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UNITED STATES OF AMERICA  
BEFORE THE  
OFFICE OF THRIFT SUPERVISION

\_\_\_\_\_  
In the Matter of )  
 )  
GRANDVIEW SAVINGS ASSOCIATION )  
 )  
Pittsburgh, Pennsylvania )  
 )  
\_\_\_\_\_ )

RE: Resolution No. PIT 90-11

Dated: August 24, 1990

STIPULATION AND CONSENT TO  
ISSUANCE OF ORDER TO CEASE AND DESIST

The Office of Thrift Supervision ("OTS"), acting by and through its District Director for the Pittsburgh District Office of OTS, and GRANDVIEW SAVINGS ASSOCIATION, Pittsburgh, Pennsylvania ("GRANDVIEW") stipulate and agree as follows:

1. Consideration. The OTS, based upon information reported to it, is of the opinion that the grounds exist to initiate an administrative cease and desist proceeding against GRANDVIEW pursuant to Section 8(b) of the Federal Deposit Insurance Act ("FDIA"), as amended by 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)).

GRANDVIEW desires to cooperate with the OTS and to avoid the time and expense of such administrative 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 OTS from initiating such administrative cease-and-desist litigation against GRANDVIEW with respect to the matters covered in the accompanying Order to Cease and Desist ("Order").

2. Jurisdiction.

(a) GRANDVIEW is a "savings association" within the meaning of Section 3 of the FDIA and Section 2 of the Home Owners' Loan Act of 1933, as amended by FIRREA. Accordingly, it is an "insured depository institution" as that term is defined in Section 3(c) of the FDIA, as amended by FIRREA (to be codified at 12 U.S.C. § 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, GRANDVIEW 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 FIRREA (to be codified at 12 U.S.C. § 1818(b)).

3. Consent. GRANDVIEW 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, as amended by FIRREA (to be codified at 12 U.S.C. § 1818(b)). Upon its issuance by the District Director for the Pittsburgh District Office of OTS, it shall be a final order, effective and fully enforceable by the OTS under the provisions of Section 8(i) of the FDIA, as amended by FIRREA (to be codified at 12 U.S.C. § 1818(i)).

5. Waivers. GRANDVIEW waives its right to a notice of charges and the administrative hearing provided by Section 8(b) of the FDIA, as amended by 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 by Section 8(h) of the FDIA, as amended by 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 OTS, by and through its District Director for the Pittsburgh District Office of OTS, and GRANDVIEW by a majority of its directors, execute this



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In the Matter of )  
GRANDVIEW SAVINGS ASSOCIATION )  
Pittsburgh, Pennsylvania )

RE: Resolution No. PIT 90-11

Dated: August 24, 1990

ORDER TO CEASE AND DESIST

WHEREAS, GRANDVIEW SAVINGS ASSOCIATION, Pittsburgh, Pennsylvania ("GRANDVIEW"), through its directors, has executed a Stipulation and Consent to Issuance of Order to Cease and Desist ("STIPULATION"), which is incorporated herein by reference and is accepted and approved by the Office of Thrift Supervision ("OTS"), acting through its District Director for the Pittsburgh District Office ("Director"); and

WHEREAS, GRANDVIEW, 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, as

amended by 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)).

NOW THEREFORE, IT IS ORDERED that GRANDVIEW 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:

- 12 C.F.R. § 563.43 (b)(5)
- 12 C.F.R. § 563.43 (b)(3)(i) - Restrictions on loans and other investments involving affiliates and affiliated persons.
- 12 C.F.R. § 563.170 - Books and records.
- 12 C.F.R. § 563.160 (d)(1) - Classification of certain assets.
- 12 C.F.R. § 563.160 (d)(3) - Classification of certain assets.
- 12 C.F.R. § 563.160 (c)(2) - Classification of certain assets.
- 12 C.F.R. § 563.160 (c)(3) - Classification of certain assets.
- 12 C.F.R. § 563.172 (a) - Re-evaluation of assets.
- 12 C.F.R. § 563e.3 (a) - Delineation of community.
- 12 C.F.R. § 563.177 (b) - Procedures for monitoring Bank Secrecy Act Compliance.
- 12 C.F.R. § 528.6 - Monitoring information.
- 12 C.F.R. § 202.9 (a) - Regulation B.
- 12 C.F.R. § 202.13 - Regulation B.
- 12 C.F.R. § 203.4 (b)(1)(a) - Home Mortgage Disclosure Act.
- 12 C.F.R. § 226.17 (c)(2) - Regulation Z.
- 12 C.F.R. § 226.17 (f) - Regulation Z.
- 12 C.F.R. § 226.18 (c)(1) - Regulation Z.
- 12 C.F.R. § 226.23 (a)(1) - Regulation Z.
- 24 C.F.R. § 3500.6 (a) - Real Estate Settlement Procedures Act.
- 24 C.F.R. § 3500.10(a) - Real Estate Settlement Procedures Act.

Provided, however, that the specification of particular regulations above shall not constitute an admission by Grandview of any violation of or the aiding and abetting of any violation of such federal regulations.

IT IS FURTHER ORDERED THAT:

1. Upon the effective date of this ORDER, GRANDVIEW shall not make, invest in, purchase, refinance, extend or otherwise modify or commit to make, invest in, purchase, refinance, extend, or otherwise modify any loan secured by real estate, or non-residential property or any participation therein (including any acquisition, development, or construction loan) or any real estate investment, or any set of such loans, participations, or investments, (i) except for loans secured by owner-occupied, 1-to-4 family residences in the institution's local market area that do not exceed \$300,000 (three hundred thousand dollars) and (ii) except for (A) conversions of existing construction loans to permanent loans; (B) disbursements pursuant to legally binding commitments made prior to the date of this ORDER; or (C) financings for the sale of real estate acquired by the institution for investment purposes or real estate acquired by foreclosure, provided that the above-noted transactions in paragraph A must not involve the granting of new funds.

2. These restrictions stated in Paragraph 1 above shall apply until the board develops and approves a Commercial Loan Underwriting Policy (inclusive of underwriting standards for 1-to-4 family investment properties, five or more unit properties and non-residential lending) which has been reviewed and found to be not objectionable by the Director or his designee. The Policy shall include at a minimum, the following components which generally form a sound Commercial Loan Underwriting Policy:

(a) Market Area: the institution's market area should be clearly defined and consistent with the institution's business plan objectives;

(b) Loan Types: the policy shall state the desired composition of the loan portfolio by loan type. The targeted levels should be based on the expertise of lending personnel, profitability, competition factors and the anticipated credit needs of the community;

(c) Maximum Maturities: loans should be granted with realistic repayment plans. Maturity scheduling should be related to the anticipated source of repayment, the purpose of the loan, and the useful life of the collateral;

(d) Financial Analysis: extension of credit on a safe and sound basis requires complete and accurate financial information on the borrower. The policy shall require complete credit information at the time the loan is granted, but also must be updated periodically to determine the borrower's continuing ability to service the debt. The policy shall also define the financial statement requirements for audited, non-audited, fiscal, interim, operating, cash flow, and other statements, for businesses and individuals at various borrowing levels. The policy shall also include a provision for the update of financial statements and rent rolls at least annually;

(e) Loan to Value Ratios: the lending policy should outline, where appropriate, the maximum amount in relation to the collateral value the institution will advance on a given type of collateral;

Once the policy has been reviewed and found to be not objectionable by the Director or his designee, the board agrees to abide by its provision when awarding commercial loan requests.

3. Within sixty (60) days of the effective date of this ORDER, GRANDVIEW shall form a committee of non-management directors who

will be responsible for the development and implementation of an Expense Reimbursement Policy. The policy shall insure that employee expense allowances and claims for reimbursement are fully documented (receipts) and are properly related to the association's business activities. Furthermore, the committee will review and approve in writing the officers' individual expenses on a monthly basis. The written policies and procedures shall be filed promptly with the Director or his designee. In addition, the records evidencing compliance with the policy shall at all times be available for examination and/or audit.

4. Within sixty (60) days of the effective date of this ORDER, the board shall file with the Director or his designee a comprehensive plan for reducing operating expenses (OE). The plan shall identify a target ratio of operating expenses to total assets acceptable to the board and management. Furthermore, the plan shall discuss actions the board and management will take to reduce OE and outline a time frame for achieving target goals. The plan shall be submitted to the Director or his designee for review and non-objection.

In addition, within sixty (60) days of the effective date of this order, the board shall submit to the Director or his designee a budget reflecting operating results for the year ended December

31, 1990. Should the actual operating results fall 15% below the projections contained within the budget, the board shall forward an explanation of such deviation and a specific analyses of the measures that have been implemented or proposed to correct or improve the deficiencies. If necessary, the board shall submit the explanation by March 31, 1991.

Within sixty (60) days of the effective date of this ORDER, GRANDVIEW shall review the adequacy of the Association's general valuation allowances ("GVA") and shall establish a GVA policy to ensure the maintenance of an adequate GVA in accordance with the requirement of 12 C.F.R. 563.160(d)(3). The GVA policy shall be developed in accordance with the guidelines on maintaining a proper GVA, as discussed in Section 261 of the Office of Thrift Supervision's Thrift Activities Handbook (pp.261.1 - 261.4) and shall focus particular attention on the following factors:

- a. results of the Association's internal loan review;
- b. loan loss experience;
- c. an estimate of potential loss exposure on each significant credit;
- d. concentrations of credit in the Association;
- e. present and prospective economic conditions;
- f. loans criticized by the examiner or identified by the Association's internal loan review;
- g. trends of delinquent and/or nonaccrual loans;

- h. charge-off, collection, and recovery policies and procedures and their effectiveness; and
- i. level, severity and trend of classified assets.

The Board shall ensure that the GVA is maintained at a prudent level in accordance with the guidelines set forth in the Association's policy. Additionally, the policy shall provide for a review of the GVA by the board at least once each calendar quarter. Any deficiency in the general valuation allowance shall be remedied in the quarter it is discovered or in the immediately following quarter, prior to the filing of the Association's Thrift Financial Report by an additional provision from earnings.

Written documentation shall be maintained indicating the factors considered and conclusions reached by the board in determining the adequacy of the GVA.

6. Within sixty (60) days of the effective date of this ORDER, GRANDVIEW shall implement an internal loan review policy and a self classification of assets system in accordance with 12 C.F.R. 563.160(c)(2). The internal loan policy and classification system shall identify criteria to be reviewed to maintain an adequate allowance. The policy shall focus particular attention to the following areas:

- (a) establish criteria to promote the early identification of credit weaknesses;

- (b) to provide essential information for determining the adequacy of valuation allowances;
- (c) to monitor compliance with policies, procedures, laws and regulations;
- (d) to provide senior management and the board of directors with an objective assessment of the overall quality of the loan portfolio; and
- (e) to help insure the integrity of financial reports.

The directors can review Section 210 of the Office of Thrift Supervision's Thrift Activities Handbook for further guidance on this subject.

7. Within ninety (90) days of the effective date of this ORDER, GRANDVIEW shall file with the Director or his designee, a revised business plan of at least a three (3) year duration, setting forth its decided course of action, specific quantifiable goals, objectives, strategies and pro-forma financial statements. Said plan shall include a timetable for the implementation of said goals, objectives and strategies; and identification of the individual(s) responsible for implementation.

8. Beginning with the effective date of this Order, the minutes of all board of directors meetings or board committee meetings shall be promptly prepared and reflect in detail all discussions and actions of the Board concerning the financial condition,

securities activities, implementation of policies such as interest rate risk, hedging, arbitrage, appraisal, lending, etc. including discussions concerning the status, problems, compliance or noncompliance with this Order, as well as the review made of the balance sheet, operating statements, budget, new loans, delinquencies, real estate owned activity, investment activity, subsidiary activity, covered assets activities, and regulatory items (Examination Report and Supervisory requests) and other business of the Association. The minutes shall at all times be available for examination or audit.

9. GRANDVIEW shall establish and maintain such accounting and other records required by 12 C.F.R. §563.170 in order to provide an accurate, complete and timely record of all business transacted by the institution. Furthermore, the documents, files and other material comprising said records shall be at all times available for examination or audit. These records will also include complete documentation concerning expenses incurred by officers, directors and employees in conducting association business. Such documentation will include receipts, and written notation as to the reason(s) for incurrence of the expense and identification of other individuals and their relationship to the association, on whose behalf expenses were incurred or subsequently reimbursed by the Association.

10. Within ninety (90) days of the effective date of this Order,

the Board of Directors shall cause an audit to be made by independent auditors of all officers' expenses for the period January 1, 1983 through June 30, 1990 to determine if such expenses and petty cash expenditures have been properly documented and/or related to the business activities of the Association. In the event such expenses verified by the independent auditors are determined to be unrelated to business activities or undocumented, the Board of Directors shall take such action as is necessary and in keeping with its fiduciary duty to the Association to recover any amounts paid improperly, to direct that amended returns be filed with the Internal Revenue Service if required by law, and take such other and further action as is appropriate to recover funds improperly paid by the Association, and to promptly notify the OTS District Director and the Director of the Pennsylvania Department of Banking of the completion of the audit and of the actions taken by the Board of Directors.

11. Any determinations by the Director or his designee as to the adequacy of or compliance with the various policies and procedures required to be submitted pursuant to this ORDER will be subject to verification of management adherence to said policies and procedures during the subsequent examination(s) of GRANDVIEW and its subsidiaries.

12. Upon written request by the Association and a showing of good

cause, the time for submission of policies and procedures and other performance by the Association, as specified in this Order, may be extended by the District Director or his designee

The Board shall take whatever steps are necessary to ensure full compliance by GRANDVIEW with the requirements of this ORDER.

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 Code of Federal Regulations, and ~~any such technical words or terms used in this ORDER and undefined~~ in said Code of Federal Regulations, shall have meanings that accord with the best custom and usage in the savings and loan industry.

Any request for modification of this ORDER must be submitted in writing to the Director or his designee and the Director may, in writing, at his sole discretion, modify or suspend the requirements of this ORDER.

OFFICE OF THRIFT SUPERVISION

By:

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Richard B. Pow  
District Director, Pittsburgh  
Office of Thrift Supervision