

#864

UNITED STATES OF AMERICA
Before The
OFFICE OF THRIFT SUPERVISION

Matter of
Merit Savings Association
Cincinnati, Ohio

Resolution No: CIN 91-26
Dated: July 29, 1991

STIPULATION AND CONSENT TO ISSUANCE OF
ORDER TO CEASE AND DESIST

The Office of Thrift Supervision ("OTS") by and through its Deputy Regional Director for the Cincinnati District Office, and Merit Savings Association, Cincinnati, Ohio ("Merit") 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 Merit pursuant to the Federal Deposit Insurance Act, § 8(b), 12 U.S.C.A. § 1818(b) (West 1989). Merit desires to cooperate with the OTS and to avoid the time and expense of such administrative litigation and, without admitting 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 Merit with respect to the matters covered in the accompanying Order to Cease and Desist ("Order").

- C Supervisory File
- C Corporate File
- C Holding Co. File #
- C OTS - Dockets
- C Membership File
- C State Dept. Oh.
- C FDIC - Chicago, IL (Wash., D.C.)
- C FDIC - Memphis, TN Chicago
- C K. Cardell (2)
- C Circulating File
- C Dietman Pritchard, Cross
- C Summers (2), KAK

7-29-91

2. Jurisdiction.

(a) Merit is a "savings association" and an "insured depository institution" as defined by 12 U.S.C.A. §§ 1462 and 1813 (West 1989 and Supp. 1990).

(b) The Director of OTS is the "appropriate Federal Banking agency" to maintain a cease and desist proceeding against such savings association, pursuant to 12 U.S.C.A. §§ 1813 and 1818(b) (West 1989); therefore, Merit is subject to the authority of the OTS to initiate and maintain a cease and desist proceeding against it.

3. Consent. Merit consents to the issuance by the OTS of the Order. It further agrees to comply with the terms of the Order upon its issuance and stipulates that the Order complies with all requirements of law.

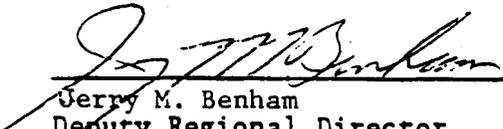
4. Finality. The Order is issued under 12 U.S.C.A. § 1818(b) (West 1989). Upon its issuance by the Cincinnati District Office, OTS, it shall be a final Order, effective and fully enforceable by the OTS under the provisions of 12 U.S.C.A. § 1818(i) (West 1989).

5. Waivers. Merit waives its right to a notice of charges and the administrative hearing provided by 12 U.S.C.A. § 1818(b) (West 1989), and further waives its right to seek judicial review of the Order, including any such right provided by 12 U.S.C.A. § 1818(h) (West 1989), or otherwise to challenge the validity of the Order.

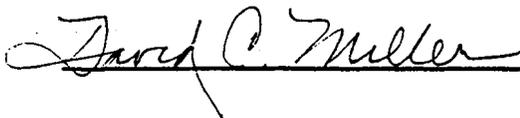
WHEREFORE, in consideration of the foregoing, the OTS, by and through its Deputy Regional Director for the Cincinnati District Office, OTS, and Merit, by a majority of its directors, execute this Stipulation and Consent to Issuance of Order to Cease and Desist.

OFFICE OF THRIFT SUPERVISION

MERIT SAVINGS ASSOCIATION
CINCINNATI, OHIO
by a majority of its directors



Jerry M. Benham
Deputy Regional Director
Cincinnati District Office



David C. Miller



Richard Thomas



Fred Koch



Roger Ledegan



Donald Ewin

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In the Matter of
Merit Savings Association
Cincinnati, Ohio

Resolution No: CIN 91-26
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CONSENT CEASE AND DESIST ORDER

WHEREAS, Merit Savings Association, Cincinnati, Ohio ("Merit" or "Institution"), through its directors, without admitting or denying that the grounds exist for the issuance of a Cease and Desist Order ("Order"), has executed a Stipulation and Consent to Issuance of a Consent Cease and Desist Order ("Stipulation") that is accepted and approved by the Office of Thrift Supervision ("OTS") acting through its Deputy Regional Director for the Cincinnati District and is incorporated herein by reference; and

WHEREAS, Merit in the Stipulation, without admitting or denying that the grounds exist for the issuance of an Order, has consented and agreed to the issuance of this Order pursuant to the Federal Deposit Insurance Act, Section 8(b) as amended by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 ("FIRREA"), 12 U.S.C.A. Section 1818(b) (West 1989) and has agreed to be bound by its terms.

NOW, THEREFORE, IT IS ORDERED that Merit and its directors, officers, employees, agents, and service corporations comply with the following provisions of this Order:

1. Merit shall not knowingly purchase or originate any loans, the source of which is Empire Mortgage Incorporated of Columbus, Ohio ("Empire Mortgage"), or any of its successors or assigns.

2. Merit shall cease the purchase of any loans secured by non-owner occupied property located beyond approximately 50 miles of its home or any branch office.

3. Merit shall cease the purchase or origination of income property loans, including loans on non-owner occupied residential property until the board of directors has revised its lending, monitoring and control policies to the satisfaction of the Deputy Regional Director or his designee. Such policies, at a minimum, should:

- a. include specific lending authority and dollar limitations for each loan officer;
- b. establish guidelines identifying the kind and/or types of loans the Institution will make available;
- c. contain standards for required credit information, repayment schedule, and collateral documentation;
- d. establish procedures to identify and restrict concentrations of credit;
- e. establish a review process to identify and monitor problem credit; and
- f. require maintenance of complete and current credit files.

4. With regard to loans which will be secured by owner occupied real property, Merit, when analyzing the debt servicing capacity of prospective borrowers, shall utilize underwriting standards consistent with those promulgated by the Federal Home Loan Mortgage Corporation, as revised from time to time. With regard to loans which will be secured by non-owner occupied real property, Merit, when analyzing the debt servicing capacity of prospective borrowers, shall base its analysis on a fully indexed rate (i.e., the index value at time of underwriting plus the margin).

5. Merit, within sixty days (60) of the date of this Order, shall submit a plan acceptable to the Deputy Regional Director or his designee for:

- a. monitoring and reducing the concentration of loans purchased from Empire Mortgage and of other loans secured by non-owner occupied property;
- b. reviewing the entire loan portfolio for potential problem loans;
- c. prioritizing loans by origination or purchase date, type, delinquency, classification, financial condition of borrower; and
- d. establishing VAs and other loss reserves.

6. Merit's board of directors shall require and receive monthly reports from management detailing its progress in monitoring and identifying and classifying problem loans and in reducing adverse concentrations. Merit shall submit a similar report quarterly to the Deputy Regional Director or his designee.

7. Merit's board of directors shall, within sixty days (60) of the date of this Order, evaluate management competence, depth and succession and submit a report to the Deputy Regional Director or his designee with the results of such evaluation, including any proposed changes.

Nothing contained in this Order shall prevent the Office of Thrift Supervision from taking additional supervisory action on matters not specifically covered by this order, as deemed appropriate under the then present circumstances.

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 Chapter V of Title 12 of the Code of Federal Regulations, the Home Owners' Loan Act or Federal Deposit Insurance Act, and any

such technical words or terms used in this Order, and undefined by the statutes, rules and regulations contained in said Code of Federal Regulations, HOLA, FDIA or OTS memoranda, shall have meanings that accord with the best custom and usage in the savings and loan industry.

OFFICE OF THRIFT SUPERVISION

/s/

~~Jerry M. Benhan~~
Deputy Regional Director
Cincinnati District Office