

94857

SUPERVISORY AGREEMENT

This Supervisory Agreement ("Agreement") is made and is effective this 9th day of February, 1994 (the "Effective Date"), by and between Community Federal Savings Bank, Staunton, Virginia, OTS No. 5307, a Federally chartered, stock institution, for itself and its wholly owned service corporations and subsidiaries ("Community Federal" 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 Community Federal's OTS Compliance Examination of August 9, 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 to initiate administrative proceedings against Community Federal, pursuant to Section 8(b) of the Federal Deposit Insurance Act ("FDIA"), 12 U.S.C. § 1818(b)¹; 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 Community Federal ("the Board") shall adopt, implement and submit to the Regional Director for review a 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 Compliance Exam Report. The Board shall make any and all modifications to the program requested by the Regional Director.
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

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

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, with copies to the Regional Director, that set forth the Compliance Officer's findings, conclusions, and recommendations concerning the institution's current record of compliance with Consumer Laws and Regulations.

ADJUSTABLE RATE MORTGAGE LOAN REGULATIONS

3. The Institution shall comply with the provisions of 12 C.F.R. § 563.99(c)(1), (2) and (4), concerning Adjustable Rate Mortgage ("ARM") loans;
4. Within 45 days of the Effective Date of this Agreement, the Institution shall analyze all ARM loans with no rounding feature, outstanding as of August 9, 1993, to determine whether appropriate adjustments have been and are being made in accordance with the provisions of 12 C.F.R § 563.99(c). Also within 45 days of the Effective Date of this Agreement, the Board shall review the results of this analysis and submit the results, as well as a description of any actions taken to correct improper ARM loan adjustments, to the Regional Director.
5. 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(c).

BANK SECRECY ACT COMPLIANCE

6. Community Federal 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.
7. 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 3.2 and 3.3 of the 1993 Compliance Exam Report.

COMPLIANCE WITH THIS AGREEMENT

8. Within 45 days of the Effective Date of this Agreement, the Board shall designate at least three directors to constitute a Compliance Committee. A majority of the directors on the Committee and the Chairman of the Committee shall be outside directors.

9. 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

10. 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

11. (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 Community Federal Savings Bank, 38 North Central Avenue, Staunton, Virginia 24401, or telecopied to (703) 885-0643 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

12. 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

13. 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

14. 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

15. 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

16. 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

17. 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

18. 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

19. 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

20. 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).

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

Community Federal Savings Bank
Staunton, Virginia
OTS No. 5307

By: 151
R.S. Yeager, Jr.

By: 151
J.C. Hickok

By: 151
C.F. Andersen

By: 151
R.E. Bonin

By: 151
J.R. Cooke, Jr.

By: 151
K.L. Elmore

By: 151
D.C. Smith

OFFICE OF THRIFT SUPERVISION

By: 151
Richard M. Riccobono
Acting Regional Director

CERTIFIED COPY OF
RESOLUTION OF BOARD OF DIRECTORS

I, the undersigned, being the duly appointed and qualified Secretary of Community Federal Savings Bank ("Institution") hereby certify as follows:

1. A duly called meeting of the Board of Directors of the Institution was held on the 26th day of January, 1994;

2. At said meeting, a quorum was present and voting throughout;

3. The following is a true copy of a resolution duly adopted by the Institution's Board of Directors, and that said resolution has not been rescinded or modified and is now in full force and effect:

WHEREAS, the Board of Directors of the Institution wishes to cooperate with the OTS and to demonstrate that said Board of Directors and the Institution have the intent and ability to: (1) comply with applicable laws and regulations and (2) engage in safe and sound practices; and

WHEREAS, the Directors of the Institution have read and considered the proposed Supervisory Agreement ("Agreement") which shall be attached to the minutes of this meeting; and

WHEREAS, after due consideration, the Board of Directors of the Institution have determined to cause the Institution to enter into the proposed Agreement which is in the best interest of the Institution;

NOW THEREFORE, BE IT RESOLVED, that the Institution be and it hereby is authorized to enter into the Agreement in the form attached to the minutes of the meeting,

FURTHER RESOLVED, that the execution and delivery of, and performance of all of the provisions of the Agreement be, and they hereby are, authorized and approved,

FURTHER RESOLVED, that the Directors and Officers of the Institution be, and they hereby are, authorized and directed to execute and deliver the Agreement and to take all steps necessary or appropriate to implement the terms of the Agreement and to cause the Institution to comply in all respects with the terms of the Agreement.

4. All members of the Board of Directors were present and voted at the meeting (except _____) and all members of the Board of Directors (except _____) voted in favor of the resolution;

IN WITNESS WHEREOF, I have hereto subscribed my name and affixed the seal of the Institution on this 26th day of January, 1994.

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Name: _____
Title: Secretary

(SEAL)