

UNITED STATES OF AMERICA  
Before the  
OFFICE OF THRIFT SUPERVISION  
DEPARTMENT OF THE TREASURY

IN THE MATTER OF )

LAWRENCE B. SEIDMAN AND JOHN BAILEY, )  
Individually, as Persons )  
Participating in the Conduct of the )  
Affairs of Crestmont Federal Savings )  
and Loan Association, Edison, )  
New Jersey )

OTS AP  
Re: No. 91- 77

Dated: October 30, 1991

**TEMPORARY CEASE AND  
DESIST ORDER**

1. On October 30, 1991, the Office of Thrift Supervision ("OTS") of the United States Department of the Treasury issued a Notice of Charges and Hearing seeking, inter alia, an order directing John Bailey ("Bailey") to cease and desist from certain activities at Crestmont Federal Savings and Loan Association ("Crestmont") and to take affirmative steps in the future to correct certain deficiencies in the lending department at Crestmont under the authority of Section 5(d)(1)(A) of the Home Owners' Loan Act of 1933 ("HOLA"), 12 U.S.C. §1464(d)(1)(A) (1988 and Supp. I 1989), and Section 8(b) of the Federal Deposit Insurance Act ("FDIA"), 12 U.S.C. §1818(b).

2. Upon review of the entire record arising out of an OTS examination of Crestmont, commenced on April 29, 1991, and the record to date of the OTS formal investigation, Resolution No. EAST 91-8, authorized on June 19, 1991, the OTS has determined that (i) Bailey is an institution-affiliated party

at Crestmont within the meaning of 12 U.S.C. §1813(u)(West 1989); (ii) Bailey has engaged in unsafe or unsound practices in conducting the business of Crestmont; (iii) Bailey has violated a regulation; and (iv) such violation or practice is likely to cause insolvency or significant dissipation of assets or earnings of Crestmont, is likely to weaken the condition of Crestmont and otherwise prejudice the interests of Crestmont's depositors.

3. The determinations in paragraph 2 are based on the matters set forth in the Notice of Charges.

4. The Notice of Charges details charges against Bailey of unsafe or unsound practices in conducting the business of Crestmont. Specifically, Bailey is charged with engaging in unsafe or unsound practices by approving a loan that if made would have been in violation of a regulatory prohibition of the OTS or the loan procedures of Crestmont, engaging in unsafe and unsound practices by breaching his fiduciary duty to disclose fully all information provided to him about loan transactions with third persons in which an affiliated person will receive a benefit, and engaging in unsafe or unsound practices by failing to disclose information that he was aware of and that was material for a determination by the Board of Directors at Crestmont of either the proper procedure for review of a loan application or whether there was a regulatory bar to approval of the loan request.

5. Bailey's inadequate investigation and incomplete disclosures of Seidman's interest in a loan transaction involving a third person reflect a lack of awareness of, or adherence to, regulatory dictates and safe and sound procedures

that are essential for the proper management of a savings association.

6. Prevention of any future violation of the OTS regulation prohibiting loans to third parties involved in transactions with affiliated persons is necessary to avoid the likelihood of significant dissipation of the assets or earnings of Crestmont or the likelihood of weakening the condition of Crestmont or otherwise prejudicing the interests of Crestmont's depositors prior to the completion of the administrative proceedings in this matter.

7. Prevention of the unsafe and unsound practices of failing to disclose the interests of directors or officers in loan transactions with affiliated persons, approving loans in violation of the association's lending policy and approving loans to third parties when the loan officer knows that a director or officer has an interest in the transaction is necessary to avoid the likelihood of significant dissipation of the assets or earnings of Crestmont or the likelihood of weakening the condition of Crestmont or otherwise prejudicing the interests of Crestmont's depositors prior to the completion of the administrative proceedings in this matter.

8. In light of the foregoing determinations, IT IS HEREBY ORDERED by the Office of Thrift Supervision on this date that:

(i) John Bailey shall, in all loan matters at Crestmont with which he is involved, either directly or indirectly, cease and desist from withholding, or failing to disclose (1) any information of which he becomes aware relating to the past, present or prospective interest of a director or

officer in any such loan matter; and (2) any other information necessary to ensure a safe and sound underwriting process for all loan matters at Crestmont.

(ii) John Bailey shall take all affirmative steps necessary to ensure full and complete disclosure with regard to any loan matters at Crestmont with which he is involved, either directly or indirectly, and to ensure a safe and sound underwriting process for all loan matters at Crestmont for the purpose of preventing the occurrence in the future of any violation of law or regulation, unsafe or unsound practices, or breaches of fiduciary duty.

(iii) This Order shall become effective upon service on John Bailey and, unless set aside, limited, or superseded by a court of appropriate jurisdiction, shall remain effective and enforceable until the OTS dismisses the charges specified against John Bailey or, in the event a Cease and Desist Order is issued against John Bailey, until the effective date of such an Order.

ISSUED:

OFFICE OF THRIFT SUPERVISION  
BY: *ISI*

*ISI*  
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Timothy Ryan  
Director