

SUPERVISORY AGREEMENT

This Supervisory Agreement ("Agreement") is made and is effective this 21<sup>st</sup> day of May 1992, by and between American Federal Savings Bank, Helena, Montana, (hereinafter "American" or the "Institution") and the Office of Thrift Supervision ("OTS"), an office of the United States Department of the Treasury.

WHEREAS, the OTS is of the opinion that American has engaged in practices or failed to take certain actions in operating the business of the Institution that warrant supervisory correction;

NOW THEREFORE, in the interest of resolving OTS' supervisory concerns in a cooperative manner, American and OTS agree as follows:

1. Within 30 days of the date of this Agreement, American shall (a) hire or appoint a qualified consultant, Compliance Officer, or internal staff member as the Institution's Compliance Officer and submit to the OTS the individual's name; and (b) develop and submit to the OTS the position description, level of authority, and reporting relationship for the Compliance Officer.

2. Within 30 days of the date of this Agreement, American shall provide evidence to the OTS of reimbursement on the following two adjustable-rate loans: Bingham (Loan No. 150091510) and Cross (Loan No. 150092339). Restitution is required pursuant to Section 108(e) of the Truth-in-Lending Act, 15 U.S.C. § 1601, et seq., as a result of understated annual percentage rates and/or finance charges in excess of allowable tolerances.

3. Within 90 days of the date of this Agreement, American shall perform an internal review of all adjustable-rate mortgage loans to determine if the terms of each note were correctly established on the system and to identify any other errors in calculating, disclosing, or notifying borrowers of interest rate adjustments. The results of such review and any plans for corrective action shall be submitted to the OTS upon completion of the review. Specifically, American shall submit its plans for corrective action with respect to the loan to Ritter (Loan No. 81800139).

4. Within 90 days of the appointment of a qualified Compliance Officer or the hiring of a consultant, in order to ensure ongoing, effective, substantial compliance with nondiscrimination, fair housing and lending, consumer protection, and other compliance laws and regulations, American shall develop and implement a comprehensive written compliance program ("the Program") including an agenda for full implementation and a mechanism for effective Board of Directors' oversight. The Program shall address not only the matters covered by this Agreement, but also those aspects of American's business covered by the OTS' Compliance Activities Regulatory Handbook and other pertinent federal and state laws and regulations. At a minimum, the Program shall include the following:

- a. A complete self-assessment of the Institution, conducted by the Compliance Officer, to develop the Program for identifying and correcting existing deficiencies. The Program is to include: (i) a timetable for the review;

- (ii) the means of implementing corrective actions; and
  - (iii) the follow-up to ensure the subsequent effectiveness of such corrective actions;
- b. The development and implementation of a written ongoing compliance program encompassing: (i) development and periodic updating of policies and procedures;
- (ii) training of new and periodic retraining of existing staff; (iii) day-to-day operational controls; and
- (iv) periodic compliance audits; and
- c. The development and implementation of comprehensive procedures for the review of the adjustable-rate loan system for conformance with legal contracts and compliance with pertinent regulations.

5. Prior to each regularly scheduled meeting of the Board of Directors occurring after completion of each calendar quarter, the Compliance Officer shall prepare and submit as part of the package provided to the Board of Directors a comprehensive report regarding compliance matters. At each such meeting, the Board of Directors shall review the report and provide certification of the review to the OTS along with a description of any proposed corrective action. The report shall include, at a minimum, evidence that:

- (i) The loan application register is completed as required by 12 C.F.R. § 528.6(d)(2) and 12 C.F.R. § 528.6(d)(3);

- (ii) Adverse Action notices are delivered to rejected loan applicants within the applicable timeframes as required by 12 C.F.R. § 202.9(a)(1);
- (iii) Rejected loan applications and supporting documentation is retained for the retention period required by 12 C.F.R. § 202.12(b)(1);
- (iv) Annual percentage rate, payment schedule, and finance charge disclosures required by 12 C.F.R. § 226.18 for discounted and premium adjustable-rate loans originated during the quarter reflect a composite annual percentage rate based on the initial interest rate for as long as it is charged and, for the remainder of the term, the rate that would have been applied using the terms of the contract until the "fully indexed" rate is reached as required by 12 C.F.R. § 226.17(c)(1) and discussed under related commentary item 10;
- (v) Adjustable-rate mortgage loans are adjusted properly and in accordance with the terms of the underlying contracts as required by 12 C.F.R. § 545.33(e);
- (vi) Loan disclosure statements are provided within the applicable timeframes as required by 12 C.F.R. § 226.19(a)(1) (Regulation Z); 12 C.F.R. § 563.99(d); 24 C.F.R. § 3500.6(a) and 24 C.F.R. § 3500.21(d) (Regulation X); and 12 U.S.C. § 10(c)(1)(b) (RESPA); respectively;

- (vii) The Institution has implemented and is adhering to comprehensive written policies, procedures and controls, and is providing staff training pursuant to 12 C.F.R. § 563.177(c) and 31 U.S.C. § 5311, et seq. (Bank Secrecy Act);
- (viii) The staff is completely and correctly obtaining all information on Currency Transaction Report forms and Cash Sales of Monetary Instrument Logs as required by 31 C.F.R. § 103.27(d) and 31 C.F.R. § 103.29 of the Treasury Regulations and 31 U.S.C. § 5311, et seq. (Currency and Foreign Transactions Reporting (Bank Secrecy Act)); and
- (ix) The Institution has implemented and is adhering to comprehensive written policies and is providing staff training pursuant to 12 C.F.R. § 568.1(b) (Bank Protection Act).

6. The OTS does not relinquish any of its rights to take any supervisory or other action whatsoever with respect to American as a result of this Agreement. American acknowledges that it has not received any oral or written representations to the contrary by OTS or any of its agents or employees.

7. References in this Agreement to provisions of statutes, regulations, and OTS Memoranda shall be deemed to include references to all amendments to such provisions as have been made as of the effective date of this Agreement pursuant to Section 401(h) of FIRREA, Pub. L. No. 101-73, Section 401(h) (1989), and references to successor provisions as they become applicable.

8. All technical words or terms used in this Agreement, for which meanings are not defined or otherwise provided by the provisions of this Agreement, shall, insofar as applicable, have the meanings set forth in Chapter V of Title 12 of the Code of Federal Regulations and 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 savings and loan industry.

9. This Agreement has been duly authorized, executed, and delivered, and constitutes, in accordance with its terms, a valid and binding agreement of American and the OTS. It is understood and agreed that this Agreement is a "written agreement" between the depository institution and the OTS, as that term is used in Section 8 of the Federal Deposit Insurance Act (12 U.S.C. § 1818).

10. This Agreement constitutes the entire agreement between the OTS and the Institution, but does not supersede any prior order, directive, or agreement imposed upon, or agreed to, by American. No amendment or modification of this Agreement shall be valid and binding unless executed in writing by both the OTS and American.

11. The terms and provisions of this Agreement shall be binding upon, and inure to the benefit of, the parties hereto, their successors in interest, and respective assigns.

12. This Agreement shall remain in effect until terminated by the OTS. All requests for termination of the Agreement shall be submitted to the Assistant Regional Director.

13. A certified copy of the Board's resolution authorizing the execution of this Agreement, evidencing its intent to be bound thereby and requiring action to be taken to comply with its terms, shall be attached hereto as Exhibit A and made part thereof.

IN WITNESS WHEREOF, the OTS, acting through the Assistant Regional Director, and the Institution, acting through its duly elected directors, have executed this Agreement as of the date first above written.

OFFICE OF THRIFT SUPERVISION

AMERICAN FEDERAL SAVINGS BANK  
BOARD OF DIRECTORS

By: <sup>15/</sup>

Hilton S. Hewitt  
Assistant Regional Director  
West Region

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EXHIBIT A  
CERTIFIED COPY OF  
RESOLUTION OF BOARD OF DIRECTORS

I, the Undersigned, being duly qualified Secretary of American Federal Savings Bank, Helena, Montana, hereby certify that the following is a true copy of a resolution duly adopted by its Board of Directors at a meeting held on May 21, 1992, that at said meeting a quorum was present and acting throughout, and that said resolution has not been rescinded or modified and is now of full force and effect:

RESOLUTION

WHEREAS, the executive officers and directors of American Federal Savings Bank, Helena, Montana, ("Institution") have been advised that the Office of Thrift Supervision ("OTS") has concerns about its record of compliance with nondiscrimination, consumer protection, and other compliance laws and regulations, and

WHEREAS, the directors of the Institution have read and considered the proposed Supervisory Agreement ("Agreement") attached to the minutes of the meeting of the Board of Directors held on May 21, 1992, and after due consideration, and in the interest of regulatory cooperation, have determined to enter into the proposed Agreement:

NOW, THEREFORE, BE IT RESOLVED, that the proposed Agreement, a copy of which is attached hereto, be and is hereby consented to by the Board of Directors of the Institution. The president of the Institution is authorized to sign and execute the Agreement on behalf of the Institution. The officers and employees of the Institution are directed and authorized to take all necessary steps to implement immediately the terms of this Agreement.

IN WITNESS WHEREOF, I have hereto subscribed my name and affixed the Seal of American Federal Savings Bank, Helena, Montana, this 21st day of May, 1992.

Secretary