

## SUPERVISORY AGREEMENT

This Supervisory Agreement ("Agreement") is made and is effective this 4<sup>th</sup> day of June, 1993 ("Effective Date"), by and between Home Federal Savings Bank, Northern Ohio (OTS No. 03664), Lakewood, Ohio ("Home" or "Institution") for itself 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 Home. 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) and (i)(2).

WHEREAS, the OTS is of the opinion that Home has not complied with certain statutes and regulations to which the institution is subject in conducting the business of the institution, thereby providing grounds for the initiation of formal enforcement proceedings against Home by the OTS pursuant to 12 U.S.C. §1818(b); and

WHEREAS, the OTS is willing to forbear at this time from the initiation of formal enforcement proceedings against Home for its failure to comply with statutes and regulations as set forth in Home's Report of Regular Compliance Examination dated December 22, 1992 ("Compliance Examination") for so long as Home is in compliance with this Agreement; and

WHEREAS, although Home does not admit or deny that it has violated certain of the laws or regulations to which the Institution is subject, in the interest of regulatory compliance and cooperation, Home, by its board of directors ("Board"), is willing to enter into this Agreement to avoid the initiation of such formal enforcement proceedings;

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

CORRECT EXISTING VIOLATIONS

1. Home shall correct existing violations of Federal statutes and regulations cited in the Compliance Examination, and shall not knowingly initiate any action which would result in a violation of those statutes and regulations.

COMPLIANCE PROGRAM

2. Within 90 days from the Effective Date of this Agreement, the Board shall adopt and implement a formal written compliance program to review and monitor the Institution's compliance with nondiscrimination, consumer protection, and other consumer oriented laws and regulations. Guidelines for such a review process are outlined in the manual, Compliance: A Self-Assessment Guide. The compliance program shall include provisions for the adequate training of new, and the periodic retraining of existing, personnel as to their duties and responsibilities under nondiscrimination, consumer protection, and other consumer oriented laws and regulations.

3. Within 90 days from the Effective Date of this Agreement, the Board shall adopt and implement an internal audit program to review and monitor the Institution's adherence to the compliance program. Said audit program can be in the form of an addendum to the current internal audit program and shall contain, at a minimum, the following:

(a) ongoing procedures, including periodic compliance audits, to monitor the effectiveness of the Institution's compliance with nondiscrimination, consumer protection, and other consumer oriented laws and regulations;

- (b) procedures to ensure that exceptions noted in the compliance audits are corrected and responded to by the appropriate Institution personnel;
- (c) procedures for effective Board oversight; and
- (d) procedures for updating the compliance policy and correcting deficiencies that arise.

4. Within 60 days from the Effective Date of this Agreement, the Board shall develop a detailed written job description for the position of Compliance Officer. The duties of the Compliance Officer shall, at a minimum, include: (a) developing and implementing the compliance program and (b) developing and implementing the training program. The job description shall also delineate the reporting responsibilities of the Compliance Officer and shall provide for periodic reports to the Board.

#### NONDISCRIMINATION

5. Within 60 days from the Effective Date of this Agreement, the Board shall revise its loan underwriting standards to ensure that they are clearly written and nondiscriminatory. Lending requirements shall be clearly explained so as to ensure equitable treatment of all applicants.

6. Within 60 days from the Effective Date of this Agreement, the Board shall adopt policies and implement procedures to ensure compliance with 12 C.F.R. Part 203. The policies and procedures shall, at a minimum, include:

- (a) procedures to ensure the accurate and timely completion and maintenance of loan application registers, including designating specific individuals to be responsible for the accurate completion of the loan application register;

- (b) procedures to provide for the training of personnel as to the proper completion of the loan application register;

(c) procedures to provide for the periodic review of the accuracy of information in the loan application register by employees other than those responsible for its completion; and

(d) procedures to ensure that government monitoring information is collected from all applicable loan applicants or, if the applicant does not wish to provide it, from the employee taking the application.

#### TRUTH IN LENDING

7. Within 60 days from the Effective Date of this Agreement, the Board shall establish and implement procedures to ensure compliance with Regulation Z, 12 C.F.R. Part 226, giving particular attention to disclosures for mortgage loans and construction loans. These revised procedures shall include, at a minimum, the following:

(a) procedures to ensure that all costs the borrower is required to pay in relation to the granting of a construction loan are accurately disclosed as required by 12 C.F.R §§ 226.17(c)(6)(ii) and 226.18; and

(b) procedures to ensure that the disclosed annual percentage rate ("APR") is accurate and within the tolerance range established by 12 C.F.R. § 226.22(a)(3).

8. Home shall document its actual experience with regard to a typical and reasonable construction period to ensure that the disclosed construction period is based on the best information reasonably available as required by 12 C.F.R. § 226.17(c)(2).

#### LOAN DISCLOSURES

9. Within 30 days from the Effective Date of this Agreement, the Board shall adopt and implement procedures to ensure that the index used for single family mortgage loans is accurately disclosed to the borrower.

10. Within 60 days from the Effective Date of this Agreement, the Board shall adopt policies and implement procedures to ensure compliance with mortgage loan disclosure and notification requirements (12 C.F.R. §§ 545.33 and 563.99). The policies and procedures shall require that current adjustment notices provided to borrowers be revised to contain an accurate representation of the index that the Institution is contractually obligated to disclose. Such notices shall contain an accurate adjustment date as specified in the legal obligation.

11. The Board shall adopt and implement procedures to ensure that disclosures regarding loan assumptions are consistent with the loan contract or mortgage note.

BANK SECRECY ACT

12. Within 30 days from the Effective Date of this Agreement, the Board shall revise policies and implement procedures to ensure compliance with the Bank Secrecy Act (31 U.S.C. § 5311 et seq. and 31 C.F.R. Part 103) and shall designate an officer who will have the primary responsibility of implementing the revised policies and procedures. The revised policies and procedures shall, at a minimum, include:

- (a) procedures to identify reportable transactions;
- (b) procedures to review Currency Transaction Reports for completeness and accuracy before filing;
- (c) procedures to standardize the methods of verifying customer identity;
- (d) procedures addressing exemption list requirements; and
- (e) provisions for the periodic training of applicable personnel as to their duties and responsibilities under the Bank Secrecy Act.

COMMUNITY REINVESTMENT ACT

13. Within 90 days from the Effective Date of this Agreement, the Board shall produce a written analysis of the credit needs of the Institution's community. In preparing the written analysis, the Board shall take into consideration Section 220 of the OTS's Regulatory Handbook regarding Compliance Activities, as well as:

(a) any written, signed public comments received in response to the Institution's CRA statement(s);

(b) existing studies concerning local credit needs particularly in low- and moderate-income neighborhoods; and

(c) direct communications with community members and organizations including the Institution's customers, local government officials, neighborhood organizations, minority organizations, small business groups, and consumer groups.

14. Within 30 days from the completion of the analysis required by Paragraph No. 13, the Board shall develop and adopt a CRA plan designed to satisfy the credit needs of the community. The CRA plan shall include procedures for investigating participation in government-insured, guaranteed or subsidized loan programs, improving marketing and advertising strategies, and to remain consistent with the safe and sound operation of the Institution. The CRA plan shall, at a minimum, contain the following:

(a) a description of the various types of credit that the Institution is prepared to extend within the community;

(b) a description of the methods that the Institution will use to communicate the availability of its credit services to the community; such methods may include utilizing media targeted to the community such as neighborhood or minority newspapers and radio stations;

(c) a marketing program designed to encourage applications for loans in the Institution's community, particularly in low- and moderate-income neighborhoods;

(d) an accurate CRA statement of what types of credit the Institution makes available to its community;

(e) procedures for the Board to periodically monitor the effectiveness of and the Institution's adherence to the plan; and

(f) procedures for an annual Board review and/or revision of the Institution's community delineation and CRA plan. A copy of the Institution's community delineation and the CRA plan, including any revisions to the CRA plan, shall be retained at the Institution for review by OTS examiners.

15. On a quarterly basis, the Board shall review the geographic distribution of the Institution's credit extensions, credit applications, and credit denials to determine whether the Institution is meeting the credit needs of the community, particularly low- and moderate-income neighborhoods.

#### ADVERTISING

16. Within 60 days from the Effective Date of this Agreement, the Board shall adopt policies and implement procedures to ensure that advertisements placed by the Institution contain all the required disclosures, including the annual percentage rate and the yield. The policies and procedures shall ensure that the disclosures are not misleading and contain the Equal Housing Lender logotype and legend when required. All advertisements shall be reviewed, prior to publication, by persons having knowledge of the applicable advertising rules and regulations.

### BOARD OF DIRECTORS

17. Within 30 days from the Effective Date of this Agreement, the Board shall provide monthly reports to the OTS documenting the actions taken with respect to paragraphs 2 through 16 above. Any policies or procedures required by this Agreement shall be strictly adhered to by Home, its officers, directors, employees, and agents.

### MISCELLANEOUS

18. (a) Although the Board is by this Agreement required to submit certain proposed actions and programs for the review or approval of the Deputy Regional Director or his/her designee, the Board has the ultimate responsibility for proper and sound management of the Institution. In exercising and fulfilling its fiduciary duties, the Board may consider the reports of management, counsel, and other agents and consultants of the Board. Nothing contained herein shall require the Board or any member or agent thereof to take any action or omit to take any action inconsistent with his or her fiduciary duties.

(b) It is expressly and clearly understood that if, at any time, the OTS deems it appropriate in fulfilling the lawful responsibilities placed upon it by the several laws of the United States of America to undertake any lawful action affecting the Institution, nothing in this Agreement shall in any way inhibit, estop, bar, or otherwise prevent the OTS from doing so.

(c) Any time limitations imposed by this Agreement shall begin to run from the Effective Date of this Agreement. Such time limitations may be extended by the Deputy Regional Director or his/her designee for good cause upon written application by the Board.

(d) All technical words or terms used in this Agreement, for which meanings are not specified or otherwise provided by the provision of this Agreement, shall, insofar as applicable, have meanings as defined in the rules and regulations adopted by the OTS (including, without limitation, Chapter V of Title 12 Code of Federal Regulation). Any such technical words or terms used in this Agreement and undefined in said rules and regulations shall have meanings that accord with the best custom and usage in the thrift industry.

(e) 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.

(f) It is understood that the execution of this Agreement shall not be construed as an approval of any application or notices that are contemplated by the Institution.

(g) Any report or other document required by this Agreement to be submitted to the OTS shall be filed with the Office of Thrift Supervision, 8260 North Creek Drive, Suite 200, Cincinnati, Ohio 45236, Attn: Assistant Director. All reports and other documents shall be deemed filed when received by the OTS.

(h) In the event any provision of this Agreement shall be declared invalid, illegal, or unenforceable; the validity, legality, and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

(i) The section headings used in this Agreement are for convenience of reference only and are not to affect the construction of or be taken into consideration in the interpretation of this Agreement.

(j) This Agreement shall remain in effect until terminated, modified, or suspended by the OTS, acting through the Regional Director or his designee. Home may petition OTS for termination of the Agreement subsequent to a Compliance Examination in which the institution is found to have exhibited a strong, demonstrative performance in Compliance and CRA activities. Said determination to be the exclusive decision of the OTS.

IN WITNESS WHEREOF, the OTS, acting through its Deputy Regional Director and Home, by its board of directors, have executed this Agreement on the date first above written.

THE OFFICE OF THRIFT SUPERVISION  
Cincinnati, Ohio

By:           / s /            
Daniel T. McKee  
Deputy Regional Director

HOME FEDERAL SAVINGS BANK, NORTHERN  
OHIO  
Lakewood, Ohio

By:           / s /            
Director

By:           - / s /            
Director