

95227

### SUPERVISORY AGREEMENT

This Supervisory Agreement ("Agreement") is made and is effective this 07th day of April, 1991, by and between Peoples Savings Bank, PaSA (OTS No. 05630), hereinafter referred to as "Peoples" or "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 Peoples. It is understood and agreed that this Agreement is a "written agreement" entered into with the OTS, as that term is used in 12 U.S.C. 1818(b).

**WHEREAS**, the OTS is of the opinion that Peoples has not complied with certain laws and regulations to which Peoples is subject, thereby providing grounds for the initiation of formal enforcement proceedings against Peoples by the OTS; and

**WHEREAS**, the OTS is willing to forbear at this time from the initiation of such proceedings against Peoples for the violations of law described in the Institution's July 1, 1991 Compliance Report of Examination (CROE), so long as Peoples is in compliance with the provisions of the Agreement; and

**WHEREAS**, in the interest of regulatory compliance and cooperation, Peoples is willing to enter into the Agreement to avoid the initiation of such formal enforcement proceedings:

**NOW, THEREFORE,** in consideration of the above-stated forbearance by the OTS from the initiation of formal enforcement proceedings against Peoples it is agreed between the parties hereto as follows:

1. Within ninety days of the effective date of this Agreement, Peoples' Board shall appoint a "Compliance Officer" and develop, adopt and file with the Regional Deputy Director ("RDD") a Compliance Program ("Program") which would address those areas detailed on page 5 of the CROE.
2. Within sixty days of the effective date of this Agreement, the Institution shall revise their residential and consumer loan underwriting standards to correct the deficiencies cited in the CROE on pages 6 and 7. The Institution shall, at least annually, review the standards, and business practices implementing them, to ensure equal opportunity in lending, as required by Federal Regulation 528.2a(b).

Furthermore, the Institution shall incorporate an Equal Opportunity in Lending Policy Statement in the standards expressing support of, and compliance with nondiscriminatory practices in lending and other services, appraisal, underwriting, and the taking of applications, as set forth in Federal Regulations 528.2, 528.2a, 528.3, and 571.24.

3. In conjunction with provision #2, the Institution shall, within thirty days of the effective date of this Agreement, develop policies to ensure notification to applicants of action taken on their applications, disclosure of the principal reasons for denying an application or taking other adverse

action, retention of records of credit applications, and collection of information about the applicant's race and other personal characteristics in applications for certain dwelling-related loans, as required by Regulation B (the Equal Credit Opportunity Act).

4. Within thirty days of the effective date of this agreement, the institution shall develop procedures to ensure that the Loan Application Register is maintained in accordance with applicable regulations as detailed on page 8 of the CROE.
5. Within sixty days of the effective date of this Agreement, the institution shall develop procedures to ensure that truth-in-lending disclosure statements are subjected to a second-party review and that deficiencies in disclosures detailed on pages 11 and 16 of the CROE are corrected.

The institution shall review all loans which have accident and health and/or credit life insurance to determine if reimbursement is required as detailed on page 16 of the CROE.

6. Within thirty days of the effective date of this agreement, the Institution shall develop procedures to ensure that the proper disclosures for fixed and adjustable rate loans are given and adjustment notices for adjustable mortgage loans (AML), as detailed on page 14 of the CROE, are given.

The AML portfolio shall be reviewed to determine if reimbursement and/or future payment adjustments are needed.

7. Within thirty days of the effective date of this Agreement, the Institution shall correct the deficiencies noted on page 17 of the CROE as these deficiencies relate to the Expedited Funds Availability Act.
  
8. Within thirty days of the effective date of this Agreement, the Institution shall develop the necessary system of internal controls, policies, procedures, and auditing standards to ensure compliance with Federal Regulation 563.177 and Treasury Regulations relating to The Bank Secrecy Act. This will include the following:
  - a. The establishment and maintenance of a policy and program to assess and monitor compliance with the requirements of the Bank Secrecy Act and the Treasury regulations implementing the Act, which meets the specific requirements of Federal Regulation 563.177(b).
  - b. The development of procedures to ensure the correct completion of Currency Transaction Report forms, with special attention directed to the identification requirements set forth in Treasury Regulation 103.28.
  - c. A record of each exemption granted under Treasury Regulation 103.22(f), with the reason for the exemption recorded in a centralized list. The record shall include the specific items required by Treasury Regulation 103.22(f).
  - d. An employee education program to ensure that operating personnel are aware of the current requirements of the regulation and to ensure that they are sufficiently knowledgeable concerning the recordkeeping and

reporting requirements to ensure compliance as required by Federal Regulation 563.177(c)(4).

- e. Assurance that, in conjunction with their annual audit, the independent auditor will study and test the institution's procedures for compliance with the provisions and conformance to any changes or amendments to the Currency and Foreign Transactions Reporting Act and that a special report is issued as described in AICPA Statement on Auditing Standards No. 30, Reporting on Internal Accounting Control.
9. Within thirty days of the effective date of this Agreement, the Institution shall develop policies and procedures relative to compliance with the Bank Protection Act and federal regulations promulgated thereto, which establish minimum security standards and which address weaknesses found on page 20 of the CROE. This includes but is not limited to:
- a. The board of directors appointment of a security officer, as required by Federal Regulation 568.4(a).
  - b. The development of a security program which meets the requirements of Federal Regulation 568.4(a).
  - c. The establishment and documentation of employee training and retraining as required by Federal Regulation 568.4(b)(9).
  - d. Maintain written records of the periodic inspections, testing and servicing of security devices.

10. Within thirty days of the effective date of this Agreement, the Institution shall develop procedures for advertising that will ensure that those deficiencies detailed on page 21 of the CROE do not reoccur.

11. The Institution shall within 60 days of the effective date of this Agreement revise its CRA statement in order to include:

- a. A map depicting the delineated community as required by Federal Regulation 563e.3(a). In addition, the Institution shall at least annually review the delineation of the local community.
- b. A CRA public file will be established, as required by Federal Regulation 563e.4(a)(1).
- c. The Institution shall provide, in the public lobby of each office, the public notice set forth Federal Regulation 563e.6(a).

The adequacy of and compliance with the various policies and procedures required to be developed by Peoples under this Agreement, as well as overall compliance with this Agreement, shall be determined by the RDD in conjunction with the next examination of Peoples.

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, Home Owners' Loan Act of 1933 ("HOLA"), and Federal Deposit Insurance Act ("FDIA"), as amended by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 ("FIRREA"). Any such technical words or

terms used in this Agreement and undefined in said Code of Federal Regulations, HOLA, FDIA, or OTS Compliance Activities Handbook shall have meanings that are in accordance with the best custom and usage in the savings and loan industry.

The terms and provisions of the Agreement shall be binding upon, and inure to the benefit of, the parties hereto and their successors in interest.

Upon a written request by Peoples which demonstrates just cause, the time frames for the submission of policies and procedures and other required documents, as prescribed within this Agreement may be extended by the approval of the RDD or his designee.

Nothing contained herein shall prevent the OTS from taking, or its successors in interest from recommending or taking, such further supervisory action as is deemed appropriate under given circumstances, with regard to the foregoing or otherwise.

This Agreement shall remain in effect until terminated as an Agreement by the OTS acting through its RDD. Additionally, the RDD may, in his discretion, suspend any or all of such provisions of the Agreement during the term of the Agreement.

**IN WITNESS WHEREOF**, the OTS acting through the RDD for the Pittsburgh Office, and Peoples by its duly elected directors, have executed this Agreement on the date first above written.

