

Docket #	5600
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Initials	PRB

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SUPERVISORY AGREEMENT

This Agreement ("Agreement") is made and is effective this 29th day of September 1992 ("Effective Date"), by and between RANTOUL FIRST FEDERAL SAVINGS AND LOAN ASSOCIATION (OTS Docket No. 05600), RANTOUL, ILLINOIS ("Institution") for itself and any controlled subsidiary, 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 the Institution. It is understood and agreed that this Agreement is a "written agreement" entered into with the OTS within the meaning of Section 8(b)(1) and (i)(2) of the Federal Deposit Insurance Act, at 12 U.S.C. § 1818(b)(1) and § (i)(2)).

WHEREAS, the OTS is of the opinion that the Institution has not complied with certain of the regulations to which the Institution is subject in conducting its business, as recited in the Report of Examination as of June 15, 1992 ("Report"), and the Report of Compliance Examination as of June 15, 1992 ("Compliance Report"), and has engaged in certain unsafe and unsound practices thereby providing grounds for the initiation of cease and desist proceedings against the Institution by OTS; and

WHEREAS, the OTS is willing to forbear at this time from the initiation of cease and desist proceedings against the Institution for its failure to comply with statutes and regulations, as set forth in the Report, and the Compliance Report, for so long as the Institution is in compliance with the provisions of this Agreement; and

WHEREAS, in the interest of regulatory compliance and cooperation, the Institution, by its Board of Directors ("Board"), is willing to enter into this Agreement to avoid the initiation of such cease and desist proceedings;

NOW, THEREFORE, in consideration of the above-stated forbearance by OTS from the initiation of cease and desist proceedings against the Institution, it is agreed between the parties hereto as follows:

Statutes and Regulations

1. The Institution and its controlled subsidiary shall correct existing violations cited in this section and the Report, and the Compliance Report, and shall not initiate any action which would result in a violation of, or in the aiding and abetting of, any violation of:

12 C.F.R § 563.43(b)(2), pertaining to loans granted to affiliated persons without prior board approval;

12 C.F.R. § 563.43(b)(2), pertaining to the lack of evidence that for loans granted to affiliated persons, with board approval, the interested party abstained from voting;

12 C.F.R. § 563.93(c)(1), pertaining to loans granted in excess of the institution's lending limitation of \$500,000;

12 C.F.R. § 563.170(c)(2), pertaining to loans granted to affiliated persons and renewed without evidence of new notes;

12 C.F.R. § 563.99(c)(1)(2)&(4), pertaining to adjustable rate mortgage change notices;

12 C.F.R. § 563.99(d)(1)(2)&(3), pertaining to early OTS mortgage disclosures;

12 C.F.R. § 563.177(b), pertaining to Bank Secrecy Act compliance program;

12 C.F.R. § 229.12(b), (c)&(d), pertaining to funds availability schedule;

12 C.F.R. § 226.18(b), pertaining to amount financed;

12 C.F.R. § 226.18(d), pertaining to finance charge;

12 C.F.R. § 226.18(g), pertaining to payment schedule;

12 C.F.R. § 226.18(h), pertaining to total of payments; and

12 C.F.R. § 226.19(a)(2), pertaining to early disclosures.

Loans to One Borrower

2. The Institution shall not renew, extend or modify, in any way, current loans to borrowers whose outstanding aggregate debt to the Institution is in excess of the Institution's \$500,000 Loans to One Borrower Limitation ("LTOB"), without the prior written approval of the OTS Assistant Director ("A.D.").

3. Within sixty (60) days of the Effective Date of this Agreement, the Board shall adopt policies procedures to prevent future violations of the LTOB regulations set forth in 12 C.F.R. § 563.93. Such policies and procedures shall, at a minimum, include a record-keeping system enabling the Institution to maintain an active record of all loans and extensions of credit for each multiple borrower to prevent loans in violation of 12 C.F.R. § 563.93.

4. After the revised policies and procedures required by paragraph No. 3 are adopted by the board, the Institution shall comply with them in all respects.

Construction Lending

5. Effective immediately, the Institution's construction lending shall be limited to loans that meet all of the following conditions:

- (a) the purpose of the loan is to construct a single family residence;
- (b) the borrower will reside in the house after construction is completed;
- (c) the loan shall not be for speculative purposes; and
- (d) the loan amount shall not exceed \$100,000.

Construction Lending Policy

6. Within sixty (60) days of the Effective Date of this Agreement, the Board shall adopt an amended Construction Loan Policy. At minimum, the amended policy shall include the following:

- (a) sufficient funds shall be maintained in loans-in-process, or any other account controlled by the Institution, at all times during the period of construction to cover remaining construction costs in accordance with the plans and specifications in the loan file;
- (b) no construction loan (or commitment for a construction loan) shall be made without having first obtained valid cost breakdowns and construction loan agreements;
- (c) no funds from construction loan proceeds shall be disbursed or committed for disbursement unless:
 - (i) an employee of the Institution has inspected the project to determine that the work for which the disbursement is being sought has been completed;
 - (ii) the borrower and the employee inspecting the project have authorized the disbursement in writing;

(iii) the Institution has received a signed inspection report containing sufficient information to substantiate the particular draw, an indication of the percentage of completion of the project, and a comparison of the construction actually performed to the plans submitted to support the loan; and

(d) address all issues raised on page 7 of the Report.

7. After the revised policy required by paragraph No. 6 is adopted by the board, the Institution shall comply with it in all respects.

Loans to Affiliates

8. Within sixty (60) days of the Effective Date of this Agreement, the Board shall adopt amended Loans to Affiliated Persons policies and procedures to prevent future violations of 12 C.F.R. § 563.43, and § 22(h) of the Federal Reserve Act, 12 U.S.C. § 375b. Such policies and procedures shall provide, at a minimum, that:

(a) all loans made to affiliated persons shall be reviewed and approved by the full Board prior to being granted;

(b) if the borrower is a director, that person shall abstain from voting on the transaction; and

(c) all deliberations and actions taken at Board meetings in regard to loans made to affiliated persons shall be recorded in the Board minutes.

9. After the revised policies and procedures required by paragraph No. 8 are adopted by the board, the Institution shall comply with them in all respects.

Internal Controls

10. Within sixty (60) days of the Effective Date of this Agreement, the Board shall develop and adopt a plan of action to resolve the internal control weaknesses identified in the independent auditors' Management Letter issued in connection with the December 31, 1991 independent audit, and the internal control deficiencies raised on pages 3 and 4 of the Report.

11. Within ninety (90) days of the Effective Date of this Agreement, the Institution shall implement the plan of action, pursuant to paragraph No. 10, and send a copy to the OTS A.D.

12. After the plan of action required by paragraph No. 10 is implemented, the Institution shall adhere to it in all respects.

Compliance Officer

13. Within thirty (30) days of the Date of this Agreement, the Board shall formally establish the position of Compliance Officer. In addition, the Board shall develop and submit to the OTS A.D. for review a detailed job description for the position of Compliance Officer, with minimum functions of conducting comprehensive self-assessment and internal review of all compliance areas in which the Institution conducts regular activity. The job description shall assign this position with the appropriate level of responsibility and authority to carry out the duties of a Compliance Officer and delineate the reporting responsibilities of the Compliance Officer.

Compliance Program

14. Within sixty (60) days from the Effective Date of this Agreement, the Board shall require the Compliance Officer, with the Board's supervision, to review and amend the Institution's written consumer compliance program ("the Program") to ensure compliance with all applicable consumer protection laws, rules, and regulations. This amended Program shall be adopted by the Board and, at a minimum, include:

- (a) a detailed self-assessment program to test for compliance with consumer laws, rules, and regulations;
- (b) periodic reporting of the results of the self-assessment to the Board; and
- (c) the education and training of all appropriate Institution personnel in the requirements of all applicable consumer protection laws, rules, and regulations.

15. Within ninety (90) days of the Effective Date of this Agreement, the Institution shall implement the amended Program, pursuant to paragraph No. 14, and shall send a copy to the OTS A.D.

16. After the Program required by paragraph 14 is implemented, the Institution shall comply with it in all respects.

Adjustable Rate Mortgage Loan Disclosures

17. Within sixty (60) days of the Effective Date of this Agreement, the Board shall review and adopt revisions to the disclosure format and content of the Institution's interest rate adjustment notices so as to comply with the requirements of 12 C.F.R. § 563.99(c) and the terms of the legal obligations. The notices shall properly disclose index values and interest rate adjustments calculated in accordance with contract terms of the loan documents, including correct monthly payment amounts, correct adjustment caps, and provide all early disclosures, as required by regulations.

18. Within sixty (60) days of the Effective Date of this Agreement, the Board shall review and adopt revisions to the policies pertaining to mortgage disclosure and notification requirements. The revised policies shall contain procedures to comply with the provisions of the OTS Regulations as described in 12 C.F.R. § 563.99(b) and (d).

19. After the revised policy required by paragraph No. 18 is adopted by the Board, the Institution shall comply with it in all respects.

20. Within thirty (30) days of the Effective Date of this Agreement, the Board shall conduct a loan file search of 20% of the Adjustable Rate Mortgage Loan (ARM) portfolio to determine if ARM adjustments comply with the terms of the note. The ARM loan sample must be in sequential order by loan number.

21. If 5% or more of the borrowers included in the file search detailed in paragraph No. 20 have received inaccurate ARM adjustments, then the file search shall be expanded to 100% of the ARM loan portfolio.

22. Within thirty (30) days of compliance with paragraphs No. 20 and 21, the Board shall employ an independent third party to review and certify as to the accuracy of the ARM file search.

23. Within thirty (30) days of compliance with paragraph No. 22 borrowers identified as having received ARM adjustments that are not in compliance with the note shall receive restitution. The Institution shall maintain complete records of the file review, re-disclosures, and reimbursements.

24. Within ninety (90) days of the Effective Date of this Agreement, the Board shall submit to the OTS A.D. a summary report of its findings, reimbursements, and third party certification, required by paragraph No. 22.

Nondiscrimination in Lending

25. Within sixty (60) days of the Effective Date of this Agreement, the Board shall review and revise its written policies and procedures to ensure compliance with 12 C.F.R. Part 528 (1991). The revised policy and procedures shall require, at a minimum:

- (a) maintenance of documentation regarding the Board's annual review of the Institution's loan underwriting standards, and business practices implementing them, to ensure equal opportunity lending;
- (b) the proper display of the the Equal Housing Lender logotype and legend pursuant to 12 C.F.R. § 528.4; and
- (c) the compilation and maintenance of monitoring information on loan applications pursuant to 12 C.F.R. § 528.6.

26. After the revised policy and procedures required by paragraph No. 25 are adopted by the Board, the Institution shall comply with it in all respects.

Regulation Z - Truth In Lending

27. Within sixty (60) days from the Effective Date of this Agreement, the Board shall review and amend the Institution's written policy and procedures to assure compliance with all applicable Regulation Z (12 C.F.R. Part 226) requirements. At a minimum, the policy and procedures shall provide the following:

- (a) procedures governing the accurate Truth in Lending disclosure regarding annual percentage rate, finance charge, amount financed, payment amount, total payment, and payment schedule;
- (b) the timely availability of the initial Truth in Lending disclosures; and
- (c) the monitoring of the effectiveness of the Institution's compliance with Regulation Z.

28. After the revised policy required by paragraph No. 27 is adopted by the Board, the Institution shall comply with it in all respects.

Regulation CC - Expedited Funds Availability Act

29. Within sixty (60) calendar days from the date of this Agreement, the Board shall review and amend the Institution's written Compliance Program and related policies and procedures and internal controls to ensure compliance with the Expedited Funds Availability Act (12 U.S.C. 4010(e) and the regulations promulgated thereunder at 12 C.F.R. Part 229). At a minimum, this written program shall include action that will bring the Institution's funds availability practices into compliance with policies, procedures, and laws and regulations;

30. After the revised policies and procedures required by paragraph No. 29 are adopted by the Board, the Institution shall comply with them in all respects.

Monitoring

31. As of the Effective Date of this Agreement, the Board shall monitor compliance with this Agreement. A report detailing the Institution's compliance with this Agreement shall be forwarded to the OTS A.D. on a quarterly basis no later than fifteen (15) days following the end of each quarter.

32. Following adoption and implementation of all plans, policies, methodologies, and procedures required by this Agreement, the Institution shall adhere to them in all respects.

Closings

33. Although the Board is by this Agreement required to submit certain proposed actions and programs for the review or approval of the 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 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.

34. 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.

35. Any time limitations imposed by this Agreement shall begin to run from the Effective Date of this Agreement, unless otherwise provided. Such time limitations may be extended by the Regional Director or his/her designee for good cause upon written application by the Board.

36. All technical words or terms used in this Agreement, for which meanings are not specified or otherwise provided by the provisions 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 Regulations). 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.

37. All OTS memoranda, bulletins, statutory and regulatory citations herein shall be in the form as codified or promulgated as of the date of this Agreement, or as amended or renumbered thereafter.

38. 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.

39. 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.

40. Any report or other document required by this Agreement to be submitted to the OTS shall be filed with the Office of Thrift Supervision, 111 E. Wacker Drive, Suite 800, Chicago, Illinois, 60601, Attn.: Robert L. Lindgren. All reports and other documents shall be deemed filed when received by the OTS.

41. 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.

42. 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.

43. The Supervisory Agreement dated August 29, 1990 by and between the Institution, for itself and any controlled subsidiary, and the OTS remains in full force and effect according to its terms.

