

SUPERVISORY AGREEMENT

This Supervisory Agreement (Agreement) is made and is effective this 23rd day of April, 2007 (Effective Date), by and between Home Federal Savings Bank, Detroit, Michigan, OTS Docket No. 05171 (Home or Institution), a federally chartered mutual savings and loan association, and the Office of Thrift Supervision (OTS), a bureau of the United States Department of the Treasury, acting through its Southeast Regional Director or his designee (Regional Director).

WHEREAS, the OTS is the primary federal regulator of the Institution;

WHEREAS, based upon the May 29, 2006 Report of Examination (2006 Examination), the OTS is of the opinion that the Institution has engaged in acts and practices that: (i) have resulted in violations of certain of the laws or regulations to which the Institution is subject; and (ii) are considered to be unsafe and unsound;

WHEREAS, the OTS is of the opinion that grounds exist for the initiation of an administrative proceeding against the Institution;

WHEREAS, the OTS is of the view that it is appropriate to take measures intended to ensure that the Institution will: (i) comply with all applicable laws and regulations; and (ii) engage in safe and sound practices; and

WHEREAS, the Institution, acting through its Board of Directors (Board), without admitting or denying that such grounds exist except those as to jurisdiction, which are admitted, wishes to cooperate with the OTS and to evidence the intent to: (i) comply with all applicable laws and regulations; and (ii) engage in safe and sound practices.

NOW THEREFORE, in consideration of the above premises and the mutual undertakings set forth herein, the parties hereto agree as follows:

Compliance With Laws, Regulations & Safe and Sound Practices

1. The Institution, its directors, officers, employees, agents, and subordinate organizations shall take all necessary and appropriate actions to comply with the following laws, regulations, and safe and sound business practices:
 - a. 12 C.F.R. Part 202 (Equal Credit Opportunity Act);
 - b. 12 C.F.R. Part 229 (Availability of Funds and Collection of Checks);
 - c. Fair Credit Report Act (15 U.S.C. § 1681 et seq.) as amended by the FACT Act, Section 609(g);
 - d. 12 C.F.R. Part 226 (Truth-in-Lending Act);

- e. 12 C.F.R. Part 230 (Truth in Savings Act);
- f. 24 C.F.R. Part 3500 (Real Estate Settlement Procedures Act);
- g. OTS Thrift Bulletin (TB) 13a (Management of Interest Rate Risk, Investment Securities, and Derivatives Activities);
- h. OTS Thrift Bulletin (TB) 72a (Interagency Guidance on High Loan-to-Value (LTV) Residential Real Estate Lending); and
- i. OTS Thrift Bulletin (TB) 73a (Investing in Complex Securities).

Interest Rate Risk

2. Within 60 days of the Effective Date, the Board shall review and revise the Institution's interest rate risk policy (IRR Policy) to address the deficiencies noted in the 2006 Examination and to comply with the requirements of 12 C.F.R. Section 563.176. If any deficiencies are noted in subsequent examinations, the Board, within 60 days of receipt of the Report of Examination, shall review and revise the IRR Policy to address those deficiencies. The IRR Policy shall contain reasonable interest rate risk limitations as established by the Board and ensure proper management of interest rate risk. The limits shall specify the net portfolio values (NPV) acceptable under the current interest rate environment and for sustained rate increases and decreases of 100, 200 and 300 basis points.
3. The IRR Policy shall require management to develop and implement an interest rate risk management plan (IRR Management Plan). The IRR Management Plan shall be submitted to the Regional Director for review and non-objection within 90 days of the Effective Date and shall at a minimum:
 - a. focus on reducing the Institution's level of interest rate risk;
 - b. detail the strategies to be utilized to reduce interest rate risk;
 - c. set interim targets for NPV ratios, with specific timetables; and
 - d. provide alternative action plans if the IRR Management Plan targets are not achieved.
4. The Board shall take all steps necessary to ensure that the IRR Policy required by Paragraph 2 is implemented and thereafter fully adhered to by Management and staff of the Institution. The Board shall submit a copy of the IRR Policy and the IRR Management Plan required by Paragraphs 2 and 3 to the Regional Director within 10 days after adoption.

5. Beginning with the calendar quarter ending September 30, 2007, Management shall submit quarterly reports to the Board addressing compliance with the IRR Policy and the IRR Management Plan (Quarterly IRR Review Report). The Quarterly IRR Review Report shall be submitted to the Board within 80 days of the end of the calendar quarter. [For example, for the 9/30/07 quarter, the Quarterly IRR Review Report would be due to the Board by 12/19/07.] The Board shall review the Quarterly IRR Review Report and adopt specific corrective actions as are necessary and appropriate. The Board's review and adoption of corrective actions shall take place within 30 days of receipt of the Quarterly IRR Review Report from Management. [For example, for the 9/30/07 quarter, the review and actions would be due no later than 1/18/08.] The Board's review of each Quarterly IRR Review Report and the corrective actions adopted as a result shall be documented in the minutes of the appropriate Board meeting. The Board shall submit a copy of each Quarterly IRR Review Report and the minutes reflecting the Board's review and adoption of corrective action to the Regional Director within 20 days after the date of the appropriate Board meeting.

Operations

6. Within 30 days of the Effective Date, the Board shall develop and submit to the Regional Director for review and non-objection, an operational and capital plan (Operational Plan), organized on a quarterly basis through at least December 31, 2007. By November 30, 2007, and by November 30th of each year thereafter, the Operational Plan shall be revised for the following year. The Operational Plan, shall at a minimum:
 - a. include a budget, with quarterly projections of earnings, balance sheet items, and capital ratios;
 - b. provide specific details about strategies to improve the Institution's core earnings;
 - c. establish specific timetables for implementation of strategies to improve earnings;
 - d. provide loan volume projections;
 - e. identify the Institution's overall funding and liquidity management strategies, including the level of jumbo CDs and alternate liquidity sources;
 - f. identify specific operating expenses to be reduced or eliminated, including a thorough review of staffing and compensation;
 - g. specifically support any projections for additional fees or other noninterest income; and
 - h. provide alternative action plans if the Operational Plan projections are not achieved for two consecutive quarters.

7. After review and non-objection by the Regional Director, the Board shall immediately adopt and adhere to the Operational Plan in all material respects. Any material changes to the Operational Plan will require the prior written approval of the Regional Director.
8. The Board shall review and document the Institution's compliance with the Operational Plan at least once each calendar quarter. The review and documentation shall include an explanation of any significant variances from the quarterly projections. A copy of the Board's documentation of this review shall be submitted to the Regional Director within 20 days following each review.

Commercial Loans

9. Without the prior written approval of the Regional Director, the Institution shall not make, invest in, purchase, commit to make or purchase any loans, letters of credit, or loan participations for commercial, corporate, business, or agricultural purposes except for those loans fully secured by real estate.

Loans in Violation of LTV Limits

10. Within 60 days of the Effective Date, the Board shall implement policies, procedures and control systems that will ensure the Institution's compliance with the supervisory loan-to-value (LTV) capital limits set forth in 12 C.F.R. Section 560.101, Appendix A. The policies and procedures shall be submitted to the Regional Director and shall contain, at a minimum: (i) the requirement for the Board to review the Institution's compliance with supervisory loan-to-value capital limits at least once each calendar quarter, with documentation of that review; and (ii) the requirement that loans granted in excess of the supervisory loan-to-value limits have sufficient credit support, as defined by regulation or regulatory guidance.

Hazard Insurance

11. The Board shall maintain policies, procedures and controls that will ensure that outstanding loans have adequate hazard insurance coverage and that the Institution maintains the appropriate records pursuant to 12 C.F.R. Section 560.170.

Compliance

Compliance Officer

12. The Board shall ensure that the Institution maintains the position of Compliance Officer, whose duties and responsibilities shall be consistent with the provision contained in Paragraph 13.

Compliance Program

13. The Board shall maintain a Compliance Program, designed to ensure the Institution is operating in compliance with nondiscrimination, consumer protection, and other public interest laws and regulations. Within 45 days, the Compliance Program shall be amended to address weak areas noted in the 2006 Examination. If any weaknesses are noted in subsequent examinations, the Board, within 45 days of receipt of the Report of Examination, shall amend the Compliance Program to address those weaknesses. The Compliance Program shall include, but not necessarily be limited to, the following:
- a. incorporation of all SMAART program components as set forth in the revised Compliance Self Assessment Guide discussed in the December 19, 2002 Chief Executive Letter No. 171 (CEO 171);
 - b. detailed written policies and procedures covering nondiscrimination, consumer protection and public interest laws and regulations for use by Institution personnel. Particular emphasis shall be placed on the Institution's compliance with the following laws and their implementing regulations: Truth in Lending Act, Real Estate Settlement Procedures Act, Bank Secrecy Act, Truth in Savings Act, Expedited Funds Availability Act, Equal Credit Opportunity Act, Community Reinvestment Act, and OTS's advertising regulation;
 - c. provisions for ongoing periodic internal or external compliance reviews to monitor the Institution's compliance with nondiscrimination, consumer protection, and other public interest laws and regulations. Such compliance reviews shall include transactional testing and be properly documented, including the scope of the review, findings, including exceptions, and corrective actions;
 - d. procedures are in effect to ensure that exceptions noted in the compliance reviews and through the Compliance Program are immediately addressed and corrected by appropriate Institution personnel;
 - e. mechanisms for effective Board oversight, which shall include, at a minimum, quarterly regulatory compliance reports presented to the Board by the Compliance Officer, with appropriate documentation of such in the Board minutes;
 - f. a written provision ensuring unrestricted access for the Compliance Officer to the Board;
 - g. written procedures for promptly amending the Compliance Program to address changes to nondiscrimination, consumer protection, and other public interest laws and regulations; and

- h. written procedures for promptly amending the Compliance Program as needed to address new products and services offered by the Institution.
14. Once the Board has amended the Compliance Program, the Institution shall adhere to it in all material respects.

Corrective Actions

15. Within 45 days of the Effective Date, the Board shall address each regulatory exception and each violation of law, rule or regulation cited in the 2006 Examination and shall take all corrective actions required by OTS in the 2006 Examination. The Board shall provide a comprehensive written notice to the OTS within the 45 day timeframe, describing the date and manner in which each correction has been effected. If any regulatory exceptions, violations of law, rule or regulation are noted in subsequent examinations, or if other corrective actions are required, the Board, within 45 days of receipt of the Report of Examination, shall address each exception and violation and shall take the required corrective actions.

Termination of Outstanding Supervisory Agreements

16. The Supervisory Agreement dated August 6, 1991 and the Supervisory Agreement dated November 20, 2001 shall be terminated upon the Effective Date of this Agreement.

BOARD OF DIRECTORS

Director Responsibility

17. Notwithstanding the requirements of this Agreement that the Board submit various matters to the Regional Director for the purpose of receiving his approval, non-objection or notice of acceptability, such regulatory oversight does not derogate or supplant each individual director's continuing fiduciary duty. The Board shall have the ultimate responsibility for overseeing the safe and sound operation of the Institution at all times, including compliance with the determinations of the Regional Director as required by this Agreement.

Compliance with Agreement

18. The Board and officers of the Institution shall take immediate action to cause the Institution to comply with the terms of this Agreement and shall take all actions necessary or appropriate thereafter to cause the Institution to continue to carry out the provisions of this Agreement.

19. The Board shall promptly respond to any request from the OTS for documents to demonstrate compliance with this Agreement, including making Institution records and documents available for OTS examiner review upon request.

Definitions

20. All technical words or terms used in this Agreement for which meanings are not specified or otherwise provided by the provisions of this Agreement shall, insofar as applicable, have meanings as defined in Chapter V of Title 12 of the Code of Federal Regulations, HOLA, FDIA or OTS Memoranda. Any such technical words or terms used in this Agreement and undefined in said Code of Federal Regulations, HOLA, FDIA, or OTS Memoranda shall have meanings that are in accordance with the best custom and usage in the savings and loan industry.

Successor Statutes, Regulations, Guidance, Amendments

21. Reference in this Agreement to provisions of statutes, regulations, and OTS Memoranda shall be deemed to include references to all amendments to such provisions as have been made as of the Effective Date and references to successor provisions as they become applicable.

Notices

22. Except as otherwise provided herein, any request, demand, authorization, direction, notice, consent, waiver or other document provided or permitted by the Agreement to be made upon, given or furnished to, delivered to, or filed with:
 - a. The OTS by the Institution, shall be sufficient for every purpose hereunder if in writing and mailed, first class, postage prepaid or sent via overnight delivery service or physically delivered, in each case addressed to the Regional Deputy Director Daniel T. McKee, Office of Thrift Supervision, Department of the Treasury, 1 South Wacker Drive, Suite 2000, Chicago, Illinois, 60606, or telecopied to (312) 917-5002 and confirmed by first class mail, postage prepaid, overnight delivery service or physically delivered, in each case to the above address.
 - b. The Institution by the OTS, shall be sufficient for every purpose hereunder if in writing and mailed, first class, postage prepaid or sent via overnight delivery service or physically delivered, in each case addressed to the Institution at 9108 Woodward Avenue, Detroit, Michigan, 48202, or telecopied to (313) 873-6395 and confirmed by first class mail, postage prepaid, overnight delivery service or physically delivered, in each case to the above address.

Duration, Termination or Suspension of Agreement

23. This Agreement shall: (i) become effective upon its execution by the OTS, through its authorized representative whose signature appears below, and (ii) remain in effect until terminated, modified or suspended in writing by the OTS, acting through its Director or the Regional Director (including any authorized designee thereof).
24. The Regional Director in his sole discretion, may, by written notice, suspend any or all provisions of this Agreement.

Time Limits

25. Time limitations for compliance with the terms of this Agreement run from the Effective Date, unless otherwise noted.

Effect of Headings

26. The Section headings herein are for convenience only and shall not affect the construction hereof.

Separability Clause

27. In case any provision in this Agreement is ruled to be invalid, illegal or unenforceable by the decision of any Court of competent jurisdiction, the validity, legality and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby, unless the Regional Director in his sole discretion determines otherwise.

No Violations of Law, Rule, Regulation or Policy Statement Authorized; OTS Not Restricted

28. Nothing in this Agreement shall be construed as: (i) allowing the Institution to violate any law, rule, regulation, or policy statement to which it is subject, or (ii) restricting the OTS from taking such action(s) as are appropriate in fulfilling the responsibilities placed upon it by law, including, without limitation, any type of supervisory, enforcement or resolution action that the OTS determines to be appropriate.

Successors in Interest/Benefit

29. The terms and provisions of this Agreement shall be binding upon, and inure to the benefit of, the parties hereto and their successors in interest. Nothing in this Agreement, express or implied, shall give to any person or entity, other than the parties hereto and the Federal Deposit Insurance Corporation and their successors hereunder, any benefit or any legal or equitable right, remedy or claim under this Agreement.

Signature of Directors

30. Each Director signing the Agreement attests, by such act, that she or he voted in favor of a Board resolution authorizing the execution of this Agreement by the Institution.

Integration Clause

31. This Agreement represents the final written agreement of the parties with respect to the subject matter hereof and constitutes the sole agreement of the parties, as of the Effective Date, with respect to such subject matter. However, upon approval by the Regional Director, all policies required by this Agreement shall become part of this Agreement and any deviation from these policies shall be deemed a violation of this Agreement.

Enforceability of Agreement

32. The Institution represents and warrants that this Agreement has been duly authorized, executed, and delivered, and constitutes, in accordance with its terms, a valid and binding obligation of the Institution. The Institution acknowledges that this Agreement, is a "written agreement" entered into with the OTS within the meaning of Section 8 of the FDIA, 12 U.S.C. §1818.

Counterparts

33. This Agreement may be executed in two or more counterparts, all of which shall be considered one and the same agreement and each of which shall be deemed an original.

Remainder of this page intentionally left blank.

IN WITNESS WHEREOF, the OTS, acting by and through the Regional Director and the Institution, in accordance with a duly adopted resolution of its Board, hereby execute this Agreement as of the Effective Date.

OFFICE OF THRIFT SUPERVISION

By:

_____/s/_____
John E. Ryan, Regional Director

THE INSTITUTION

By:

_____/s/_____
Helen Coleman, Director

_____/s/_____
Bettye Arrington, PhD., Director

_____/s/_____
James A. U. Carter, Director

_____/s/_____
Emeral A. Crosby, Director

_____/s/_____
Louis Johnson, Director

_____/s/_____
Amyre Makupson, Director

_____/s/_____
William Walsh, Director