

UNITED STATES OF AMERICA
Before The
OFFICE OF THRIFT SUPERVISION

In the Matter of)

Coral Coast Savings Bank, FSB)

Boynton Beach, Florida)

Re: Resolution No. ATL-91-29

DATED: July 9, 1991

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 Southeast Regional Office, OTS, and Coral Coast Savings Bank, FSB, Boynton Beach, Florida, OTS Docket Number 8263 ("Coral Coast" or "Institution"), 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 Coral Coast pursuant to Section 8(b) of the Federal Deposit Insurance Act ("FDIA"), 12 U.S.C. Section 1818(b). The grounds include unsafe and unsound practices in conducting the business of Coral Coast and violations of 12 C.F.R. Sections 563.93, 545.35, 563.170, 563.180, 563.43, 215, 571.7, and 566.4. Coral Coast desires to cooperate with the OTS and to avoid the time and expense of such administrative proceeding 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 proceeding against Coral Coast with respect to the matters covered in the accompanying Order to Cease and Desist ("Order").

2. Jurisdiction

- (a) Coral Coast is a "savings association" within the meaning of Section 3 of the FDIA and Section 2 of the Home Owners' Loan Act ("HOLA"). 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, Coral Coast 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).

3. Consent

Coral Coast 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, 12 U.S.C. Section 1818(b). Upon its issuance by the Regional Director for the Southeast Regional 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, 12 U.S.C. Section 1818(i).

5. Waivers

Coral Coast waives its right to a notice of charges and the administrative hearing provided by Section 8(b) of the FDIA, 12 U.S.C. Section 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, 12 U.S.C. Section 1818(h), or otherwise to challenge the validity of the Order.

WHEREFORE, in consideration of the foregoing, the OTS, by and through its Regional Director for the Southeast Regional Office, OTS, and Coral Coast, by a majority of its directors, execute this Stipulation and Consent to Issuance of Order to Cease and Desist.

OFFICE OF THRIFT SUPERVISION

Coral Coast Savings Bank, FSB
by a majority of its directors

By:

/S/

John E. Ryan
Regional Director
Southeast Regional Office

/S/

/S/

/S/

/S/

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Re: Resolution No. ATL-91-29

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ORDER TO CEASE AND DESIST

WHEREAS, Coral Coast Savings Bank, FSB, Boynton Beach, Florida, Docket Number 8263, ("Coral Coast" or "Institution"), 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 Southeast Regional Office ("Regional Director"); and

WHEREAS, Coral Coast, 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, 12 U.S.C. Section 1818(b).

NOW THEREFORE, it is ordered that Coral Coast 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. 12 C.F.R. Section 563.93(d)(1);
2. 12 C.F.R. Section 545.35(d);
3. 12 C.F.R. Section 563.180(d)(1)(i);
4. 12 C.F.R. Section 563.180(b)(1) and (2);
5. 12 C.F.R. Section 563.170(c)(2);
6. 12 C.F.R. Section 563.43(b)(5);
7. 12 C.F.R. Section 215(d)(3), (4), and (5);
8. 12 C.F.R. Section 571.7(b);
9. 12 C.F.R. Section 563.93;
10. 12 C.F.R. Section 566.4(b).

IT IS FURTHER ORDERED THAT:

Responsibilities of the Directors

1. The Board of Directors of Coral Coast shall actively fulfill its fiduciary responsibilities to ensure that the Institution is effectively supervised, consistent with the guidelines set forth in FHLBB Memorandum R-62 and Section 140 of the OTS Thrift Activities Handbook. All minutes of the meetings of the Board of Directors and any committees thereof shall be detailed and accurate so as to reflect the appropriate level of supervision exercised by the directorate over the affairs of Coral Coast.

Internal Controls and Internal Audit

2. Within 60 days of the effective date of this Order, Management and the Board of Directors shall review those comments in the OTS examination report of July 9, 1990, concerning internal controls and shall adopt and implement new policies and procedures to strengthen and maintain internal controls over the Institution's operations.
3. In order to monitor the quality and effectiveness of internal controls within the Institution, the Board of Directors shall implement an effective internal audit program. This audit program shall be reviewed by the Institution's independent auditors who shall, within 120 days of the effective date of this Order, provide a written evaluation of the internal audit program and a report on the steps taken to correct the internal control exceptions described in the OTS examination report of July 9, 1990. This report shall also contain the independent auditors' recommendations on the measures necessary to correct any of those exceptions which remain outstanding.
4. Within 60 days of the effective date of this Order, the Institution shall name an individual or contract with an outside firm to perform the function of internal auditor. The internal auditor or firm shall report directly to the Board of Directors or to a committee of the directors, none of the members of which may be an officer or employee of the Institution. The Internal Auditor may perform no other function with the Institution.

Recordkeeping

5. Management and the Board of Directors are understood to be responsible for the adequacy and accuracy of the Institution's books and records. Within 60 days of the effective date of this Order, Management and the Directors shall adopt and implement policies and procedures that will promote the maintenance of reliable books and records, and shall devote adequate resources to this effort. The Institution's independent auditors shall review these policies and procedures and shall provide a written evaluation of them, including recommendations for improvement, to the Board of Directors.

Loan Underwriting and Documentation

6. Within 60 days of the effective date of this Order, Management and the Board of Directors shall review and revise policies and procedures for the underwriting and documentation of loans. These policies and procedures shall comply with safe and sound lending principles and with 12 C.F.R. Section 563.170. The Institution's independent auditors shall review these policies and procedures and shall within 120 days of the effective date of this Order, provide a written evaluation of them, including recommendations for improvement, to the Board of Directors.

Construction Lending

7. Within 60 days of the effective date of this Order, Management and the Board of Directors shall review and revise the Institution's policies and procedures for construction lending. These policies and procedures shall provide for, but shall not be necessarily limited to:
 - a. Measures to provide that adequate funds to complete construction of security properties will remain on hand in the loan in process accounts at all times.
 - b. Requirements that disbursements of construction loan proceeds will be fully supported by documented inspections of the progress of construction of the security property.

The Institution's independent auditors shall review these policies and procedures and shall provide a

written evaluation of them, including recommendations for improvement, to the Board of Directors within 120 days of the effective date of this Order.

Asset Classification

8. Within 60 days of the effective effective date of this Order, the Board of Directors shall revise and implement its written asset classification policies and procedures, and establish corresponding internal control systems, as necessary, to provide for an effective system of self-classification of all assets and the establishment of prudent valuation allowances pursuant to and in compliance with 12 C.F.R. Sections 561.160 and 571.26. The asset classification policy shall provide for quarterly self classifications of assets and for reports to the Board of Directors of the results of the classification process.

Asset Quality

9. Coral Coast shall develop and implement, within 60 days of the effective date of this Order, a written plan to address its classified and criticized assets. These plans shall include, at a minimum, individual strategies for each criticized and classified asset in excess of \$250,000 and interim targets for reducing overall classifications as a percentage of capital. These individual strategies shall be updated quarterly.

General Valuation Reserves

10. By September 30, 1991, Coral Coast shall establish the required general valuation allowances in an amount not less than \$1,010,500 as set forth in the OTS Report of Examination of the Institution dated July 9, 1990. The Institution shall thereafter maintain prudent and adequate general valuation allowances, considering the amount of criticized and classified assets, and the risk inherent in its loan and investment portfolio, pursuant to and in compliance with 12 C.F.R. Section 563.160 and its own general valuation allowance policy. The Board shall review and assess the adequacy of the Institution's general valuation reserves on a quarterly basis and adjust them as necessary to address the risks inherent in the Institution's asset portfolio.

Specific Loss Reserves

11. Within 30 days of the effective date of this Order, the Institution shall establish specific loss reserves in the amount of \$785,591 in order to recognize the "Loss" classifications determined by the OTS examination of July 9, 1990. Additionally, any future loss classifications determined by the Institution or by the OTS must be offset immediately with specific loss reserves.

Loans to One Borrower

12. Within 60 days of the effective date of this Order, the Board of Directors shall adopt and implement policies and procedures which shall provide for monitoring for, and compliance with, all Loan to One Borrower regulations and statutes. The Institution shall not make, or acquire an interest in, further loans to borrowers known to be involved in existing loans to one borrower violations until those violations are resolved. Management shall report to the Board on a monthly basis on compliance with these regulations.

Loans to Affiliated Persons

13. Within 60 days of the effective date of this Order, the Institution shall adopt and enforce a policy for loans made to affiliated persons which provides that such loans will comply with applicable statutes and regulations and shall be made at market interest rates and terms.

Nonresidential Real Estate Lending

14. Within 60 days of the effective date of this Order, Coral Coast shall develop a written plan to bring the Institution into compliance with the nonresidential lending limitations of 12 C.F.R. Section 545.34(d) by July 1, 1992. With the exception of loans for which a binding written commitment currently exists, and of loans to be made to facilitate the sales of real estate owned, the Institution shall not originate or acquire loans secured by nonresidential real estate until these limitations are met.

Compliance

15. On a quarterly basis, the Board of Directors shall determine compliance with this Order, and shall include its findings in the minutes of the Board meetings.

