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UNITED STATES OF AMERICA
BEFORE THE
OFFICE OF THRIFT SUPERVISION
AND THE
STATE OF CONNECTICUT
BEFORE THE
BANKING COMMISSIONER

IN THE MATTER OF:

Connecticut Savings and Loan Association
Hartford, Connecticut

OTS No. 07179

Re: Resolution No. BOS-90-~~2~~³

Date: April 23, 1990

STIPULATION AND CONSENT TO ISSUANCE
OF ORDER TO CEASE AND DESIST

The Banking Commissioner of the State of Connecticut (the "Commissioner") and the Office of Thrift Supervision, by and through its District Director for the Boston District Office ("OTS Boston"), (hereinafter referred to as the "Regulators"), and Connecticut Savings and Loan Association, Hartford, Connecticut (the "Association"), stipulate and agree as follows:

1. Consideration.

The Regulators, based upon information reported to them, are of the opinion that grounds exist for each of them to initiate an administrative cease and desist proceeding against the Association pursuant to Section 36-25 of the Connecticut General Statutes ("CGS") and Section 8(b) of the Federal Deposit Insurance Act ("FDIA"), as amended by Section 902(a) of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, Pub. L. No. 101-73, 103 Stat. 183 ("FIRREA") (to be codified at 12 U.S.C. 1818(b)) respectively. The Association desires to cooperate with the Regulators and to avoid the time and expense of such administrative

proceedings or litigation and, without admitting or denying that such grounds exist, hereby stipulates and agrees to the following terms in consideration of the forbearance by the Regulators from initiating such administrative cease and desist proceedings or litigation against the Association with respect to the matters covered in the accompanying Order to Cease and Desist ("Order").

2. Jurisdiction.

- (a) The Commissioner is charged with the administration of Chapter 645 of the CGS, "Savings and Loan Associations". The Association is a savings and loan association organized under Section 36-173 of Chapter 645 of the CGS. Section 36-25(2) of the CGS authorizes the Commissioner to commence administrative proceedings against an institution subject to his jurisdiction to determine whether an order to cease and desist should issue against it. Therefore, the Association is subject to the authority of the Commissioner to initiate and maintain a cease and desist proceeding against it pursuant to Section 36-25(2) of the CGS.
- (b) The Association is a "savings association" within the meaning of Section 3(b) of the FDIA and Section 2(4) of the Home Owners' Loan Act, as amended by Sections 204(b) and 301, respectively, of the FIRREA. Accordingly, it is an "insured depository institution" as that term is defined in Section 3(c)(2) of the FDIA, as amended by Section 204(b) of the FIRREA (to be codified at 12 U.S.C. 1813(c)(2)). Pursuant to Section 3(q)(4) of the FDIA, as amended by Section 204(f) of the FIRREA, the Director of OTS is the "appropriate Federal banking agency" to maintain an enforcement proceeding against such a savings association. Therefore, the Association 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, as amended by Section 902(a) of the FIRREA (to be codified at 12 U.S.C. 1818(b)).

3. Consent.

The Association consents to the issuance by the Regulators 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:

- (a) Under Section 36-25 of the CGS, and
- (b) under Section 8(b) of the FDIA, as amended by Section 902(a) of the FIRREA (to be codified at 12 U.S.C. 1818(b)).

Upon its issuance by the Regulators, it shall be a final order, effective and fully enforceable by the Regulators under applicable state and federal law including Section 36-25 of the CGS and Section 8(i) of the FDIA, as amended by Section 907 of the FIRREA (to be codified at 12 U.S.C. 1818(i)).

5. Waivers.

The Association waives its right to a notice of charges and the administrative hearing provided by Section 36-25 of the CGS and Section 8(b) of the FDIA, as amended by Section 902(a) of the FIRREA (to be codified at 12 U.S.C. 1818(b)), and further waives any right to seek judicial review of the Order, including any such right provided in Chapter 54 of the CGS and Section 8(h) of the FDIA, as amended by Section 920(a) of the FIRREA (to be codified at 12 U.S.C. 1818(h)), or otherwise to challenge the validity of the Order.

WHEREFORE, in consideration of the foregoing, the Regulators and the Association, by a majority of its board of directors, execute this Stipulation and Consent to Issuance of Order to Cease and Desist.

BANKING COMMISSIONER
STATE OF CONNECTICUT

CONNECTICUT SAVINGS AND LOAN ASSOCIATION
By a majority of its board of directors

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Howard B. Brown
Dated: 4-19-90

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Dated: 4-17-90
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Dated: 4/17/90

OFFICE OF THRIET SUPERVISION

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By: 151
Ralph W. Ghidley
District Director
Boston District Office
Dated: 4-25-90

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Dated: 4/17/90
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Dated: 4-17-90
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UNITED STATES OF AMERICA
BEFORE THE
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AND THE
STATE OF CONNECTICUT
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IN THE MATTER OF:

Connecticut Savings and Loan Association
Hartford, Connecticut

OTS No. 07179

Re: Resolution No. BOS-90-~~2~~³

Date: April 23, 1990

ORDER TO CEASE AND DESIST

WHEREAS, Connecticut Savings and Loan Association, Hartford, Connecticut, (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 acting through its District Director for the Boston District Office ("OTS Boston"), and the Banking Commissioner of the State of Connecticut ("Commissioner"); (hereinafter referred to as the "Regulators");

WHEREAS, the Association, 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 ("FDIA"), as amended by Section 902(a) of the Financial Institutions Reform, Recovery and Enforcement Act of 1989, Pub. L. No. 101-73, 103 Stat. 183 ("FIRREA") (to be codified at 12 U.S.C. 1818(b)) and Section 36-25 of the Connecticut General Statutes ("CGS").

NOW THEREFORE, IT IS ORDERED that:

The Association and its directors, officers, employees, agents, successors, assigns and other persons participating in the conduct and affairs of the Association, and its service corporations, shall cease and desist from:

(a) engaging in any of the following unsafe and unsound banking practices and/or violations of law, and from aiding and abetting in the same:

(1) failing to comply with all of the provisions of the board Resolution adopted June 6, 1989 (attached hereto as Schedule A);

(2) failing to employ and retain qualified senior management and staff;

(3) operating with inadequate capital and failing to meet minimum regulatory capital requirements;

(4) failing to accurately post the general ledger in a timely manner;

(5) failing to review and implement revised loan policies;

(6) failing to document in the minutes of the board of directors' meetings any review of the progress being made to comply with the June 6, 1989 board Resolution, or

(b) otherwise violating any of the following regulations, and from aiding and abetting in the same:

(1) 12 C.F.R. 563.161 regarding management and financial policies;

(2) 12 C.F.R. 563.170(c) regarding establishment and maintenance of records;

(3) 12 C.F.R. 563.233(b) regarding accounting principles and procedures;

(4) 12 C.F.R. 567.2(a)(1) and (2) regarding minimum regulatory capital requirements;

(5) 12 C.F.R. 528.2a(b) regarding written loan underwriting standards;

(6) 12 C.F.R. 563.176 regarding interest rate risk management; and

(7) 12 C.F.R. 563.160 regarding internal classification of assets and reserves.

IT IS FURTHER ORDERED THAT the Association, its directors, officers, employees, agents, successors, assigns, and other persons participating in the conduct of the affairs of the Association, take affirmative action as follows:

1. Management

- (a) Within ninety (90) days after the effective date of this Order, the Association, shall replace its present President and Managing Officer with a new Managing Officer with the qualifications and experience necessary to manage, operate and administer the affairs of the Association in a fully satisfactory manner under the direction of the board of directors. Management will be evaluated by the board of directors based on the ability of management to (1) comply with the provision of this Order, (2) operate the institution in a safe and sound manner, (3) comply with applicable laws and regulations, and (4) maintain all aspects of the institution in a safe and sound condition, including but not limited to, accurate financial statements, loan administration, capital adequacy, earnings performance, management effectiveness, internal liquid resources, and fund management strategies. The board of directors will notify OTS Boston and the Commissioner in writing of any contemplated changes in senior management prior to any such change(s) being made. Such notification will include the names and backgrounds of any replacement personnel.
- (b) Within ninety (90) days after the effective date of this Order, the Association shall endeavor to increase and maintain its board of directors' membership to at least nine (9) members to comply with its bylaws.

- (c) The Association shall take such actions as necessary to ensure that each member of its board of directors attends a minimum of eighty (80) percent of regular monthly board meetings during any consecutive twelve (12) month period.

2. Capital

Within ninety (90) days after the effective date of this Order, the Association shall attain and maintain capital sufficient to meet minimum tangible, core and risk-based capital requirements, as required by 12 C.F.R. Part 567, or, in lieu of meeting such minimum requirements, the Association shall comply with all provisions and interim targets of a capital plan approved by OTS Boston and the Commissioner. The capital plan will address both internal and external sources of capital augmentation, including additional capital infusions, retention of earnings, pledged deposits and control of growth with specific timetables for defined capital objectives.

3. Financial Record Keeping and Reporting

- (a) Within ninety (90) days after the effective date of this Order, the Association shall reconcile all general ledger accounts and so notify OTS Boston and the Commissioner in writing.
- (b) Within ninety (90) days of the effective date of this Order, the Association's board of directors shall establish internal controls and procedures outlining specific actions to ensure that the general ledger is accurately posted in a timely manner and that financial statements reflect the true financial position of the institution. The Association will have and retain adequate administrative staff to satisfactorily perform this financial record keeping responsibility consistent with sound banking practices. On a quarterly basis, the board of directors will confirm that these internal controls and procedures have been performed and shall document such confirmation within the board minutes.

- (c) The Association shall submit all Thrift Financial Reports to OTS Boston and the Commissioner on a timely basis within OTS prescribed time frames.

4. Nondiscrimination/Loan Underwriting Standards

Within ninety (90) days of the effective date of this Order, the Association shall review, and implement changes to the written loan policy to correct underwriting and documentation deficiencies and shall comply with the requirements of 12 C.F.R. 528.2a(b). The Association shall review its nondiscrimination loan underwriting standards and revise said standards to include all concerns addressed within 12 C.F.R. 528.2. Such standards will be in writing and will be made available at the institution to the public upon request. In addition, the Association shall review its loan policies on at least an annual basis and note such review in its board minutes. Upon revision, the Association shall submit its written standards to OTS Boston and the Commissioner.

5. Interest Rate Risk

- (a) Within ninety (90) days after the effective date of this Order, the Association shall submit an interest rate risk management policy prepared in accordance with 12 C.F.R. 563.176, as clarified and interpreted by 12 C.F.R. 571.3 and Thrift Bulletin 13 to OTS Boston and the Commissioner, which policy shall be reviewed and approved by the board of directors. The policy will provide for the accurate measuring and monitoring of interest rate risk and will provide for an assessment of the impact of varying interest rate scenarios on earnings and capital.
- (b) The Association shall review its exposure to interest rate risk on at least a quarterly basis. Such reviews shall be documented within board minutes.

6. Asset Classification/Specific and General Reserves

- (a) Within thirty (30) days after the effective date of this Order, the Association shall implement its written internal classification policy which has been approved by its board of directors.
- (b) Within thirty (30) days after the effective date of this Order, the Association shall charge off or establish specific reserves for all assets classified loss at its examination as of January 16, 1990. In addition, the Association shall establish a general loss reserve equal to sixty thousand dollars.
- (c) The Association shall review its assets for potential classification and its general loss reserve for adequacy on at least a quarterly basis. Such reviews shall be documented within board minutes.

7. Savings Solicitation/Cash Flow Planning

- (a) Within ninety (90) days after the effective date of this Order, the Association shall develop, approve and implement a written savings solicitation plan to reduce its reliance on brokered and municipality deposits. Such plan shall be submitted upon approval by the board to OTS Boston and the Commissioner.
- (b) As of the effective date of this Order, the Association shall not solicit brokered deposits without applying to and receiving the approval of the Federal Deposit Insurance Corporation as provided by Section 29 of the FDIA, 12 U.S.C. 1831f, as added by Section 224 of the FIRREA. Additional municipal deposits may only be accepted once the Association is in compliance with Section 7-402 of the CGS.

For the purposes of this paragraph, in addition to deposits received through the mediation of third-party brokers, brokered deposits include deposits obtained by offering rates of interest significantly higher than

prevailing rates of interest offered by other depository institutions with the same type of charter (thrift) in the Association's normal market area.

8. Progress Reports

Subsequent to the effective date of this Order, the Association shall submit to OTS Boston and the Commissioner a progress and status report, with respect to each of the items contained herein, within thirty (30) days after the end of each calendar quarter.

Nothing in this Order shall be construed to permit any transactions in violation of Section 11 of the Home Owners' Loan Act as amended by Section 301 of the FIRREA, 12 U.S.C. 1468 (1989) and regulations promulgated thereunder, or any action in violation of any applicable statute, law or regulation.

This ORDER shall become effective upon execution.

The provisions of this ORDER shall remain effective and enforceable except to the extent that and until such time as any provisions of this ORDER shall have been modified, terminated, suspended, or set aside by the OTS Boston and the Commissioner.

BANKING COMMISSIONER
STATE OF CONNECTICUT

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Howard B. Brown

Dated: 4-19-90

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THE OFFICE OF THRIFT SUPERVISION

By: _____

Ralph W. Gridley
District Director
Boston District Office

Dated: 4-23-90