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CERTIFIED COPY OF  
RESOLUTION OF BOARD OF DIRECTORS

I, the undersigned, being the duly qualified secretary of Slavia Federal Savings and Loan Association, Baltimore, Maryland, OTS No. 8191 ("Slavia Federal or Institution"), hereby certify that the following is a true copy of a resolution duly adopted by its board of directors at a meeting duly called and held on this 1st. day of February, 1994, and at said meeting a quorum was present and voting throughout, and that said resolution has not been rescinded or modified and is now in full force and effect:

RESOLUTION

**WHEREAS**, the officers and directors of the Institution have been advised that the Office of Thrift Supervision ("OTS") is of the opinion that the grounds exist to initiate administrative proceedings against the Institution pursuant to Section 8(b) of the Federal Deposit Insurance Act, 12 U.S.C. 1818(b); and

**WHEREAS**, said officers and directors have been informed that the OTS will forbear from the initiation of such administrative proceedings in connection with the matters referred to in the OTS Compliance Examination of October 12, 1993, ("1993 Compliance Exam") if this Resolution is executed by the Institution and if the terms are thereafter complied with by the Institution; and

**WHEREAS**, the Institution is willing to enter into this Resolution, 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 Institution agrees as follows:

1. All references to the United States Code ("U.S.C.") are as amended.

### TRUTH IN LENDING ACT AND REGULATION Z COMPLIANCE

1. Slavie Federal shall comply with the Truth in Lending Act ( 15 U.S.C. §1601 et seq.) and Regulation Z (12 C.F.R. Part 266), particularly the provisions of Regulation Z found at 12 C.F.R. §§ 226.18(d) (regarding the disclosure of the finance charge) and 226.23 (regarding right of rescission). The board of directors shall ensure that the deficiencies noted in the 1993 Compliance Exam at Sections 3.1 are corrected and that specific steps are taken to prevent the recurrence of such deficiencies.

### BANK SECRECY ACT COMPLIANCE

2. Slavie Federal shall comply with the provisions of 31 C.F.R. §§ 103.27 and 103.28.
3. Within 30 days of the date of this resolution, the Institution shall correct the deficiencies disclosed in Section 3.2 of the 1993 Compliance Exam regarding compliance with the Bank Secrecy Act requirements.

### ADJUSTABLE RATE MORTGAGE LOAN REGULATIONS

4. Slavie Federal 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.
5. Within 60 days of the date of this resolution, the board of directors shall adopt, direct management to implement, and submit to the OTS, 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) and (c).

### FLOOD DISASTER PROTECTION ACT

6. Slavie Federal shall comply with 12 C.F.R. §§ 563.48(b)(1) and 563.48(e). The Institution shall correct the deficiencies noted in Section 3.5 of the 1993 Compliance Exam and ensure that: a) flood hazard areas are identified and disclosed to the borrower within the timeframes required by 12 C.F.R. § 563.48(e); and b) evidence of flood insurance is prominently documented for all loans requiring such insurance.

WHEREAS, the directors of the Institution have read and considered this resolution, which is attached to the minutes of the meeting of the board of directors held on this 1st. day of February, 1994, and after due consideration, and in the interest of regulatory compliance and cooperation, have determined to execute this resolution.

NOW, THEREFORE, BE IT RESOLVED, that this resolution is hereby approved and executed by the board of directors. The officers and employees of the institution are directed and authorized to take all necessary steps to implement the terms of this resolution immediately.

IN WITNESS WHEREOF, I have hereto subscribed my name and affixed the seal of Slavia Federal this 1st. day of February, 1994.

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Secretary

(Seal)

Board of Directors Meeting  
Special Meeting  
January 24, 1994

President Schueler called the meeting to order at 5:00 p.m. with all directors present. Also in attendance were our independent auditors, Bill and Kathy Anderson of Anderson Associates, Attorney Will Kirkpatrick, Mr. Charles E. Wagner, Vice-President and Loan Officer and Ms. Gail Button, Compliance Administrator. The purpose of the meeting was to review and discuss the O.T.S. Compliance Report and CRA Public Disclosure Statement and to review and discuss our response to these reports.

Pres. Schueler informed the board that as a result of the O.T.S. Compliance Examination, Slavia received a compliance rating of 3 and a rating of satisfactory for CRA.

The O.T.S. reports were read by Pres. Schueler and Secretary Logan and the answers to the comments contained in the report were reviewed and discussed by everyone in attendance.

Mr. Anderson noted that the CRA Public Disclosure Statement is different from the CRA policy and should be reviewed on an annual basis along with the CRA policy.

Mr. Kirkpatrick suggested to hold periodic compliance reviews on a regular basis. The board held a discussion concerning this matter. Ms. Anderson recommended to hold the compliance review on an semi-annual basis. After further review, the board decided to have institution personnel give a compliance review to the board on a quarterly basis. Also, Mr. Anderson suggested to make a checklist of all policies so that they may be reviewed on an annual basis. Ms. Button stated that a policy checklist is under review and is being prepared.

A discussion was held concerning the response to the Truth In Lending Act (Regulation Z). The second paragraph on page three was amended as follows: Our interpretation of the this note is supported by the attached written opinions of our attorney, Joseph K. Pokorny and independent attorney, Will Kirkpatrick and a letter from our independent accounting firm, Anderson Associates. In addition, Mr. Kirkpatrick reviewed Section 310 of the Compliance Activities Regulatory Handbook with the board. The board reviewed and discussed the technical violations under the restitution section. Mr. Wagner estimated that we would have to pay approximately \$846.00 in restitution on home improvement loans, unless O.T.S. agreed with our interpretation of the notes.

On page four of the response under the heading, Bank Secrecy Act, paragraph two, the last sentence should read as follows: For this reason, we disagree with this repeat violation.

The board reviewed and discussed the response and report with

regard to O.T.S. Mortgage Regulations, 12 CFR Section 563.99. The board reviewed the findings of the report that a review of the institution's 1991 and 1992 HMDA Disclosure Statements and 1993 L/AR, as of September 30, 1993, disclosed that 2.2 percent (4 of 183), 3.6% (9 of 247) and 4.3% (13 of 301) respectively, of mortgage loan applicants were minority, comparing unfavorably to the 30 percent minority population of the institution's local community as estimated by management. Mr. Anderson stated that this comment is not uncommon.

Also, the board discussed our loan denial rates which are well below the aggregate denial rates for all lenders within the MSA that is part of the institution's lending area, according to 1991 and 1992 HMDA data. Mr. Wagner stated that the reason for our low denial rates may be attributed to the fact that we are a portfolio lender with less stringent underwriting guidelines.

The board reviewed and discussed the written opinion of Attorney Pokorny and Attorney Kirkpatrick and a letter from Anderson Associates concerning restitution on our home improvement loans and a typographical error on an Adjustable Rate Mortgage Note. In both instances, the board agreed with their opinions and letter that Slavia does not have to make restitution on home improvement loans because the note is not incorrect and do not have to adjust the note on the ARM loan because of a typographical error that stated that the loan would never exceed 7%, when in fact, the initial rate of the ARM loan was 8%.

Pres. Schueler reviewed and discussed the CRA Performance Evaluation Public Disclosure with the board.

On a motion by Mr. Otenasek and seconded by Mr. R. R. Riha to accept the response to the O.T.S. Compliance Report as amended.

On a motion by Mr. Pokorny and seconded by Mr. Otenasek, the meeting was adjourned at 7:00 p.m.

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Secretary

*This is a true test certified copy of the minutes from the special board meeting of January 24, 1994.*

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Secretary

Board of Directors Meeting  
Special Meeting  
February 1, 1994

President Schueler called the meeting to order at 5:00 p.m. with six of the seven directors present. Director Mortimer was absent because he was attending a business conference out-of-town and will not be compensated. Also in attendance were Bill and Kathy Anderson of Anderson Associates, Attorney Will Kirkpatrick, Vice-President and Mortgage Officer, Charles E. Wagner, Jr. and Compliance Administrator, Gail C. Button.

As the first order of business, Pres. Schueler introduced Mr. Rick Marlin, O.T.S. Compliance Exam Manager. Mr. Marlin reviewed our most recent Compliance and CRA Exam dated October 12, 1993 with the board.

First, Mr. Marlin explained the compliance examination process based on a top-down/risk-focused approach and discussed the ratings and examination reports. Since 1989, under the direction of Congress, the O.T.S. has performed independent compliance examinations with twenty-seven different regulations under their control. Mr. Marlin informed the board that Slavia received a compliance rating of 3 which is less than satisfactory and a CRA narrative rating of satisfactory. We improved our CRA rating from needs to improve, however, we received a compliance rating of 3 for the second straight time.

Next on the agenda, Mr. Marlin reviewed the compliance examination findings with the board. First, Mr. Marlin reviewed the examination findings concerning the Truth In Lending Act. During the initial review of the Home Improvement Loans, the examiners felt that the note and the Regulation Z disclosure did not match up. However, upon further review by the O.T.S.' legal counsel, they concurred with our findings that restitution did not have to be made on the home improvement loans. Mr. Marlin stated that an amended exam would be forthcoming with the violation of restitution to be removed. Since Slavia did not have to make restitution, Director Pokorny asked Mr. Marlin if our rating would be lowered from a 3 to a 2. Mr. Marlin stated that reducing the compliance rating to a 2 was given very serious consideration, however, because of the nature of the repeat violations the committee decided to keep the rating at a 3. In addition, Mr. Marlin informed the board that the preceding examination disclosed that management failed to treat PMI escrows as a prepaid finance charge. The same exception was noted in the current examination in one of the two loans with PMI reviewed. The preceding examination disclosed an overstated finance charge for one of six mortgage loans reviewed. The current examination disclosed that the disclosed overstated finance charges in three of the twelve loans reviewed. The errors noted in two of the three loans resulted from the failure to properly reflect PMI premiums in the disclosed payment. The examiner's review of ten loans subject to the right of rescission disclosed one transaction in which the notice of the

right to rescind was not provided to the borrower.

Second, Mr. Marlin addressed the examination findings of the Bank Secrecy Act. The examiner's review of large currency transactions revealed no failures to file CTRs for reportable transactions. Institution personnel were found to be reasonably knowledgeable about BSA procedures, and the overall level of BSA compliance is generally adequate. However, the institution was previously cited for noting inappropriate documentation for verifying the identification of the person conducting the transaction. This error was again noted on all seven CTRs reviewed. In addition, four errors/omissions were noted on two CTRs.

Third, Mr. Marlin reviewed the examination findings of the OTS Mortgage Regulations. The current review of ARM loans disclosed one loan with overcharges in three of five adjustments, two loans had undercharges in their most recent adjustments and two loans had no adjustment errors. In addition, no errors were noted in the notes of the two loans originated during the review period. The overcharges occurred because of typographical errors on the note. The most obvious error being the fact that the floor of 7% was actually typed as a ceiling of 7%, which created a situation that would appear to indicate that the interest rate on this loan will never exceed 7% instead of will never exceed 14%. The correct ceiling was clearly represented on the commitment letter and all disclosures to the borrower. In consideration of the examiner's comment that it is almost impossible to adjust the interest rate in accordance with the contractual terms and considering that the customer is receiving the terms agreed upon, the deal he was originally offered, Slavia Federal, under the advice of counsel does not plan to take further action.

Fourth, Mr. Marlin addressed the examination findings of the Flood Disaster Protection Act. The examiner's review of residential mortgage loans for compliance with FDPA notification requirements disclosed that in four of the five loans reviewed, management failed to provide the required notice of special flood hazard area and availability to Federal disaster relief assistance. While one loan was found to have the notice, it was provided at closing and not in accordance with the captioned regulation. In addition, the examiner's review also disclosed that three of five loans reviewed did not have coverage equal to the outstanding principal balance.

Fifth, Mr. Marlin reviewed the examination findings of Nondiscrimination Laws and Regulations. Mr. Marlin reported that there were no policies, procedures or practices of discrimination by lending personnel, however, there was a technical violation of HMDA noted. Mr. Marlin pointed out that based on the size of Slavia's minority lending population, mortgage loan minority applicants compared unfavorably to the total minority population of the institution's local community, as estimated by management. This comment is for informational purposes and this lending pattern

analysis comment is the same for some other associations.

Sixth, Mr. Marlin addressed the examination findings of the Community Reinvestment Act. Mr. Marlin noted that the institution improved their CRA rating to satisfactory, however, the board must approve the CRA policy on an annual basis.

Mr. Marlin discussed the supervisory concerns of the OTS. The Compliance Supervisory Action Committee reviewed the findings of the compliance examination. Because of a repeat compliance rating of 3, the committee feels that the board needs to pass and adopt a formal resolution to correct prior compliance violations. Mr. Marlin stated that no formal enforcement action will be taken by the OTS, however, if repeat violations continue, the board may have to enter into a supervisory agreement with possible civil money penalties and removal of board members.

A general discussion was initiated by Mr. Marlin. He stated that we may not be able to correct prior violations, however, it is expected that where possible prior deficiencies are expected to be corrected. Mr. Wagner asked Mr. Marlin that the ARM loan with a ceiling of 7% will probably roll over at a higher rate and how will this affect next year's exam. Mr. Marlin stated that this should not affect next year's exam based on proper documentation. Director Richard K. Riha informed Mr. Marlin that he agreed with OTS' initial findings concerning the home improvement loans and ARM loan, even though OTS had changed their stance and agreed with our response to this matter.

On a motion by Mr. Otenasek and seconded by Mr. Kamphaus to approve the resolution with items one through six being amended, corrected and/or modified for technical corrections and a new resolution forwarded by OTS to Slavia.

On a motion by Mr. Otenasek and seconded by Mr. R. R. Riha, the meeting was adjourned at 6:50 p.m.

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Secretary

*This is a true test certified copy of the minutes of the special board meeting of February 1, 1994.*

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Secretary