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SUPERVISORY AGREEMENT

This Supervisory Agreement ("Agreement") is made and is effective this 22nd day of February, 1994 (the "Effective Date"), by and between Talladega Federal Savings and Loan Association, Talladega, Alabama, OTS No. 7344, a Federally chartered, stock institution, for itself and its wholly owned service corporations and subsidiaries ("Talladega" or "Institution"), and the Office of Thrift Supervision ("OTS"), an agency of the United States Department of the Treasury, acting through its Southeast Regional Director or his designee ("Regional Director").

WHEREAS, based on Talladega's OTS Compliance Examination of November 8, 1993, ("1993 Compliance Exam"), the OTS is of the opinion that the Institution has violated certain Federal consumer and compliance laws and regulations; and

WHEREAS, on the basis of these violations, the OTS is of the opinion that grounds exist for the initiation of administrative proceedings against Talladega, pursuant to Section 8(b) of the Federal Deposit Insurance Act ("FDIA"), 12 U.S.C. § 1818(b)¹; and

WHEREAS, Talladega has made sufficient progress in complying with the terms of the Supervisory Agreement executed with the OTS on February 20, 1991, that the OTS is willing to delete certain provisions, while retaining or modifying certain other provisions of said existing Supervisory Agreement; and

WHEREAS, the Institution is willing to enter into this Agreement, without admitting or denying any violations of laws, regulations, and/or conditions imposed in writing by the OTS, in order to cooperate with the OTS and to evidence its intent to comply with applicable laws, regulations and conditions imposed in writing by the OTS.

NOW THEREFORE, in consideration of the premises stated above, the parties hereto agree as follows:

COMPLIANCE PROGRAM

1. Within 45 days of the Effective Date of this Agreement, the Board of Directors of Talladega ("the Board") shall revise, adopt, implement, comply with and submit to the Regional Director for review, its comprehensive, written program designed to ensure the Institution's ongoing compliance with all applicable Federal consumer and compliance laws and regulations ("Consumer Laws and Regulations"), and to correct the deficiencies disclosed in the Institution's 1993

¹All references to the U.S.C. are as amended.

Compliance Exam Report. The Board shall make any and all modifications to the program requested by the Regional Director and shall, thereafter, comply with the modified program.

2. At a minimum, the program required by Paragraph 1 of this Agreement shall provide for a Board-designated Compliance Officer responsible for developing operating policies and procedures, internal controls, monitoring systems, and training programs designed to correct the deficiencies disclosed in the 1993 Compliance Exam, and for preparing and presenting, on at least a quarterly basis, reports to the Board and the Compliance Committee, with copies to the Regional Director, that set forth the Compliance Officer's findings, conclusions, and recommendations concerning the Institution's then current record of compliance with Consumer Laws and Regulations.
3. The Board shall ensure that the Institution's Compliance Policy Statement, adopted by the Board March 18, 1992, is followed and that the periodic reviews required by the statement are performed. The Compliance Policy Statement shall be revised as necessary to comply with the provisions of this Agreement.
4. The revised compliance program shall contain comprehensive job descriptions for both the Compliance Officer and the CRA Officer. At a minimum, the job descriptions shall include:
 - a) Development, update and review of compliance policies and procedures, forms and disclosures;
 - b) Periodic review of compliance areas within the Institution in a timely manner;
 - c) Development and maintenance of a compliance training program; and
 - d) Reporting to management and the Board on compliance and CRA matters periodically, but no less than quarterly.
5. The individuals retained to fill the Compliance Officer and the CRA Officer positions shall, at a minimum, perform all the duties included in the respective job descriptions required by Paragraph 4 above.

ADJUSTABLE RATE MORTGAGE LOAN REGULATIONS

6. The Institution shall comply with the provisions of 12 C.F.R. § 563.99(b)(2)(viii) and § 563.99(c)(1), (2) and (4), concerning Adjustable Rate Mortgage ("ARM") loans.
7. Within 60 days of the Effective Date of this Agreement, the Board shall adopt, direct management to implement and submit to the Regional Director, an ARM loan program for the Institution that includes procedures designed to ensure that

the Institution makes appropriate adjustments to its ARM loans and that it operates in compliance with the provisions of 12 C.F.R. §§ 563.99(b) & (c). The Board shall make any and all modifications to the ARM loan program requested by the Regional Director and shall, thereafter, comply with the modified ARM loan program.

BANK SECRECY ACT COMPLIANCE

8. Talladega shall comply with the provisions of 12 C.F.R. §§ 563.177(b), (c)(3) and (4) and 31 C.F.R. §§ 103.22(d) and (f), 103.27, and 103.28.
9. Within 30 days of the Effective Date of this Agreement, the Institution shall correct the deficiencies in its compliance with Bank Secrecy Act requirements disclosed in Sections 3.3 through 3.5 of the 1993 Compliance Exam Report.

TRUTH IN LENDING ACT AND REG. Z COMPLIANCE

10. Talladega shall comply with the Truth in Lending Act and Regulation Z. Particularly, the provisions of Reg. Z found at 12 C.F.R. §§ 226.18(d) (Finance charge) and 226.22(a) (Accuracy of annual percentage rate). The Board shall ensure that the deficiencies noted in the 1993 Compliance Exam Report at Section 3.1 are corrected and that specific steps are taken to prevent the recurrence of such deficiencies.

FLOOD DISASTER PROTECTION ACT

11. Talladega shall comply with §§ 12 C.F.R. 563.48(b)(1) and 563.48(e). The Institution shall correct the deficiencies noted in Section 3.2 of the 1993 Compliance Exam Report and ensure that: a) flood hazard areas are identified and disclosed within applicable time frames; and b) evidence of flood insurance is prominently and adequately documented for loans requiring such insurance.

SAFETY AND SOUNDNESS PROVISIONS

Asset Quality

12. Management shall develop, and the Board shall adopt and ensure compliance with, a written plan to collect, strengthen, or otherwise reduce the risk of loss for each loan in excess of \$250,000 that is more than 60 days delinquent, was classified in the most recent examination report or has been subsequently classified, and for each parcel of real estate owned with a book value in excess of \$250,000. Each plan shall state, at a minimum, explicit goals for the resolution of the problem asset in order to achieve an orderly reduction in the aggregate level of problem assets outstanding within specified time frames. The plans shall be updated, reviewed and approved by the Board of Directors at least once each calendar quarter.

Operations

13. The Institution shall continue to operate pursuant to a business plan designed to reduce the level of problem assets, control exposure to interest rate risk and improve operating results in a safe and sound manner.

COMPLIANCE WITH THIS AGREEMENT

14. Within 45 days of the Effective Date of this Agreement, the Board shall designate at least three directors to constitute the Compliance Committee. A majority of the directors on the Committee and the Chairman of the Committee shall be outside directors.
15. Beginning with the calendar quarter ending March 31, 1994, and at least once each calendar quarter thereafter, the Compliance Committee shall review the Institution's progress in correcting the deficiencies disclosed in the 1993 Compliance Exam and the Institution's compliance with this Agreement. The Committee shall submit a quarterly written report to the Board and the Regional Director, describing its findings, including actions taken to correct any noncompliance with the Agreement.

SUCCESSOR STATUTES, REGULATIONS, GUIDANCE, AMENDMENTS

16. Reference in this Agreement to provisions of statutes, regulations, and OTS Memoranda, bulletins and publications shall include references to all amendments to such provisions as have been made as of the effective date of this Agreement and references to successor provisions as they become applicable.

NOTICES

17. (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 Institution, 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 for the Southeast Region, Office of Thrift Supervision, Department of the Treasury, 1475 Peachtree Street, N.E., Atlanta, Georgia 30309 or telecopied to (404)897-1861 and confirmed by first class mail, postage prepaid, or sent via overnight delivery service or physically delivered, in each case to the above address.

- (ii) the Institution 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 President of the Institution at Talladega Federal Savings and Loan Association, 200 East Battle Street, Talladega, Alabama 35160, telecopied to (205) 362-3316 and confirmed by first class mail, postage prepaid, or sent via overnight delivery service or physically delivered, in each case to the above address.
- (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, there shall be a presumption that the notice was received two business days after the date of the postmark on the envelope in which the notice was enclosed.

DURATION, TERMINATION OR SUSPENSION OF ORDER

- 18. The provisions of this Agreement shall remain in effect until terminated, modified or suspended in writing by the OTS, acting through the Regional Director. The Regional Director in his sole discretion may, by written notice, terminate and/or suspend any or all provisions of this Agreement.

EFFECT OF HEADINGS

- 19. 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.

SEPARABILITY CLAUSE

- 20. In the event that any provision of 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, unless the Regional Director in his sole discretion determines otherwise.

**NO VIOLATIONS OF LAW, RULE, REGULATION OR
POLICY STATEMENT AUTHORIZED; OTS NOT RESTRICTED**

- 21. Nothing in this Agreement shall be construed as:
 - (a) allowing the Institution 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 that it believes is appropriate in fulfilling the responsibilities placed upon it by law.

SUCCESSORS IN INTEREST/BENEFIT

- 22. 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.

DIRECTOR RESPONSIBILITY

- 23. Although the Board is by this Agreement required to submit certain proposed actions and programs for the review or approval of the Regional Director, the Board has the ultimate responsibility for safe and sound management of the Institution.

TIME LIMITS

- 24. Any time limitations imposed by this Agreement shall begin to run from the Effective Date of the Agreement, unless otherwise provided for in the Agreement. Such time limitations may be extended by the Regional Director in his sole discretion upon written application by the Institution.

DEFINITIONS

- 25. All technical words or terms used in this Agreement for which meanings are not specified or otherwise provided by the provisions of the Agreement shall, insofar as applicable, have meanings as defined in Chapter V of Title 12 of the Code of Federal Regulations. Any such technical words or terms used in this Agreement and undefined in said Code of Federal Regulations shall have meanings that accord with the best custom and usage in the thrift industry.

WRITTEN AGREEMENT WITH THE AGENCY

- 26. 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 agency" as that phrase is used in Section 8(b)(1) of the FDIA, 12 U.S.C. § 1818(b)(1).

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IN WITNESS WHEREOF, the OTS, acting through the Regional Director, and the Institution, by a majority of its directors, have executed this Agreement.

Talladega Federal Savings and Loan Association
Talladega, Alabama
OTS No. 7344

By: _____ /s/ _____

/s/

OFFICE OF THRIFT SUPERVISION

By: _____ /s/ _____
Richard M. Riccobono
Acting Regional Director