

UNITED STATES OF AMERICA
Before The
OFFICE OF THRIFT SUPERVISION

In the Matter of)
)
ALLATOONA FEDERAL SAVINGS BANK)
)
Acworth, Georgia)
_____)

Resolution No.: ATL-91-72
DATED: October 4, 1991

STIPULATION AND CONSENT TO ISSUANCE
OF ORDER TO CEASE AND DESIST

The Office of Thrift Supervision ("OTS"), by and through its Regional Director for the Southeast Region ("Regional Director") and Allatoona Federal Savings Bank, Acworth, Georgia, OTS Docket Number 8475 ("Allatoona" or "Institution"), stipulate and agree as follows:

1. Consideration. The OTS, based upon information derived from the exercise of its supervisory and regulatory powers, is of the opinion that grounds exist to initiate an administrative cease and desist proceeding against Allatoona pursuant to Section 8(b) of the Federal Deposit Insurance Act ("FDIA"), 12 U.S.C. § 1818(b) (1988 & Supp. I 1989). The grounds include unsafe and unsound practices in conducting the business of the Institution, and violations of the November 29, 1990 Supervisory Agreement entered into with the OTS, as follows:

(a) The Institution has not adequately addressed the need for significant reduction in operating expenses.

(b) The Institution has engaged in violations of regulations applicable to loans to affiliated parties, specifically 12 C.F.R. § 563.43 and applicable provisions of 12 C.F.R. Part 215.

(c) The Institution's level of classified assets, as of the June 17, 1991 OTS examination ("1991 Exam") has increased from the date of the prior Exam.

(d) The Institution's calculations of net realizable value ("NRV") and fair value were not performed totally in accordance with generally accepted accounting principles ("GAAP") or OTS guidelines.

(e) The Institution has not ensured that all appraisals comply with OTS regulations applicable to appraisals, specifically 12 C.F.R. Part 564.

(f) The Institution has not established adequate policies and procedures regarding consumer lending.

Allatoona desires to cooperate with the OTS and to avoid the time and expense of such administrative proceeding and, without admitting or denying that such grounds exist, hereby stipulates and agrees to the following terms in consideration of the forbearance by the OTS from initiating such administrative cease and desist proceeding against Allatoona with respect to the matters covered in the accompanying Order to Cease and Desist ("Order").

2. Jurisdiction

(a) Allatoona is a "savings association" within the meaning of Section 3(b), of the FDIA, 12 U.S.C. § 1813(b), and Section 2(4) of the Home Owners' Loan Act ("HOLA"), 12 U.S.C. § 1462(4). It is an "insured depository institution" as that term is defined in Section 3(c) of the FDIA, 12 U.S.C. § 1813(c).

(b) Pursuant to Section 3(q)(4) of the FDIA, 12 U.S.C. § 1813(q)(4), the Director of the OTS is the "appropriate Federal banking agency" to maintain an enforcement proceeding against such a savings association. Therefore, Allatoona is subject to the authority of the OTS to initiate and maintain a cease and desist proceeding against it pursuant to Section 8(b) of the FDIA, 12 U.S.C. § 1818(b).

Allatoona FSB, Acworth, GA. (#8475)
C&D Stipulation (Sept. 1991)
Page 3 of 4

3. Consent. Allatoona consents to the issuance by the OTS of the accompanying Order. It further agrees to comply with the terms of the Order upon issuance.

4. Finality. The Order is issued under Section 8(b) of the FDIA, 12 U.S.C. § 1818(b). Upon its issuance by the Regional Director, it shall be a final order, effective and fully enforceable by the OTS under the provisions of Section 8(i) of the FDIA, 12 U.S.C. § 1818(i).

5. Waivers. Allatoona waives its right to a notice of charges and the administrative hearing provided by Section 8(b) of the FDIA, 12 U.S.C. § 1818(b), and further waives any right to seek judicial review of the Order, including any such right provided by Section 8(h) of the FDIA, 12 U.S.C. § 1818(h), or otherwise to challenge the validity of the Order.

WHEREFORE, in consideration of the foregoing, the OTS, by and through its Regional Director and Allatoona, by a majority of its directors, execute this Stipulation and Consent to Issuance of the Order to Cease and Desist.

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ORDER TO CEASE AND DESIST

WHEREAS, Allatoona Federal Savings Bank, Acworth, Georgia, OTS Docket Number 8475, ("Allatoona" or "Institution"), through its directors, has executed a Stipulation and Consent to Issuance of Order to Cease and Desist ("Stipulation"), which is incorporated herein by reference, and is accepted and approved by the Office of Thrift Supervision ("OTS"), acting through its Regional Director for the Southeast Regional Office ("Regional Director"); and

WHEREAS, Allatoona, in the Stipulation, without admitting or denying that the grounds exist, has consented and agreed to the issuance of this Order to Cease and Desist ("Order") pursuant to Section 8(b) of the Federal Deposit Insurance Act ("FDIA"), 12 U.S.C. § 1818(b) (1988 & Supp. I 1989).

NOW THEREFORE, it is ordered that Allatoona and its directors, officers, employees, agents and service corporations shall cease and desist from any violation of, or the aiding and abetting of any violation of:

1. 12 C.F.R. § 563.43
2. 12 C.F.R. § 563.160
3. 12 C.F.R. § 563.233
4. 12 C.F.R. § 563.234
5. 12 C.F.R. Part 564
6. Any applicable provision of 12 C.F.R. Part 215

IT IS FURTHER ORDERED THAT:

OPERATIONS

7. Within 30 days after the effective date of this Order, the Institution shall develop, adopt and submit to the Regional Director a detailed written one year budget, to include a projection of major balance sheet and income statement components. The budget shall, at a minimum, incorporate a significant reduction in the Institution's current level of operating expenses consistent with safe and sound practices in conducting the business of the Institution, and a profitability analysis of the mortgage banking operation. Upon approval by the Regional Director, the Institution shall adhere to such budget.

ASSET CLASSIFICATION

8. Within 45 days after the effective date of this Order, the Institution shall amend, adopt, implement and thereafter adhere to general and specific valuation allowance policies and procedures that address the OTS concerns specifically expressed in the June 17, 1991 Report of Examination ("1991 Exam Report"), regulatory requirements, and considerations set forth in Section 261 of the OTS Regulatory Thrift Activities Handbook ("Handbook").

9. The Board of Directors ("Board") shall review, document its considerations and remedy any deficiency in its general and specific valuation allowances at least once each calendar quarter prior to the filing of that quarter's Thrift Financial Report ("TFR").

10. The Institution shall account for real estate owned ("REO"), insubstance foreclosures, and troubled debt restructurings in accordance with generally accepted accounting principles ("GAAP").

11. The Institution shall continue to develop, adopt, implement and maintain a written plan to reduce the risk of loss from each criticized asset with a book balance in excess of \$150,000. On a quarterly basis, the Board shall document its review of management's progress regarding these plans.

12. The Institution shall classify assets no less frequently than quarterly, in accordance with 12 C.F.R. § 563.160 and the considerations set forth in Section 260 of the Handbook.

13. On a monthly basis, the Board shall document its review of the Institution's collection efforts with respect to its consumer loan portfolio.

LENDING

14. With the exception of legally binding commitments as of the date of this Order, the Institution shall not increase its outstanding balance of construction loans (including undisbursed loans in process funds) above the level that existed as of October 31, 1990, until:

(a) it has reduced the level of classified construction loans and REO that was previously booked as a construction loan to no more than 10 percent of the Institution's construction loan portfolio; and

(b) it has developed acceptable policies and procedures that include considerations set forth in Section 213 of the Handbook and that address the deficiencies in the August 13, 1990 OTS examination report. The Institution should particularly address the establishment of an effectively controlled inspection and disbursement system.

15. Within 45 days after the effective date of this Order, the Institution shall amend, adopt, implement and thereafter adhere to consumer lending policies and procedures that comply with the applicable regulations, and address considerations set forth in Section 217 of the Handbook and deficiencies noted in the 1991 Exam Report.

16. Within 45 days after the effective date of this Order, the Institution shall amend, adopt, implement and thereafter adhere to appraisal policies and procedures that address the 1991 Exam Report concerns and comply with 12 C.F.R. Part 564.

BOARD OF DIRECTORS AND MANAGEMENT

17. The Institution shall comply with 12 C.F.R. § 563.43 and the applicable provisions of Regulation O, 12 C.F.R. Part 215.

18. On a quarterly basis, the Board shall determine the Institution's compliance with this Order, and shall include its findings in the minutes of the Board meetings.

Allatoona FSB, Acworth, GA (#8475)
C&D Order (9/91)
Page 4 of 4

All technical words or terms used in this Order, for which meanings are not specified or otherwise provided by the provisions of this Order, shall, insofar as applicable, have meanings as defined in Chapter V of Title 12 of the Code of Federal Regulations, and any such technical words or terms used in this Order and undefined in said Code of Federal Regulations shall have meanings that accord with the best custom and usage in the savings and loan industry. For purposes of this Order, references to regulations, bulletins, memoranda and publications shall include any successor regulations, bulletins, memoranda and publications.

OFFICE OF THRIFT SUPERVISION

By:

151
~~John E. Ryan~~
Regional Director
Southeast Region