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SUPERVISORY AGREEMENT

This Supervisory Agreement ("Agreement") is made and is effective this 18th day of September, 1991, by and between St. Landry Homestead Federal Savings Bank, Opelousas, Louisiana (OTS No. 4114) ("Institution"), and the Office of Thrift Supervision ("OTS"). This Agreement has been duly authorized, executed, and delivered, and constitutes, in accordance with its terms, a valid and binding obligation of the Institution. It is understood and agreed that this Agreement is a "written agreement" entered into with the OTS within the meaning of 12 U.S.C. § 1818(b)(1) (1988 and Supp. I 1989) as amended by Sections 902 and 907 of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, Pub. L. No. 101-73 ("FIRREA"), §§ 902 and 907, 103 Stat. 183 (1989).

WHEREAS, the OTS is of the opinion that the Institution has not complied with certain of the regulations to which the Institution is subject in conducting the business of the Institution, specifically 12 C.F.R. §§ 563.161 and 563.170, thereby providing grounds for the initiation of cease and desist proceedings against the Institution by the OTS; and

WHEREAS, the OTS is willing to forbear at this time from the initiation of cease and desist proceedings against the Institution for its failure to comply with 12 C.F.R. §§ 563.161 and 563.170, as set forth in the Institution's examination report dated May 31, 1991, so long as the Institution is in compliance with the provisions of this Agreement; and

WHEREAS, in the interest of regulatory compliance and cooperation, the Institution is willing to enter into this Agreement to avoid the initiation of such cease and desist proceedings:

NOW, THEREFORE, in consideration of the above-stated forbearance by the OTS from the initiation of cease and desist proceedings against the Institution, it is agreed between the parties hereto as follows:

ASSET CLASSIFICATION AND ESTABLISHMENT OF ALLOWANCE FOR LOSSES

1. (a) Within 30 days of the date of this Agreement, the Institution shall submit to the Regional Deputy Director a revised written policy and program for the review and classification of assets and the maintenance of adequate allowances for loan losses pursuant to the provisions of 12 C.F.R. §§ 563.160 and 571.26. The revised policy shall take into consideration, at a minimum, the following factors:
  - (i) results of the Institution's internal loan review;
  - (ii) loan loss experience;
  - (iii) an estimate of potential loss exposure on each significant credit;
  - (iv) concentrations of credit in the Institution;

- (v) trends of delinquent and non-accrual loans;
  - (vi) present and prospective economic conditions;
  - (vii) calculation of net realizable values in accordance with 12 C.F.R. § 563.172; and
  - (viii) calculation of troubled debt restructuring in accordance with 12 C.F.R. §§ 563.234 and 571.18.
- (b) The revised policy shall provide for a review of the valuation allowances by the board of directors at least once each calendar quarter. Any deficiency in the valuation allowances shall be corrected in the quarter it is discovered, prior to the filing of the Thrift Financial Reports, by making additional provisions from earnings. Written documentation shall be maintained indicating the factors considered and conclusions reached by the board of directors in determining the adequacy of the valuation allowances.

#### POLICIES AND PROCEDURES

2. (a) Within 60 days of the date of this Agreement, the Board of Directors shall formulate and/or revise the Institution's written policies and procedures to ensure that policies required by the regulations governing the Institution's operations, and procedures to implement those policies are in place and provide adequate guidance and internal controls. At a minimum, those policies and procedures should address:
- (i) underwriting standards and practices to be used by the Institution for all commitments and loans made and participations purchased ("Underwriting Standards"). These Underwriting Standards shall outline objectives and lending philosophies of the Institution, and shall include the following:
    - (A) a requirement that prior to making or purchasing, or committing to make or purchase any loan, other extension of credit, or investment, the Institution must have obtained, as appropriate, each of the items listed in 12 C.F.R. § 563.170(c);
    - (B) a delineation of lending authority for the Board of Directors, officers and committees;
    - (C) acceptable minimum and maximum loan amounts, borrower credit criteria, and loan to value ratios; and

- (D) a method of monitoring and ensuring compliance with applicable regulations, including but not limited to those in 12 C.F.R. §§ 563.93 and 563.170;
- (ii) appraisal policies ensuring that appraisals reflect values upon which the Institution may rely in making lending decisions as required by 12 C.F.R. §§ 563.170(b), and 564.8 (as amended by the interim rule which was effective January 30, 1991, and published in 55 Fed. Reg. 53610 (1990));
- (b) Within 30 days after adoption by the Board of Directors, the Institution shall submit the policies to the Regional Deputy Director for review. The Institution shall make any modifications or changes to those policies as directed by the Regional Deputy Director and shall comply with those policies as modified. Further modification shall not be made without prior notification to the Regional Deputy Director.
- (c) On a quarterly basis, the board of directors shall review the Institution's operations to assess the Institution's compliance with the established written policies and procedures.

#### COLLECTION PROCEDURES AND REDUCTION OF REAL ESTATE OWNED (REO)

- 3. (a) Within 30 days of the date of this Agreement, the board of directors shall implement an internal review program to monitor compliance with the policies and procedures established to improve and strengthen collection efforts. The Institution shall maintain monthly reports listing all loans delinquent in excess of 90 days and summarizing all efforts to collect these loans.
- (b) Within 30 days of the date of this Agreement, the board of directors shall develop a plan for the reduction of all REO properties and shall maintain monthly detailed summaries of efforts to dispose of each REO property.

#### GENERAL PROVISIONS

- 4. The Board of Directors shall, at each regular meeting, formally resolve that, to the best of its knowledge and belief, and based on a prudent review of management reports, during the previous calendar month the Institution complied with each condition of this Agreement except as otherwise stated. The resolution shall specify in detail how, if at all, full compliance was found not to exist. The resolution further shall set forth any exceptions to any conditions of this Agreement approved by the Regional Deputy Director. Within 20 days of each regular Board of Directors' meeting, the Institution shall submit, to the Regional Deputy Director, a copy of the minutes of each Board of Directors' meeting and the minutes of Board of Directors' committee(s) meetings, the aforementioned resolution, and the management report(s) of the Institution. Each director shall at such time either provide the Regional Deputy Director with certification

that, to the best of his or her knowledge and belief, and based upon a prudent review, the above-referenced resolution is accurate or provide the Regional Deputy Director with a written statement providing in detail the reason(s) for disagreement with the resolution.

5. (a) As used in this Agreement, the Regional Deputy Director or his successor is the "senior supervisory official" within the meaning of Section 723(d) of the FIRREA, § 723(d), 103 Stat. 183 (1989).
- (b) 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 of this Agreement pursuant to Section 401(h) of the FIRREA, § 401(h), 103 Stat. 183 (1989), and references to successor provisions as they become applicable.

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, and Federal Deposit Insurance Act, as amended ("FDIA"). 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.

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.

This Agreement shall remain in effect until terminated, modified or suspended by the OTS, acting through the Regional Deputy Director.



