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OTS No. >5481

SUPERVISORY AGREEMENT

This Supervisory Agreement ("Agreement") is made and is effective this 12th day of January, 1993 (the "Effective Date"), by and between The Little Falls Savings Bank, SLA (the "Association"), a state chartered mutual savings association, having its main office located at 86 Main Street, Little Falls, New Jersey 07424 and the Office of Thrift Supervision ("OTS"), an office within the Department of the Treasury, a department in the Executive Branch of the United States Government, having its principal executive offices located at 1700 G Street, N.W., Washington, D.C.

WHEREAS, the OTS is the primary federal regulator of the Association; and

WHEREAS, the OTS, represented by the Regional Director for the Northeast Region ("Regional Director") is of the opinion that the Association has engaged in acts and practices in operating the business of the Association that have resulted in violations of certain of the laws or regulations to which the Association is subject; and

WHEREAS, the OTS is of the opinion that grounds exist for the initiation of administrative proceedings against the Association; and

WHEREAS, the OTS is of the view that it is appropriate to take measures intended to ensure that the Association will comply with all applicable laws and regulations; and

WHEREAS, the Board of Directors of the Association (the "Board") without admitting or denying any violations of laws or regulations wishes to cooperate with the OTS and to demonstrate that they have the intent and ability to comply with all applicable laws and regulations.

NOW THEREFORE, in consideration of the above premises, the mutual undertakings set forth herein, and other good and sufficient consideration, the parties hereto agree as follows:

I. COMPLIANCE WITH LAWS AND REGULATIONS

1.1. The Association shall comply with the following Federal laws and regulations:

(a). Subsection 528.2a(b) of the OTS Regulations, 12 C.F.R. § 528.2a(b) (regarding availability of underwriting guidelines);

(b). Section 528.4 of the OTS Regulations, 12 C.F.R. § 528.4 (regarding nondiscriminatory advertising);

(c). Section 528.5 of the OTS Regulations, 12 C.F.R. § 528.5 (regarding Equal Housing Lender poster);

(d). Section 528.6 of the OTS Regulations, 12 C.F.R. § 528.6 (regarding monitoring information);

(e). Section 528.1a and subsection 571.24(b) of the OTS Regulations, 12 C.F.R. §§ 528.1a & 571.24(b) (regarding nondiscrimination in lending);

(f). Subsection 202.9(a)(2) of Regulation B, 12 C.F.R. § 202.9(a)(2) (regarding adverse action notices);

(g). Subsection 203.5(c) of Regulation C, 12 C.F.R. § 203.5(c) (regarding availability of disclosure statements);

(h). Section 226.5b of Regulation Z, 12 C.F.R. § 226.5b (regarding disclosure relating to home equity plans);

(i). Subsection 226.18(d) of Regulation Z, 12 C.F.R. § 226.18(d) (regarding finance charges);

(j). Subsection 226.6(e)(5)-(7) of Regulation Z, 12 C.F.R. § 226.6(e)(5)-(7) (regarding initial disclosure statement);

(k). Subsection 226.9(a)(1) of Regulation Z, 12 C.F.R. § 226.9(a)(1) (regarding annual statement of billing rights);

(l). Subsection 226.19(a)(1) of Regulation Z, 12 C.F.R. § 226.19(a)(1) (regarding disclosure relating to residential mortgage transactions);

(m). Subsection 10(c)(1) of the Real Estate Settlement Procedures Act, 12 U.S.C. § 2609(c)(1) (regarding escrow and servicing forms);

(n). Subsection 3500.6(a) of Regulation X, 12 C.F.R. § 3500.6(a) (regarding good faith estimates);

(o). Subsection 3500.8(b) of Regulation X, 12 C.F.R. § 3500.8(b) (regarding charges to be stated);

(p). Subsection 3500.21(f)(1) of Regulation X, 12 C.F.R. § 3500.21(f)(1) (regarding servicing inquiries);

(q). Subsection 563.48(c) and (e) of the OTS Regulations, 12 C.F.R. § 563.48(c) & (e) (regarding flood disaster protection);

(r). Subsection 205.7(a) of Regulation E, 12 C.F.R. § 205.7(a) (regarding disclosure);

(s). Subsections 229.12(b)(1), 229.13(h)(4), 229.16(b)(2) and 229.17(a) of Regulation CC, 12 C.F.R. §§ 229.12(b)(1), 229.13(h)(4), 229.16(b)(2) & 229.17(a) (regarding availability of checks);

(t). Subsections 563.99(b), (c)(1) and (d)(3) of the OTS Regulations, 12 C.F.R. §§ 563.99(b), (c)(1) & (d)(3) (regarding mortgage-related disclosures);

(u). Subsection 615(a) of the Fair Credit Reporting Act, 15 U.S.C. § 1681m (regarding disclosure of information provided by consumer reporting agencies);

(v). Subsections 563.177(b), (c)(1), (c)(2), (c)(3) and (c)(4) of the OTS Regulations, 12 C.F.R. §§ 563.177(b), (c)(1), (c)(2), (c)(3) & (c)(4) (regarding monitoring Bank Secrecy Act compliance);

(w). Subsections 103.22(f), 103.27(d) and 103.28 of the U.S. Treasury Department Regulations, 12 C.F.R. §§ 103.22(f), 103.27(d) & 103.28 (regarding the Bank Secrecy Act);

(x). Subsection 568.1(b), 568.2 and 568.4(a) of the OTS Regulations, 12 C.F.R. § 568.1(b), 568.2 & 568.4(a) (regarding security devices and procedures);

(y). Subsection 563.3(a) of the OTS Regulations, 12 C.F.R. § 563.3(a) (regarding delineation of community);

(z). Subsections 563e.4(b)(2) and 563e.4(b)(3) of the OTS Regulations, 12 C.F.R. §§ 563e.4(b)(2) & 563.4(b)(3) (regarding Community Reinvestment Act statement);

(aa). Subsection 563e.5(b)(2) of the OTS Regulations, 12 C.F.R. § 563e.5(b)(2) (regarding public availability of files); and

(bb). Subsection 563e.6 of the OTS Regulations, 12 C.F.R. § 563e.6 (regarding public files).

II. CORRECTIVE PROVISIONS

2.1. Compliance Program. No later than 60 Business Days after the Effective Date, the Board shall develop, approve and implement a comprehensive written compliance program that includes without limitation (a) procedures to ensure that any personnel responsible for the Association's compliance with any law or regulation receives the necessary training and education to accomplish such compliance and correct any deficiencies, including without limitation procedures that ensure that the form, content and distribution of all consumer disclosures meet statutory and regulatory requirements, (b) periodic, scheduled tests and any other necessary actions to measure such compliance by the Association, to be conducted by an individual who is not among the personnel responsible for the Association's compliance referred to in subsection 2.1(a) hereof and (c) semi-annual reports to the Board by any such individual that permit the Board to monitor compliance by the Bank with all applicable laws and regulations as well as to monitor the success of the compliance training referred to in subsection 2.1(a) hereof. The Board should consult Compliance: A Self-Assessment Guide published by the OTS in developing its compliance policy and monitoring the Association's compliance therewith.

2.2. CRA Policy. In view of the fact that the institution generally has taken corrective action with respect to the issues that were defined in Examination of Compliance dated October 28, 1991, it is hereby agreed that the Board and management of the Association shall implement the actions contemplated by its CRA Policy dated June 16, 1992 and continue to become more actively involved in the Association's CRA efforts and in monitoring the Association's CRA-related performance.

III. BOARD OF DIRECTORS

3.1. Compliance with Agreement.

(a). The Board and the executive Officers of the Association shall take immediate action to cause the Association to fully comply with the terms of this Agreement and shall take all actions necessary or appropriate thereafter to cause the Association to continue to carry out the provisions of this Agreement.

(b). Each month, the Board shall note in its minutes that to the best of its knowledge and belief, during the immediately preceding calendar month, the Association has complied with each provision of this Agreement currently in effect, except as otherwise stated.

(c). The minutes of the monthly meetings of the Board (including any committees thereof) shall set forth the following information with respect to the adoption of each Compliance Resolution:

(i). the identity of each director voting in favor of its adoption; and

(ii). the identity of each director voting in opposition to its adoption or abstaining from voting thereon, in each case setting forth each such director's reasoning for opposing or abstaining.

~~The Board, by virtue of the Association's submission of a certified true copy of each such Compliance Resolution to the Regional Director, shall be deemed to have certified to the accuracy of the statements set forth in each Compliance Resolution. In the event that one or more directors do not agree with the representations set forth in a Compliance Resolution, such disagreement shall be noted in the minutes of the meeting.~~

3.2. Director Responsibility.

Notwithstanding the requirements of this Agreement that the Board submit various matters to the Regional Director for the purpose of receiving his approval, non-objection or notice of acceptability, such regulatory oversight does not derogate or supplant each individual member's continuing fiduciary duty. The Board shall have the ultimate responsibility for overseeing the safe and sound operation of the Association at all times.

3.3. Duty of Care.

Each member of the Board, as part of the performance of his or her duty of care, shall become familiar with the contents of the Director Information Guidelines, published by OTS in December, 1989 and shall obtain and consider the kinds of information set forth therein which is applicable to the performance of his or her duties as a Director of the Association.

IV. MISCELLANEOUS

4.1. Definitions:

For all purposes of this Agreement, except as otherwise expressly provided or unless the context otherwise requires: (a) the terms used in this Agreement have the meanings assigned to them in this Section 4.1 and include the plural as well as the singular; (b) all accounting terms not otherwise defined have the meanings assigned to them in accordance with generally accepted accounting principles in the United States, except that if such terms are defined in the Rules and Regulations of the OTS, such regulatory definitions shall be controlling; (c) all terms not otherwise defined herein that are defined in the HOLA, the FDIA, FIRREA, the Rules and Regulations of the OTS or its publicly available Bulletins and Advisory Memoranda shall have the meanings assigned to them in such statutes, Rules and Regulations, Bulletins, and Advisory Memoranda; and (d) all technical words or terms not subject to a definition in this Agreement shall

have the meanings that accord with the best custom and usage in the thrift and banking industries.

"Advisory Memoranda" refers to inter alia, R Memoranda and T Memoranda issued by the staff (or agents) of the OTS (or its predecessors in interest).

"Affiliate" shall have the meaning set forth in Section 23A of the Federal Reserve Act, 12 U.S.C. § 371c(b).

"Bulletins" refers to, inter alia, Regulatory Bulletins, Thrift Bulletins, and PA Bulletins, issued by the staff (or agents) of the OTS (or its predecessors in interest).

"Business Day" means any weekday excluding Federal holidays.

"FDIA" means the Federal Deposit Insurance Act, as amended.

"FIRREA" means the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, Pub. L. No. 101-73, 103 Stat. 183.

"HOLA" means the Home Owners' Loan Act, as amended, 12 U.S.C. §§ 1461 et seq.

"Officer" shall have the meaning set forth in Section 561.35 of the OTS Regulations, 12 C.F.R. § 561.35.

"Regional Director" or his successor is the "senior supervisory official" within the meaning of Section 723(d) of the FIRREA, and refers to the Regional Director of the Northeast region of OTS. All references to the Regional Director shall include the Regional Director and/or his designee(s).

4.2. Successor Statutes, Regulations, Guidance, Amendments.

References in this Agreement to provisions of statutes, regulations, and OTS Advisory Memoranda and Bulletins shall be deemed to include references to all amendments to such provisions as have been made as of the Effective Date and references to successor provisions as they become applicable.

4.3. Notices.

(a). Except as otherwise provided herein, any request, demand, authorization, direction, notice, consent, waiver or other document provided or permitted by the Agreement to be made upon, given or furnished to, delivered to, or filed with:

(i). the OTS by the Association, shall be sufficient for every purpose hereunder if in writing and mailed, first class, postage prepaid or sent via overnight delivery service or physically delivered, in each case addressed to the Regional Director, Office of Thrift Supervision, Department of the Treasury, 10 Exchange Place, Jersey City, New Jersey 07302 or telecopied to 201-413-7543 and

confirmed by first class mail, postage prepaid, overnight delivery service or physically delivered, in each case to the above address;

(ii). the Association by the OTS, shall be sufficient for every purpose hereunder if in writing and mailed, first class, postage prepaid, or sent via overnight delivery service or physically delivered, in each case addressed to the Association at 86 Main Street, Little Falls, NJ 07424-1493.

(b). Notices hereunder shall be effective upon receipt, if by mail, overnight delivery service or telecopy, and upon delivery, if by physical delivery. If there is a dispute about the date on which a written notice has been received by a party to this Agreement, then, in the event such notice was sent by the United States mail, there shall be a presumption that the notice was received two Business Business Days after the date of the postmark on the envelope in which the notice was enclosed.

4.4. Duration, Termination or Suspension of Agreement.

(a). This Agreement shall remain in effect until terminated, modified or suspended in writing by the OTS, acting through its Director or the Regional Director (including any authorized designee thereof).

(b). The Regional Director or his designee, in his or her sole discretion, may, by written notice, suspend any or all provisions of this Agreement.

4.5. Effect of Headings.

The Section headings herein are for convenience only and shall not affect the construction hereof.

4.6. Separability Clause.

In case any provision in this Agreement is ruled to be invalid, illegal or unenforceable by the decision of any Court of competent jurisdiction, the validity, legality and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby.

4.7. No Violations of Law, Rule, Regulation or Policy Statement Authorized; OTS Not Restricted.

Nothing in this Agreement shall be construed as (a) allowing the Association to violate any law, rule, regulation, or policy statement to which it is subject or (b) restricting, in any way, the OTS from taking any action(s) that it believes are appropriate in fulfilling the responsibilities placed upon it by law..

4.8. Effect on Outstanding Supervisory or Enforcement Actions.

Nothing in this Agreement shall be construed as allowing the

Association to violate any order or agreement to which it is subject. To the extent that any conflict exists between any provision in this Agreement and any such order or agreement, the most restrictive provision will apply.

4.9. Successors in Interest/Benefit.

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. Nothing in this Agreement, express or implied, shall give to any person or entity, other than the parties hereto, the Resolution Trust Corporation, and the Federal Deposit Insurance Corporation and their successors hereunder, any benefit or any legal or equitable right, remedy or claim under this Agreement.

4.10. Signature of Directors.

Each Director signing the Agreement attests, by such act, that she or he, as the case may be, voted in favor of the resolution, in the form attached to this Agreement, authorizing the execution of this Agreement by the Association.

4.11. Enforceability of Agreement.

The Association represents and warrants that this Agreement has been duly authorized, executed, and delivered, and constitutes, in accordance with its terms, a valid and binding obligation of the Association. The Association acknowledges that this Agreement is a "written agreement" entered into with the OTS within the meaning of Section 8 of the FDIA, 12 U.S.C. §1818.

IN WITNESS WHEREOF, the OTS, acting by and through the Regional Director and the Association, in accordance with a duly adopted resolution of its Board (copy attached hereto), hereby execute this Agreement as of the Effective Date.

OFFICER OF THE ASSOCIATION
By: Robert C. Albanese
Regional Deputy Director

THE ASSOCIATION
By:

151
Name: Thomas A. Barnes
Title: Assistant Director

151
Name: John P. Pullara
Chief Executive Officer

DIRECTORS OF THE ASSOCIATION

151
Director
Edward J. Scordling

151
Director
Raoul G. Barton

151
Director
C. Evan Daniels

151
Director
Albert J. Weite

151
Director
George Kuiken

151
Director
Norman A. Parker

Director

Director