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UNITED STATES OF AMERICA
BEFORE THE
OFFICE OF THRIFT SUPERVISION

In the Matter of)
BEREAN SAVINGS ASSOCIATION)
Philadelphia, Pennsylvania)

RE: Resolution No. PIT 90-15

Dated: September 14, 1990

ORDER TO CEASE AND DESIST

WHEREAS, BEREAN SAVINGS ASSOCIATION, Philadelphia, Pennsylvania ("BEREAN") 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 ("OTS"), acting through its Enforcement Review Committee; and

WHEREAS, BEREAN 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 BEREAN 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:

- (i) Section 563.43 of the Rules and Regulations of the Office of Thrift Supervision ("OTS Regulations") (12 C.F.R. 563.43);
- (ii) Section 563.160 of the OTS Regulations (12 C.F.R. 563.160);
- (iii) Section 563.161(b) of the OTS Regulations (12 C.F.R. 563.161(b));
- (iv) Section 563.170(c) of the OTS Regulations (12 C.F.R. 563.170(c));
- (v) Section 563.176 of the OTS Regulations (12 C.F.R. 563.176);
- (vi) Section 571.7 of the OTS Regulations (12 C.F.R. 571.7);
- (vii) Section 571.9 of the OTS Regulations (12 C.F.R. 571.9);
- (viii) Section 936.2(d) of the Rules and Regulations for the Federal Housing Finance Board; and
- (ix) Laws and/or Regulations as enumerated on Pages 16 through 19 of the October 23, 1989 OTS Report of Compliance Examination of BEREAN.

IT IS FURTHER ORDERED THAT:

1. BEREAN'S Board of Directors shall actively fulfill its fiduciary responsibilities to ensure that BEREAN is safely and soundly managed in accordance with OTS Memorandum R-62. To this end, the Board shall obtain and retain competent and full time management; shall not use their positions to profit personally at the expense of BEREAN; and shall not be involved in the day-to-day operations and management of BEREAN. Furthermore, the official minutes of all Board and committee meetings shall clearly and accurately reflect the level of supervision exercised over BEREAN by the Board, shall attest to the Board's active involvement, shall indicate that the directors are cognizant of and have studied documentation upon which their decision-making is based, and shall address the deficiencies noted on pages 8 through 10 of the October 23, 1989 Report of Examination ("Report").
2. Within ninety (90) days of the effective date of this Order, BEREAN's Board shall develop, adopt and file with the District Director of the Office of Thrift Supervision/Third District ("District Director"), a plan for strengthening the institution's management ("Management Plan"). The Management Plan shall include, at a minimum, the following:
 - (a) Accurate assessment and performance evaluation of the active management of BEREAN by an independent management consultant selected from a list of management consultants provided by the District Director. Once selected, the Board shall inform the District Director of its selection. The management consultant shall be required to reach specific

conclusions and make specific recommendations regarding management. The management consultant's review and recommendations shall be detailed in a written report which shall be submitted to the Board within sixty (60) days of the management consultant's employment. A copy of this report shall be submitted to the District Director and he shall retain the right to determine the adequacy of the report and its compliance with the terms of this Order;

- (b) Implementation strategy to address each recommendation in the management consultant's report, including time frames;
- (c) Major goals and strategies for strengthening and enhancing management, especially in the areas of data processing, accounting, regulatory compliance, commercial and consumer loan underwriting, strategic planning, policy development and operations;
- (d) Identification of current lines of authority, reporting responsibilities and delegation of duties for all officers, including identification of any overlapping duties or responsibilities;
- (e) Written job descriptions for each senior officer;
- (f) Identification of corrective actions to address management and board deficiencies outlined in the October 23, 1989 Report and November 20, 1989 Report of Compliance Examination ("Report of Compliance"), including needed additions to the staff; and

(g) Analysis of the reasonableness of overall Board compensation and the extent of Board involvement in the day-to-day management of BEREAN.

It shall remain the responsibility of the Board to fully implement the Management Plan within specified timeframes. In the event the Management Plan, or any portion thereof, is not implemented, the Board shall immediately advise the District Director, in writing, of specified reasons for deviating from the Management Plan.

For purposes of this Order, the term "active management" is defined as an officer of the institution not more junior than an assistant vice president inclusive of Directors King and Reaves.

3. Within thirty (30) days of implementation of the Management Plan, the Board shall appoint a permanent President/Chief Executive Officer for BEREAN who is fully qualified, devotes full time to BEREAN; is an independent person; is responsible at all times for the day-to-day operation and management of BEREAN; and reports directly to the Board. The qualifications (including resumes) of each individual under consideration shall be submitted to the District Director, who shall have the power of veto over any proposed appointee for President/Chief Executive Officer. However, failure to exercise such veto power shall not constitute approval or endorsement of the President/Chief Executive Officer. For purposes of this Provision, an "independent person" is a person not related to BEREAN, its subsidiaries or its affiliated persons and who is otherwise free of any relationship that would interfere with the exercise of independent judgment. For purposes of

this Provision, a person is "related" to another person if he or she is an affiliate or associate of that person within the meaning of 12 C.F.R. 563b.2(a) (2) and (5).

4. Board of Directors' compensation shall be limited to fees for serving as a director or member of a committee provided, the minutes of Board of Directors and committee meetings are accurately maintained and provide ample evidence that the meetings for which fees are paid were actually held. All other fees paid to directors and other affiliated persons shall immediately cease upon execution of this Order. This cessation shall remain in effect until the Board of Directors have demonstrated to the satisfaction of the District Director compliance with 12 C.F.R. 563.161(b) and OTS Memorandum R 42. For purposes of this Provision, fees include but are not limited to: sales commissions, rent commissions, bond and warrant monies, automobile expenses, and insurance commissions. This Provision does not apply to legal fees paid for BEREAN for legal services rendered by legal counsel.
5. BEREAN shall develop written policies and procedures governing employee expense reimbursements to ensure that employee expense allowances and claims for reimbursements are fully documented and are proper incidents to the institution's business activities. Such written policies and procedures shall be submitted to the District Director within thirty (30) days of implementation of the Management Plan.
6. From the effective date of this Order, BEREAN shall not, except for legally binding commitments outstanding as of the effective date of this Order, make

or commit to make, purchase or commit to purchase, refinance or commit to refinance, disburse or commit to disburse, all or any part of any loan in which an employee, officer, director or other affiliated person of BEREAN has an interest in the loan without the prior approval of the District Director.

Furthermore, within thirty (30) days of the effective date of this Order, the Board shall adopt and submit to the District Director a conflict of interest policy consistent with the requirements of 12 C.F.R. § 571.7 for BEREAN covering all officers, directors, employees and other affiliated persons.

7. BEREAN shall comply fully with the Provisions of the Supervisory Agreement dated March 17, 1989, between the institution, the Office of Thrift Supervision and the Pennsylvania Department of Banking.
8. From the date of the Order, BEREAN shall not make or commit to make, purchase or commit to purchase, refinance or commit to refinance, disburse or commit to disburse, all or any part of any loan secured by real estate, except loans secured by one-to-four residential units not to exceed \$250,000 to any one borrower or on the security of any one project. This restriction in BEREAN's lending shall continue until the District Director determines that BEREAN is in full compliance with Provision No. 6 of the March 17, 1989 Supervisory Agreement.
9. Within thirty (30) days of the effective date of this Order, BEREAN shall establish and maintain general valuation allowances (GVA) in accordance with

12 C.F.R. 563.160 in an amount not less than \$402,735. Furthermore, the Board shall review the GVA on a quarterly basis and ensure that it is maintained at an adequate level in accordance with the guidelines to be set forth in BEREAN's Asset Classification Policy (see Provision No. 10 of this Order). Written documentation shall be maintained indicating the factors considered and conclusions reached by the Board in determining the adequacy of the GVA. Any deficiency in the GVA shall be remedied in the quarter it is discovered, prior to the filing of the institution's Thrift Financial Report, by additional provision of earnings.

10. Within thirty (30) days of implementation of the Management Plan, BEREAN shall submit to the District Director, an Asset Classification Policy in accordance with 12 C.F.R. 563.160(c)(2). Such policy shall be developed in accordance with the guidelines enumerated within Section 260 of the OTS Thrift Activities Regulatory Handbook and shall provide, at a minimum, for the establishment of an internal asset review program.

11. BEREAN shall within thirty (30) days of implementation of the Management Plan, submit to the District Director a strategic plan to address the institution's poor asset quality. Said plan shall, at the minimum, address the following:

(a) Board of Director's strategy to reduce loan delinquencies, minimize future losses, control further deterioration in the institution's asset quality and return the institution's asset quality to a safe and sound level; and

(b) Examiners' recommendations to improve collection efforts on Report pages 14 and 15.

Furthermore, an institution officer shall be appointed by the Board of Directors to review on a quarterly basis the institution's compliance with this strategic plan and report any deviations therefrom directly to the Board of Directors.

12. Within thirty (30) days of implementation of the Management Plan, the Board shall approve and submit to the District Director underwriting policies and procedures for automobile lending and consumer lending, inclusive of savings account loans, revised to eliminate the deficiencies in the current policies as enumerated on Report pages 17 through 22.

Furthermore, BEREAN's loan records for such loans shall include loan documentation required by 12 C.F.R. 563.170(c)(2) and shall further contain verification of employment. Additionally, the missing and/or incomplete loan documents, as identified within Report pages 17 through 22 shall be obtained.

13. BEREAN shall appoint an institution officer to review on a quarterly basis, BEREAN's compliance with the automobile lending policy, other consumer loan policy inclusive of savings account loans. Said officer shall report any deviations therefrom directly to the Board of Directors.

14. BEREAN's Board of Directors shall immediately comply with 12 C.F.R. 563.176(e) and the institution's interest rate risk management policy relative to the quarterly review required by subject regulation and policy.

15. BEREAN shall immediately restrict liability growth to interest credited on liabilities in accordance with Regulatory Bulletin RB 3a-1, dated January 9, 1990, titled "Policy Statement on Growth for Savings Associations". Furthermore, on a quarterly basis and within fifteen (15) days of the close of the reporting quarter, BEREAN shall file with the District Director, a written report indicating the institution's compliance with RB 3a-1.

16. On a quarterly basis coinciding with the institution's own fiscal year and within forty-five (45) days of the close of each quarter, the Board of Directors shall file with the District Director, a written report documenting its review of the institution's operating results for the quarter just ended and year-to-date. Such report shall include a comparison of actual results against the projections in the institution's budget. A written explanation of any deviation in the budget projections will be included in the report along with a specific description of the measures that have been implemented or proposed to correct, abate, or improve any such deviations.

17. BEREAN shall within thirty (30) days of implementation of the Management Plan, submit to the District Director, a system of internal controls to address and alleviate the internal control deficiencies discussed on Report page 25 through 27. Additionally, an institution officer or a committee of outside directors shall be appointed to review compliance with the internal control program on a quarterly basis. Any deviation shall be reported to the full Board of Directors.

18. Within thirty (30) days of implementation of the Management Plan, BEREAN shall develop and file with the District Director, a board-approved program for improving its unsatisfactory performance in meeting the objectives of the Community Reinvestment Act (CRA) and a CRA statement in accordance with 12 C.F.R. 563e.4. The program submitted shall specifically address the deficiencies recited in the October 23, 1989 OTS Report of Compliance.

19. BEREAN shall within thirty (30) days of implementation of the Management Plan, develop and file with the District Director, a Compliance Review Program. Subject program shall, at the minimum, comply with the compliance program outlined within the OTS Compliance manual titled "Compliance: A Self-Assessment Guide" and OTS Memorandum R 62. Additionally, a compliance officer shall be appointed by the Board of Directors to implement the compliance review program. Furthermore, the compliance officer's findings, conclusions and recommendations shall be reported quarterly to the full Board of Directors.

20. Within thirty (30) days of implementation of the Management Plan, BEREAN's Board shall submit to the District Director advice as to the corrective actions taken for the various compliance deficiencies discussed in the Report of Compliance involving the following:

- (a) Loan Application Register, Page 6,
- (b) Data Submission Reports (Pages 6 and 7),
- (c) Home Mortgage Disclosure Act (Page 7),
- (d) Electronic Funds Transfer Act (Page 7),

- (e) Bank Secrecy Act (Page 8),
- (f) Bank Protection Act (Pages 8 and 9),
- (g) Equal Opportunity Act (Page 9), and
- (h) Truth-in-Lending Act (Page 9).

21. The adequacy of and compliance with the various policies and procedures required to be submitted to the District Director by this Order, as well as overall compliance with this Order shall be determined by the District Director in conjunction with the next examination as well as future examinations of BEREAN and its subsidiaries.

The Board shall use its best efforts to take whatever steps are necessary to ensure full compliance by BEREAN 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.

OFFICE OF THRIFT SUPERVISION

By: 151

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