating them into the association's business planning.

- e. Within 45 days of submission and of written nonobjection to the Plan, the association will implement a program for training its staff to ensure consistent implementation of the Plan and compliance with applicable laws and regulations. A schedule for this training is to be submitted with the Plan to this office for review and comment.
- f. The association will establish a formalized CRA program with specific goals, objectives, and accountabilities that will be actively overseen by its Board of Directors, the Compliance/CRA Officer, and senior management. This program should conform, at a minimum, to the guidelines provided in the "Interagency Policy Statement on the Community Reinvestment Act," dated March 30, 1989, and should include (i) a description of efforts to ascertain community credit needs and affirmatively incorporate the results of those efforts into the association's planning for product development and delivery, (ii) incorporation of the results of the association's monitoring of its lending patterns, and (iii) periodic evaluation of the association's own performance and procedures for documenting its CRA activities and how they relate to its CRA goals.
- g. Prior to each regularly scheduled meeting of the Board of Directors occurring after completion of each calendar quarter, the Compliance/CRA officer will prepare and submit as part of the package provided to the Board of Directors a comprehensive report regarding compliance matters. At each regularly scheduled meeting occurring after completion of each calendar quarter, the Board of Directors will review the report prepared by the Compliance/CRA officer and provide certification of such review to this Office along with a description of any proposed corrective action. The report by the Compliance/CRA officer should include, at a minimum, evidence:
 - (i) that loan application register is completed as required by Title 12 CFR, Part 528,
 - (ii) that the Association does not deny or discourage any loan applications on the basis of a minimum loan amount which has a disproportionate negative impact on low/moderate-income and/or minority applicants, pursuant Title 12 CFR, Parts 202 and 528, and 42 U.S.C Section 3601,
 - (iii) that the Association does not deny or discourage any loan applications because an applicant cannot supply a six-month cash reserve, pursuant to Title 12 CFR Parts 202 and 528, and 42 U.S.C Section 3601,
 - (iv) that the Association reviews its underwriting guidelines on an annual basis for discrimination issues as required by Title 12 CFR Section 528.3a(b),

- (v) that the Home Mortgage Disclosure Act Reports for the last 5 years are available at the required offices pursuant to Title 12 CFR Section 203.5,
- (vi) that loan application files document the reason for specific action taken pursuant to Title 12 CFR Section 202.12(b),
- (vii) that the Association's adverse action notices list the OTS as the federal agency as required by Title 12 CFR Section 202.9(b)(1) (the Association's fair lending notices should also be modified),
- (viii) that loan disclosure statements are provided within the applicable time frames pursuant to Title 12 CFR Section 226.19(a)(1), Title 12 CFR Section 226.19(b), Title 12 CFR Sections 563.99(b) and 563.99(d), and Title 12 CFR Section 3500.6(a),
- (ix) that construction loan APRs are with tolerance as set forth in Title 12 CFR Section 226.22(a),
- (x) that oral inquiries about loan products are responded to pursuant to Title 12 CFR Section 226.21,
- (xi) that credit advertising conforms to the requirements of Title 12 CFR Section 226.24,
- (xii) that affected loan disclosures contain language pertaining to negative amortization pursuant to Title 12 CFR Section 563.99(d)(4),
- (xiii) that the initial Electronic Funds Transfer Act disclosure is enhanced to reflect preauthorized transfer authority pursuant to Title 12 CFR Section 205.7(a)(7),
- (xiv) that the Association provides error resolution notices to its Electronic Funds Transfer Act customers pursuant to Title 12 CFR Section 205.8(b),
- (xv) that local check holds are being effectuated pursuant to Title 12 CFR Section 229.12(b),
- (xvi) that check hold information is provided to customer pursuant to Title 12 CFR Section 229.16,
- (xvii) that transfers of large negotiable instruments are recorded pursuant to Title 31 CFR, Section 103.29,
- (xviii) that affected employees adhere to the Association's security manual pursuant to Title 12 CFR Part 563a, and
- (xix) that the Association does not pay interest on demand deposit accounts as set forth in Title 12 CFR Section 545.12(b),

4. Stockdale will establish a fund to be allocated to a program that will augment its service to the credit related needs of the low/moderate-

income segments of its community. The dollar amount and purpose of this fund, along with a detailed proposal for its implementation (collectively "proposal"), will be submitted within 30 days of the submission of the Plan to this Office for review and prior written approval. Such written approval shall not be unreasonably withheld. Rejection by this Office of the proposal shall not be deemed to be a violation of this Agreement if the Association submits a revised proposal for which written approval is received on or before 90 days after receipt by the Association of the rejection of the initial proposal. This proposal should include, at a minimum:

- a. A complete description of the proposed program;
 - b. An explanation of the manner of identifying the targeted areas of the community;
 - c. Identification of the members and/or representatives of the community with whom the Association discussed the needs for the proposed program;
 - d. Designation of responsibility and authority for implementing it;
 - e. A strategy for making all segments of the Association's community aware of the program;
 - f. A summary of operational planning to ensure its successful implementation;
 - g. The resources allocated to the proposed program, including dollar amounts and time frames; and
 - h. A method for monitoring its effectiveness and incorporating those findings into the Association's overall business strategy.
5. For good cause shown, the Assistant Regional Director may extend the time to complete any act required by this Order for good cause shown, specifically;
- a. If the Assistant Regional Director disapproves any policy, plan, or act submitted for approval under the terms of this Order, Stockdale will submit a revision of the policy, plan, or act, to the Assistant Regional Director within 15 days after it receives written notice of disapproval;
 - b. No policy, plan, or act, approved by the Assistant Regional Director may be amended, suspended, or revoked without the prior written approval of the Assistant Regional Director. However, if Stockdale has been in substantial compliance with any requirement imposed by this Order for a reasonable period of time, the Assistant Regional Director may terminate such requirement upon written request.
6. As used in this Order, the term "savings association" shall have the same meaning as set forth in Section 2(4) of the Home Owners Loan Act ("HOLA"), as amended by Section 301 of FIRREA, Pub. L. No. 101-73, Section 301 (1989).

