

UNITED STATES OF AMERICA
Before The
OFFICE OF THRIFT SUPERVISION

In the Matter of)
)
American Savings and) Re: Northeast Regional Director
Loan Association) Resolution No. NY-91-6
Bloomfield, New Jersey)
)
and its Directors, Officers,) Dated: May 30, 1991
Employees, Service Corporations,)
and Affiliates)
)

ORDER TO CEASE AND DESIST

WHEREAS, American Savings and Loan Association of Bloomfield, New Jersey ("American" or 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 Regional Director for the Northeast Regional Office as of the date indicated above ("Effective Date"); and

WHEREAS, American, 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") (12 U.S.C. § 1818(b)).

NOW THEREFORE, IT IS ORDERED that American 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:

- (1) Section 563.93 of the OTS Regulations, 12 C.F.R. § 563.93 (regarding Loans to one borrower);
- (2) Section 563.160 of the OTS Regulations, 12 C.F.R. § 563.160 (regarding classification of assets);
- (3) Section 563.170 of the OTS Regulations, 12 C.F.R. §563.170 (regarding Examination and audits, appraisals; establishment and maintenance of records); and
- (4) Section 563.176 of the OTS Regulations, 12 C.F.R. §563.176 (regarding Interest rate risk management procedures).
- (5) Section 563.233 of the OTS Regulations, 12 C.F.R. §563.233 (regarding Accounting principles and procedures).

The compliance requirements of this Order shall not be construed as an authorization for the Association or its affiliates to engage in the activities governed by the aforesaid laws, rules, and regulations. To the extent that it is lawful for the Association or its affiliates to engage in such activities, and if provisions of this Order set forth more strict restrictions, limitations, and requirements than are set forth in applicable laws and regulations, then, under such circumstances, those activities shall be subject to the stricter restrictions, limitations, and requirements set forth in this Order.

IT IS FURTHER ORDERED that:

6. Growth Limitations

American shall not increase its total assets during any fiscal quarter in excess of an amount equal to net interest credited on deposit liabilities during the quarter, without the prior written notice of non-objection by the Regional Director.

7. Valuation Allowances/Nonaccrual Loans

(a) American shall establish the required valuation allowances, both general and specific, recommended in the OTS Report of Examination dated January 2, 1991, net of adjustments made for revised Net Realizable Value ("NRV") calculations.

(b) American shall revise its policies regarding the accrual of interest on delinquent mortgage loans and the establishment of appropriate valuation allowances against interest already accrued but uncollected with respect to such loans. Loans in excess of 90 days past due should be placed on nonaccrual status unless management can document the collectibility of the interest.

8. Asset Collection Policy

(a) Within 30 days of the Effective Date, the Board of Directors shall adopt and implement an asset collection policy which, at a minimum, requires:

- (i) prompt identification of all loans that are past due;
- (ii) systematic, progressively more forceful and thoroughly documented written and verbal contacts with delinquent borrowers;
- (iii) appropriate inspections and/or appraisal reviews are performed when setting and implementing the collection strategy;
- (iv) that the status of required filings and payments are known to management so that the Association's collateral interests are maintained and protected; and
- (v) prompt referrals to the Asset Workout Group and/or Legal Counsel for collection.

(b) The Board shall take steps to ensure that management is adhering to the asset collection policy. At a minimum, the board shall: (i) designate a management official responsible for overseeing compliance with the asset collection policy and (ii) require monthly reports from the management official as to the extent of the Associations compliance (or non-compliance) with the asset collection policy.

9. Asset Workout Policies/Asset Action Plans

(a) Within 30 days after the Effective Date, the Board of Directors shall adopt, implement and forward to the Regional Director a comprehensive asset workout policy. The workout policy shall provide for, at a minimum:

- (i) the identification of all assets that will be referred to the workout group, which shall include, at a minimum, all assets classified in the most recent OTS Report of Examination and/or identified internally as a Classified Asset,
- (ii) a comprehensive analysis of all loan documents and related correspondence,
- (iii) a realistic analysis of the value of any collateral and the ability to enforce any guarantees,
- (iv) an assessment of potential legal issues relating to the workout, and
- (v) based on the above, the development of an asset action plan for the workout of each asset referred to the workout group, including a proposed timetable for each suggested action.

(b) Each asset action plan shall, inter alia, identify the amount (if any) of any additional disbursements planned or contemplated for each asset, and contain a description of any contemplated modifications, extensions or renewals in connection with the asset.

(c) Within 60 days after the Effective Date, the Association shall retain or designate a qualified, competent senior workout officer(s), acceptable to the Regional Director, whose responsibilities will include, at a minimum:

- (i) development of a qualified staff of employees whose sole responsibilities are to develop and implement asset action plans with respect to each asset referred to the workout group, and
- (ii) reporting to the Association's Board of Directors the status of workout efforts on a monthly basis.

(d) Within 30 days of the Effective Date, American shall establish written policies and procedures for modifications, extensions or renewals of troubled assets to ensure that (i) such modifications, extensions, or renewals of are adequately controlled and are reviewed by the Board of Directors and (ii) that appropriate valuation allowances are established.

10. Business Plan

(a) Within 60 days of the Effective Date, the Board of Directors shall adopt, implement and forward to the Regional Director a detailed board approved one (1) and three (3) year business plan, which includes annual operating budgets. The Association's Board of Directors, along with Senior Management, shall formulate the business plan which shall specifically address the following:

- (i) the Association's objectives, operating strategy and business philosophy during the next one (1) and three (3) year period;
- (ii) projection of major balance sheet and income statement components, specifically identifying and highlighting each (any) significant new activity or any activity criticized in the most recent OTS Report of Examination; and
- (iii) the Association's procedures for monitoring the actual results against the projections in the budget, which procedures shall include, inter alia, the preparation of variance reports at least once per fiscal quarter and to provide for appropriate adjustments to the budget.

(b) The business plan shall also incorporate and specifically address the Association's:

- (i) present financial condition;
- (ii) credit exposure;
- (iii) regulatory capital position;
- (iv) profit composition; and
- (v) market penetration;

(c) A written review of (and any necessary updates to) the business plan shall be performed by the Board of Directors on a quarterly basis.

11. Interest Rate Risk Management

(a) Within 60 days of the Effective Date, the Board of Directors shall adopt, implement and periodically follow up on an interest rate risk policy that is: (i) consistent with 12 C.F.R. §§ 563.176 and 571.3 and Thrift Bulletins 13, 13-1 and 13-2 and (ii) designed to significantly reduce the Association's level of interest rate risk.

(b) The policy shall explicitly enunciate the Association's strategy(ies) for reducing interest rate risk.

(c) The board shall, on a monthly basis, monitor the Association's progress (or lack thereof) toward reducing its exposure to interest rate risk to the level that has been determined to be acceptable by the board.

12. Pricing of Mortgage Loans

The board shall, within 30 days of the Effective Date, establish clearly defined roles and responsibilities for the board and management regarding the pricing of mortgage loans.

13. Loans to One Borrower

Within 60 days of the Effective Date, the Board of Directors shall prepare, adopt and implement internal policies to ensure compliance with the Loans to One Borrower Regulation. Such policies should address the requisite record keeping procedures to ensure the veracity of reports and to prevent violations of the regulation.

14. Loans Closed by Rospond, Rospond & Conte

(a) Prior to closing any loan, the Association shall obtain a legal review of all loan documents, regardless of who represents the borrower.

(b) Within 60 days of the Effective Date, the Association shall review a sample of no less than 5 (five) loans in which Director Rospond represented the borrower and no legal review was performed on behalf of the Association. The purpose of the review shall be to determine whether there were any irregularities in the closing documents to the detriment of the Association. If any irregularities are discovered, the review shall be expanded to include all such loans and the findings shall be reported to the Regional Director.

15. Balloon Mortgages

Within 60 days of the Effective Date, the Board of Directors shall approve and submit to the Regional Director a policy related to existing balloon mortgages that may not be renewable under the Association's current underwriting policy. The policy should require management:

- (a) to identify and quantify the extent of outstanding balloon mortgages that do not conform to the Association's current underwriting standards ("non-conforming balloon mortgages"),
- (b) to develop adequate procedures to monitor the performance of non-conforming balloon mortgages,
- (c) to develop notification procedures which allow borrowers (who do not meet the Association's underwriting standards) sufficient time to seek and obtain outside financing,
- (d) to develop a procedure for minimizing the risk to the Association if, as a last resort, the loans require extensions, and
- (e) to establish appropriate valuation allowances in connection with all non-conforming balloon mortgages.

16. Accounting Records

The Association shall immediately implement systems and controls to ensure that appropriate supporting documentation is maintained regarding bookkeeping and accounting entries so that management may provide necessary explanations without relying on its independent auditor.

17. Records of Service Corporations

The Association shall develop and implement bookkeeping and records policies that require each of its service corporations to ensure that corporate files are: (i) maintained on the Association's premises and (ii) removed from Association's counsel's offices.

18. Recording of Directors Meetings

The Board shall immediately establish procedures to require that, with respect to meetings of the board of directors of the Association and all all wholly-owned subsidiaries:

- (a) pages of board minutes are pre-numbered,
- (b) all deliberations of the board are recorded,
- (c) members are presented with draft and final copies of board minutes, and
- (d) board minutes are read individually by each individual board members prior to being adopted.

19. Surety Bond Coverage

The Association shall diligently attempt to obtain Surety Bond coverage in a form and amount consistent with Section 563.190 of the OTS Regulations, 12 C.F.R. §563.190. The Association shall document all such attempts to obtain the required coverage.

20. Fiduciary Duty to the Association

Each member of the Board of Directors owes fiduciary duties to the Association and its depositors. Notwithstanding that certain provisions of this Order require the Board of Directors to submit various matters to the Regional Director for the purpose of receiving approval, notice of acceptability or non-objection, such regulatory oversight does not derogate or supplant the fiduciary duties owed by the members of the Board of Directors of the Association.

The Board of Directors, at all times, shall have the ultimate responsibility for overseeing the safe and sound operation of the Association, except to the extent that any action or inaction by the Board is imposed upon the Board by the OTS over the objection of the Board. In the opinion of the OTS, no member of the Board of Directors of the Association shall be deemed to have breached such director's fiduciary duties by complying with the terms of this Order in good faith.

21. Board Review of Compliance With This Order

(a) The Board of Directors of the Association shall take prompt action to cause the Association to fully comply with this Order.

(b) Each month, the Board of Directors shall adopt a formal resolution (the "Compliance Resolution") resolving that, following a diligent inquiry of relevant information (including reports of management), to the best of its knowledge and belief, during the immediately preceding calendar month, the Association has complied with each provision of this Order currently in effect, except as otherwise stated. The Compliance Resolution shall:

- (i) specify in detail how, if at all, full compliance was found not to exist; and
- (ii) identify all notices of exemption or other exceptions issued by the Regional Director that were outstanding as of the date of the Compliance Resolution.

(c) No later than three business days after each monthly meeting of the Board of Directors of the Association, the Association shall provide to the Regional Director a certified true copy of the entire minutes of each meeting of its Board of Directors (including any committees thereof) which were approved at such monthly meeting. The Compliance Resolution shall be included with the minutes provided to the Regional Director. The minutes of the meeting of the Board of Directors shall set forth the following information with respect to the adoption of each Compliance Resolution:

- (i) the identity of each director voting in favor of its adoption;
- (ii) the identity of each director voting in opposition to its adoption; and
- (iii) the identity of each director abstaining from voting thereon.

The Board of Directors of the Association, by virtue of the Association's submission of a certified true copy of each such Compliance Resolution to the Regional Director, shall be deemed to have certified to the accuracy of the statements set forth in each Compliance Resolution. In the event that one or more directors do not agree with the representations set forth in a Compliance Resolution, such disagreement shall be noted in the minutes of the meeting.

MISCELLANEOUS PROVISIONS

22. Incorporation of Stipulation

The Stipulation is made a part hereof and is incorporated herein by this reference.

23. Definitions

(a) General. All technical words or terms used in the 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 regulations, policy statements, or bulletins issued by the OTS and any such technical words or terms used in this Order and undefined in said regulations, policy statements, or bulletins shall have meanings that accord with the best custom and usage in the savings and loan or banking industries, as applicable. For purposes of this Order, references to regulations, policy statements, bulletins, memoranda and publications shall include any successor regulations, policy statements, bulletins, memoranda and publications.

(b) Regional Director. "Regional Director" or his successor is the "senior supervisory official" within the meaning of Section 723(d) of the FIRREA, 101 Stat. 183, 428 (1989). All references to the Regional Director shall include the Regional Director and/or his designee(s).

(c) Balloon Mortgage. "Balloon Mortgage", for the purposes of this Order, is a mortgage with periodic installments of principal and interest that do not fully amortize the loan, and maturing within two years (on a rolling basis) or delinquent.

24. Effective Date of Order

The Order is effective and enforceable immediately upon the date of its issuance by the OTS ("Effective Date"), which date is set forth below.

IT IS SO ORDERED on this 30th day of May, 1991.

THE OFFICE OF THRIFT SUPERVISION
By:

/S/

Angelo A. Vigna,
Regional Director, Northeast Region