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UNITED STATES OF AMERICA  
Before the  
OFFICE OF THRIFT SUPERVISION

|                                      |   |                                |
|--------------------------------------|---|--------------------------------|
| In the Matter of                     | ) | Order No.: SE-08-02            |
|                                      | ) |                                |
| <b>Suburban Federal Savings Bank</b> | ) | Effective Date: March 21, 2008 |
|                                      | ) |                                |
| Crofton, Maryland                    | ) |                                |
| OTS Docket No. 05875                 | ) |                                |

ORDER TO CEASE AND DESIST

**WHEREAS**, Suburban Federal Savings Bank, Crofton, Maryland, OTS Docket No. 05875 (Savings Association), by and through its board of directors (Board) has executed a Stipulation and Consent to the Issuance of an Order to Cease and Desist (Stipulation); and

**WHEREAS**, Savings Association, by executing the Stipulation, has consented to the issuance of this Order to Cease and Desist (Order) by the Office of Thrift Supervision (OTS) pursuant to 12 U.S.C. § 1818(b); and

**WHEREAS**, pursuant to delegated authority, the OTS Regional Director for the Southeast Region (Regional Director), is authorized to issue consent orders on behalf of OTS where a savings association has consented to the issuance of the order.

**NOW, THEREFORE, IT IS ORDERED that:**

**Order to Cease and Desist.**

1. The Savings Association and its directors, officers, employees, and agents shall cease and desist from any action (alone or with another or others) for or toward causing, bringing about, participating in, counseling or the aiding and abetting of any violation of:
  - a. The Home Mortgage Disclosure Act, 12 U.S.C. § 2801 et seq. (HMDA), and the regulations set forth at 12 C.F.R. Part 203;
  - b. The Truth in Lending Act, 15 U.S.C. § 1601 et seq. (TILA), and the regulations issued by the Federal Reserve Board at 12 C.F.R. Part 226 (Regulation Z);
  - c. The OTS regulations regarding real estate lending standards set forth in 12 C.F.R. § 560.101;
  - d. 12 C.F.R. Part 562 (Regulatory Reporting Standards);
  - e. 12 C.F.R. § 560.93 (Loans to One Borrower Recordkeeping);
  - f. 12 C.F.R. § 560.130 (Prohibition on Loan Procurement Fees);
  - g. 12 C.F.R. § 563.39 (Employment Contracts);
  - h. 12 C.F.R. § 563.161 (Management and Financial Policies);
  - i. 12 C.F.R. § 560.170 (Records for Lending Transactions); and
  - j. 12 C.F.R. Part 215 and 12 C.F.R. § 563.43 (Loans to Insiders).

**Lending.**

2. Effective immediately, Savings Association shall not originate or commit to originate any new acquisition and development, construction, or land loans (ADCL Loans) without the prior written approval of the Regional Director. The Savings Association may continue to fund legally binding ADCL loan commitments entered into prior to July 23, 2007.
3. On or before April 30, 2008, the Board shall modify and amend existing policies, procedures and guidelines regarding residential and nonresidential loans originated or purchased by the Savings Association, including ADCL Loans, (collectively, Revised Loan Policies) that

address all deficiencies and weaknesses described in the Savings Association's February 20, 2007 OTS Examination (2007 Examination) and comply with the requirements set forth in this Order.

4. The Board shall ensure that the Revised Loan Policies:
  - a. comply with applicable law, regulation and agency guidance, including, without limitation, the requirements set forth in 12 C.F.R. § 560.101 (Real Estate Lending Standards), 12 C.F.R. Part 570 – Appendix A (Interagency Guidelines Establishing Standards for Safety and Soundness), the October 4, 2006 Interagency Guidance on Nontraditional Mortgage Product Risks (NTM Guidance), and the July 10, 2007 Interagency Statement on Subprime Mortgage Lending (Subprime Guidance).
  - b. establish reasonable investment and exposure limits (expressed as a percentage of regulatory capital) for the total amount (including funded and unfunded amounts) of all (i) pre-sold owner-occupied construction-permanent and construction only 1 to 4 family residential loans, (ii) ADCL loans (speculative and non-speculative) to builders, (iii) pre-sold owner-occupied lot loans, and (iv) nontraditional mortgage loans (as discussed in the NTM Guidance, including, without limitation, reduced documentation loans, high loan to value (LTV) loans, commercial real estate loans, and interest only loans) that are appropriate for Savings Association based upon its size, complexity, resources, capital and business plan;
  - c. establish specific terms and conditions, including, but not limited to, minimum credit standards, collateral requirements and pricing, for each type of loan that will be made or purchased by Savings Association;
  - d. establish the terms, conditions and requirements for the renewal, modification, extension or refinancing of any loan made or purchased by the Savings Association that is delinquent, nonperforming or on an asset watch list, including documentation requirements detailing the basis for renewal, modification, extension or refinancing and approval requirements identifying those loans requiring Board approval;
  - e. contain appropriate documentation and recordkeeping requirements, including without limitation, requirements for obtaining updated financial information, and conducting and documenting the thorough analysis and evaluation of each borrower's

overall financial condition and resources (including repayment sources), the financial responsibility of any guarantor, the nature and value of any underlying collateral, and the borrower's character and willingness to repay as agreed;

- f. establish reasonable loan concentration limits based upon credit scores, geographic location, loan type by subdivision or development, builder and industry;
- g. require all appraisers used by the Savings Association, other than fee appraisers utilized on purchased or wholesale loans, to be reviewed and approved by the Board on an annual basis consistent with the requirements of 12 C.F.R. § 564.8(c)(3); and
- h. require documentation of Management's independent review of the reasonableness and accuracy of any appraisal performed by a fee appraiser not reviewed and approved by the Board pursuant to subsection g above, in connection with any purchased or wholesale loans funded by the Savings Association at the time the loan is purchased or funded.

5. The Revised Loan Policies shall be provided to the Regional Director for review and comment on or before May 15, 2008. The Board shall make any changes required by the Regional Director within thirty (30) days after receipt of such changes. The Board shall adopt the Revised Loan Policies and require and ensure that the Savings Association's Senior Executive Officers<sup>1</sup> (Management) fully implement and adhere to the Revised Loan Policies.

6. Not later than thirty (30) days after the end of each calendar quarter, the Board shall require Management to submit for Board review a written status report detailing the Savings Association's compliance with the Revised Loan Policies (Status Reports). The Status Report shall include identification of all loans granted by the Savings Association as an exception to the Revised Loan Policies. The Board will review the Status Reports and prepare a written action plan (Action Plan) detailing the specific actions and steps, including reasonable completion timeframes, that will be taken to address any identified areas of deviation from the Revised Loan Policies. The Board shall ensure that all loans granted as exceptions to the Savings Association's Revised Loan Policies do not exceed the limitations set forth in 12 C.F.R. § 560.101. The Board will require and ensure that Management fully implements and adheres to the Action Plan and

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<sup>1</sup> The term Senior Executive Officers is defined at 12 C.F.R. § 563.555.

includes updates in the Status Reports. The Board will review the Status Reports and document its review in the Board meeting minutes.

7. Not later than thirty (30) days after the end of each calendar quarter, the Board shall require Management to submit for Board review a written report identifying all nontraditional loans consistent with the NTM Guidance and discussing in detail any noncompliance with the NTM Guidance (NTM Report). The Board shall review the NTM Report and adopt specific corrective actions to address identified areas of noncompliance. The Board will ensure that the Board's review and corrective actions are documented in the Board meeting minutes and fully implemented and adhered to by Management.

8. Not later than thirty (30) days after the end of each calendar quarter, the Board shall require Management to submit a written report to the Board detailing the Savings Association's aggregate residential mortgage loans and mortgage banking production levels by total dollar amount and by loan type (Mortgage Report). The Mortgage Report shall include a detailed stratification of residential mortgage loans and mortgage banking production by:

- a. loan type and maturity (e.g., interest only, adjustable rate mortgage, fixed rate, option ARM, etc.);
- b. collateral type (condominium, town home, single family residence, etc.);
- c. the range of credit scores of the borrowers using 100 point increments (e.g., 400-500, 500-600, etc.);
- d. the range of loan to value ratios using 10% increments (e.g., 60-70%, 70-80%, etc.);
- e. documentation level ;
- f. loan purpose (e.g., owner-occupied, investor, speculative, etc.);
- g. lien position (e.g., first, second);
- h. geographic location of the security property; and
- i. delinquency status.

The Board shall review the Mortgage Report and ensure that such review, including any changes in approved exposure levels or corrective actions to address excessive exposure, is fully detailed

in the Board meeting minutes. The Board will ensure that the any corrective actions adopted by the Board are fully implemented and adhered to by Management.

9. Not later than thirty (30) days after the end of each calendar quarter, the Board shall require Management to submit for the Board's review a written report that analyzes the Savings Association's commercial real estate loan portfolio for compliance with the December 14, 2006 OTS Guidance on Concentrations in Commercial Real Estate Lending - Sound Risk Management Practices (CRE Guidance) and assesses the risk in the Savings Association's commercial real estate portfolio (CRE Report). The CRE Report shall, at a minimum:

- a. segment the portfolio based on the identification of loans that share common risks or sensitivities;
- b. quantify the risks of such credit concentrations;
- c. provide detailed information on portfolio stress testing and sensitivity analyses;
- d. provide detailed information about ongoing risk assessments conducted in accordance with the CRE Guidance; and
- e. identify and discuss any areas of noncompliance with the CRE Guidance.

The Board shall review the CRE Report and ensure that such review, including any changes in approved exposure levels or corrective actions to address excessive exposure, is fully detailed in the Board meeting minutes. The Board will ensure that any corrective actions adopted by the Board are fully implemented and adhered to by Management.

**Asset Review and Classification.**

10. On or before May 31, 2008, the Board shall prepare and adopt, and Management shall implement, a written internal asset review program to identify and properly classify problem assets (Asset Review Program) and ensure that adequate and appropriate levels of Allowance for Loan and Lease Losses (ALLL) are established and maintained. The Asset Review Program shall, at a minimum, satisfy the requirements and standards set forth in: (i) 12 C.F.R. § 560.160; (ii) Section 11.G. the Safety and Soundness Standards set forth in 12 C.F.R. Part 570 – Appendix

A; (iii) the December 13, 2006 Interagency Policy Statement on the Allowance for Loan and Lease Losses (ALLL) and Questions and Answers on Accounting for Loan and Lease Losses (OTS Chief Executive Officer Letter No. 250); and (iv) Sections 260 and 261 of the OTS Examination Handbook. In addition, the Asset Review Program shall:

- a. be supervised by a qualified Savings Association officer who: (i) has no independent loan origination or approval authority, (ii) is independent of the appraisal preparation process, and (iii) reports directly to the Board or the Audit Committee;
- b. be adequately staffed by qualified and experienced personnel or supported by knowledgeable external personnel or third party vendors, as appropriate, to ensure comprehensive administration, monitoring and evaluation of the risks in the Savings Association's loan portfolios;
- c. ensure the proper identification and classification of assets as "loss", "doubtful", "substandard" or "special mention" (collectively referred to as Criticized Assets) based on an assessment of all pertinent factors affecting the likelihood that the loan will be repaid according to its terms;
- d. provide specific standards and criteria for assessing the credit quality of the Savings Association's loans and the overall quality of the loan portfolio;
- e. provide for the maintenance of an adequate levels of ALLL to address credit risk in the Savings Association's loan and lease portfolio;
- f. ensure the prompt charge-off of loans, or portions of loans, where available information confirms such loans to be uncollectible;
- g. require the identification of any loan that presents any unsafe or unsound banking practice or condition, or is otherwise in violation of any applicable law or regulation, including without limitation the OTS's Loans To One Borrower (LTOB) regulation at 12 C.F.R. § 560.93; and
- h. identify and discuss reports or other information Management will be required to prepare and submit to the Board for review, including supplementary reports confirming for the Board the implementation and/or completion of any corrective actions required by the Board.

11. On or before May 31, 2008, the Board shall conduct an annual review of the Savings Association's Asset Review Program, including all related policies, procedures and systems, and ensure that it is (i) adequately staffed, (ii) provides for the effective administration, monitoring and evaluation of the risks in the Savings Association's loan portfolios, and (iii) remains appropriate in the event of changes in the Savings Association's lending operations, underwriting standards, or geographic markets. Thereafter, the Board shall conduct such an annual review of the Savings Association's Asset Review Program not later than sixty (60) days after the end of each calendar year, beginning with the year 2009. The Board's annual reviews of the Asset Review Program, including any corrective actions, shall be fully documented in the Board meeting minutes. The Board will ensure that any corrective actions or modifications to the Asset Review Program adopted by the Board are fully implemented and adhered to by Management.

12. On and after April 1, 2008, the Board shall require Management to prepare and provide to the Board for review a monthly loan delinquency report that conforms to the guidance contained in the OTS Directors' Guide to Management Reports (Delinquent Loan Report). The Delinquent Loan Report shall, at a minimum, include a:

- a. summary of all loans and leases past due 30 to 59 days, 60 to 89 days, and 90 days or more;
- b. summary of all nonaccrual loans, categorized by loan type (e.g., interest only, adjustable rate mortgage, fixed rate, option ARM, etc.);
- c. list of all delinquent loans and leases over \$200,000 or more than 120 days past due;
- d. summary of all loans and leases over 30 days past due that were originated within the 12-month period preceding the report date; and
- e. summary of all loans that have been or will be restructured or have the due date extended because of a borrower's financial difficulty or inability to pay according to the original terms of the loan.

The Board will review the Delinquent Loan Report at each monthly Board meeting and request additional information or adopt specific corrective actions as the Board determines is necessary to address any concerns. The Board will ensure that the Board's review and any additional

information or required corrective actions are documented in the Board meeting minutes and fully implemented and adhered to by Management.

13. On and after April 1, 2008, the Board shall require Management to prepare and provide to the Board for review a detailed written monthly status report (Loan Status Report) for each:

- a. Criticized Asset;
- b. loan identified pursuant to Paragraph 10(g) of this Order;
- c. loan included on the Loan Exception Report; and
- d. delinquent loan identified on the Delinquent Loan Report.

The Loan Status Report shall summarize the actions or steps approved by the Board or taken by Management to resolve each loan, the current status of each loan, and any recommendations for further actions or steps to resolve each loan. The Board will review the Loan Status Report when provided and adopt specific corrective actions to address any concerns. The Board will ensure that the Board's review and corrective actions are documented in the Board meeting minutes and fully implemented and adhered to by Management.

**Loans to One Borrower.**

14. On or before April 30, 2008, the Board shall review its existing policies and procedures regarding compliance with the LTOB recordkeeping requirements set forth in 12 C.F.R. § 560.93, and amend or develop, adopt and implement such additional policies and procedures as necessary to address the weaknesses and deficiencies noted in the Savings Association's 2007 Examination and ensure the Savings Association's compliance with its LTOB requirements (LTOB Policies). At a minimum, the Board shall ensure that the Savings Association's LTOB Policies mandate the aggregation and attribution of loans consistent with the common enterprise and direct benefit tests in 12 C.F.R. Part 32 and require each loan file to contain documentation and analysis sufficient to demonstrate that the Savings Association has identified all related persons, entities, interests, or arrangements and that the loan is in compliance with all requirements of 12 C.F.R. § 560.93 and 12 C.F.R. Part 32.

**Internal Controls, Internal Audit and Control Program.**

15. Within ninety (90) days after receipt of every independent audit report assessing and/or evaluating the adequacy of the Savings Association's internal controls, the Board shall ensure that all internal control weaknesses and deficiencies identified in such report are fully resolved and corrected or that a Management Action Plan is developed to address any identified weaknesses or deficiencies that cannot be corrected within the proscribed time period (Action Plan). Any Action Plan developed pursuant to this Paragraph shall be approved by the Board and submitted to the Regional Director for review and comment within ninety (90) days after receipt of the independent audit report. The Board will make any changes to the Action Plan requested by the Regional Director within thirty (30) days of receipt. The Board shall take all steps necessary to ensure that adequate and effective internal controls are maintained in the Savings Association to prevent material weaknesses in internal controls in the future.

16. On or before May 31, 2008, the Board shall ensure that all general ledger accounts are reconciled promptly and that all significant reconciling items are thoroughly investigated and resolved by staff in a timely manner. Thereafter, the Board shall ensure that the Savings Association's books and records are reliable and fairly represent the Savings Association's financial condition and operational results.

17. Effective immediately, the Board shall ensure that audited financial statements of the Savings Association are issued timely and within ninety (90) calendar days following the Savings Association's fiscal year-end.

18. On or before May 1, 2008, the Board shall ensure that the Savings Association has a comprehensive and effective internal audit and control program (Audit and Control Program) with a designated internal auditor (Internal Auditor). The Audit and Control Program shall be consistent with the guidance provided in Sections 340 and 355 of the OTS Examination Handbook. The Board will submit a copy of the Audit and Control Program to the Regional Director for review and comment no later than May 15, 2008. The Board will make any changes

to Audit and Control Program requested by the Regional Director within thirty (30) days after receipt.

19. The Audit and Control Program required by Paragraph 18 of this Order shall require the Internal Auditor to submit quarterly reports to the Board within thirty (30) days after the end of each calendar quarter regarding Internal Audit findings made during the immediately preceding calendar quarter (Quarterly Internal Audit Report). The Board shall review the Quarterly Internal Audit Reports and adopt specific corrective actions to address any deficiencies or weaknesses. The Board's review of each Quarterly Internal Audit Report and the corrective actions adopted shall be documented in the Board meeting minutes.

**New Business Lines.**

20. Effective immediately, Savings Association shall not, except upon receipt of the prior written approval of the Regional Director, undertake, engage in or commit to undertake or engage in any new business activity, lending program, or business line. The foregoing restriction shall include the employment or retention by the Savings Association of persons or companies to manage, conduct or otherwise assist in the Savings Association's preparation to engage in or conduct any such activity, program or business line.

**Business Plan.**

21. On or before June 30, 2008, the Board shall prepare and submit for Regional Director review and comment a new comprehensive three-year business plan that covers the calendar years 2008, 2009, and 2010 (Business Plan). The Board will make any changes to the Business Plan required by the Regional Director within thirty (30) days after receipt. Thereafter, the Board shall adopt the Business Plan and direct Management to follow and implement the Business Plan.

22. The Board shall periodically, but not less than once each calendar quarter, conduct a thorough and diligent review and assessment of Management's implementation of and the

Savings Association's compliance with the approved Business Plan, including requiring Management to submit reports or other information as the Board deems necessary to its review and assessment. Any material modifications to the Business Plan shall be submitted to the Regional Director forty-five (45) days prior to implementation unless such time period is waived in writing by the Regional Director.

23. The Board shall require Management to prepare quarterly variance reports on the Savings Association's compliance with the Business Plan within thirty (30) days after the close of each calendar quarter (Quarterly Business Plan Variance Report). The Quarterly Business Plan Variance Reports shall detail actual operating results versus projected results and shall include detailed explanations of any material deviations from the Business Plan and a specific description of the corrective actions or measures that have been implemented, proposed or are under consideration to correct any material deviation. A deviation shall be considered material under this Paragraph when: (i) the Savings Association engages in any material activity that is inconsistent with the Business Plan; or (ii) the Savings Association exceeds the level of any activity contemplated in the Business Plan or fails to meet target amounts established in the Business Plan by more than 10%, unless the activity involves assets risk weighted 50% or less, in which case a variance of more than 25% shall be deemed to be a material deviation.

24. The Board shall review the Quarterly Business Plan Variance Reports on a quarterly basis to monitor the Savings Association's compliance with the terms of the Business Plan. The Board's review of the Quarterly Business Plan Variance Report shall be fully documented in the appropriate Board meeting minutes. A copy of the Quarterly Business Plan Variance Report and evidence of the Board's review and corrective actions, if any, should be provided to the Regional Director within 10 days after the Board's review.

**Compliance Program.**

25. On or before May 31, 2008, the Board shall review and amend the Savings Association's written compliance management program (Compliance Program) to ensure that the Compliance Program is designed to ensure the Savings Association's compliance with all nondiscrimination

and consumer compliance and protection laws and regulations, is effective and fully addresses all deficiencies noted in the 2007 Examination. Beginning with calendar year 2008, the Board shall review the Compliance Program on an annual basis and make such amendments or changes as necessary to maintain compliance with the requirements of this Order and applicable laws and regulations. The Compliance Program shall, at a minimum:

- a. incorporate all SMAART program components as set forth in the revised Compliance Self Assessment Guide discussed in the OTS's December 19, 2002 Chief Executive Officer Letter No. 171;
- b. include detailed written policies and procedures covering nondiscrimination, consumer compliance and protection laws and regulations for use by Savings Association personnel with particular emphasis on the Savings Association's compliance with the following laws and their implementing regulations: Truth in Lending Act, Real Estate Settlement Procedures Act, Bank Secrecy Act, Truth in Savings Act, Expedited Funds Availability Act, and Equal Credit Opportunity Act;
- c. contain provisions for ongoing periodic internal or external compliance reviews to monitor the Institution's compliance with nondiscrimination and consumer compliance and protection laws and regulations that shall include transactional testing and be properly documented, including the scope of the review, findings, including exceptions, and corrective actions;
- d. include effective procedures for identifying Compliance Program deficiencies or weaknesses, notifying Management of such deficiencies and weaknesses, and ensuring the correction of such deficiencies or weaknesses; and
- e. establish detailed review processes and reporting requirements, including, at a minimum, quarterly regulatory compliance status reports from the Savings Association's Compliance Officer (Compliance Status Reports), that will ensure the Board adequately monitors the effectiveness of the Savings Association's Compliance Program.

The Board's review of the Compliance Status Reports, including any corrective actions adopted by the Board, shall be fully documented in the Board meeting minutes. The Board will ensure

that any corrective actions adopted by the Board are fully implemented and adhered to by Management.

26. On or before April 30, 2008, the Board shall review and, as necessary, amend the Bank's policies and procedures for identifying and reporting suspicious activities to appropriate law enforcement personnel (Amended SAR Policies). At a minimum, the Board shall ensure that the Amended SAR Policies fully and clearly detail the review procedure applicable to the Savings Association's loan products and provide for detailed training of staff to strengthen and enhance the identification and reporting of suspicious activities. The Board shall ensure that Management fully implements and adheres to the Amended SAR Policies.

**Home Mortgage Disclosure Act.**

27. On or before May 31, 2008, the Board shall review and amend the Savings Association's policies and procedures regarding compliance with HMDA and Regulation C (Revised HMDA Policy) to ensure that the Savings Association complies with the requirements of HMDA, Regulation C and this Order. The Savings Association's Revised HMDA Policy shall, at a minimum:

- a. designate an individual who shall be responsible for ensuring the accurate collection and recordation of all data and information required to be collected and maintained on the Savings Association's Loan Application Register (LAR) by the provisions of the HMDA and Section 203.4 of Regulation C (HMDA Officer);
- b. require periodic reviews of the Savings Association's HMDA compliance by comparing entries on the LAR to an appropriate sample of loan files; and
- c. provide for the use of a HMDA summary sheet for each loan application file that identifies all information required to be entered and maintained on the Savings Association's LAR to ensure accurate and timely entry of such data on the LAR.

28. The Board shall require the immediate correction of all HMDA and LAR-related items of concern noted in the 2007 Examination. On or before May 31, 2008, the Board shall require

Management to prepare and submit for Board review a report identifying all loans with HMDA deficiencies or in violation of HMDA's requirements (HMDA Report). The HMDA Report to the Board shall specify the corrective actions taken by Management to address all identified HMDA deficiencies and violations. The Board shall review the HMDA Report and adopt such additional corrective actions as are necessary to address and resolve identified deficiencies and violations. The Board shall require Management to implement any corrective actions adopted by the Board and to provide the Board with documentation demonstrating that each corrective action has been taken and that all deficiencies and violations, including those discovered by Management and those noted in the 2007 Examination, have been corrected. A copy of the HMDA Report and the Board minutes detailing the Board's review shall be provided to the Regional Director within thirty (30) days after the date of the Board meeting at which the HMDA Report is presented and reviewed by the Board.

**Truth in Lending.**

29. On or before April 30, 2008, the Board shall amend its policies and procedures governing compliance with the TILA and Regulation Z (Revised TILA Policy) to strengthen and ensure Savings Association's compliance with the requirements of TILA and Regulation Z. The amendments to the Savings Association's TILA Policy shall address the deficiencies and violations noted in the 2007 Examination, including revising the Savings Association's monitoring processes, and ensure that such deficiencies and violations are not repeated. The Savings Association's Revised TILA Policy shall require additional training of lending staff on the technical requirements of Regulation Z to strengthen the Savings Association's compliance with Regulation Z, provide for such internal controls as are necessary to ensure the Savings Association's compliance with Regulation Z, and require Savings Associations Internal Auditor to conduct quarterly reviews of loan samples to assess the Savings Association's compliance with Regulation Z.

30. On or before May 31, 2008, the Board shall require Management to promptly correct all deficiencies and violations with TILA and Regulation Z identified and discussed in the 2007 Examination. Management shall prepare and provide to the Board a written report detailing the

results of the Savings Association's review (TILA Report). The TILA Report shall identify all loans with deficiencies or in violation of the requirements of TILA and Regulation Z and specify the corrective action taken to remedy such deficiencies and violations. A copy of the TILA Report and the Board minutes detailing the Board's review shall be provided to the Regional Director within thirty (30) days after the date of the Board meeting at which the TILA Report is presented and reviewed by the Board.

**Management.**

31. On or before April 30, 2008, each member of the Board shall provide the Regional Director with a written, signed certification that they have read and will fully adhere to the guidance set forth in OTS Examination Handbook Sections 310 and 330, and the September 2006 OTS Directors' Responsibilities Guide.
  
32. On or before June 30, 2008, the Board shall submit to the Regional Director a detailed written plan to strengthen its oversight of Management and the operations of the Savings Association (Board Oversight Plan). The Board Oversight Plan shall be consistent with the guidance set forth in OTS Examination Handbook Sections 310 and 330 and, at a minimum:
  - a. include a detailed written organization plan, with specific lines of authority and reporting responsibilities, for all Savings Association employees, including the identification of all positions requiring specific Board approval for employment, compensation changes, termination, annual performance review, and/or payment of bonuses or other incentive based compensation;
  - b. provide detailed written job descriptions, with specified qualifications, experience levels, and duties and responsibilities, for each Management position;
  - c. include detailed written performance standards and incentive compensation guidelines, including specific review and approval requirements for incentive compensation awards, for Management positions;
  - d. identify additional actions and steps the Board will take, including the adoption and implementation of policies, procedures, systems and reporting requirements, to

address the deficiencies and weaknesses noted in the 2007 Examination and strengthen and maintain the Board's effective monitoring and oversight of the Savings Association's business and operations.

33. On or before May 31, 2008, the Board shall conduct a review of the Savings Association's Management to ensure that (i) each Management employee holds a title and/or position commensurate with actual job duties and responsibilities, and possesses the qualifications and experience commensurate with the position's duties and responsibilities; (ii) that each Management employee's job performance is adequate and satisfies established performance standards and criteria; and (iii) that each Management employee's compensation is commensurate with their job duties, responsibilities and performance. The Board shall identify any personnel weaknesses or deficiencies and adopt such corrective actions, including any organizational and reporting changes, necessary to address or resolve such weaknesses or deficiencies.

34. Effective immediately, the Board shall not approve and the Savings Association shall not pay any termination, severance or indemnification payment to any existing officer, director or management level employee<sup>2</sup> without the prior written approval of the Regional Director.

35. Effective immediately, the Board shall not approve and the Savings Association shall not enter into either (a) any new employment contract with any individual who will serve as an officer, director or management level employee, or (b) any written or verbal compensation arrangement with a non-salaried employee, without the prior written non-objection of the Regional Director. In requesting the non-objection of the Regional Director, the Savings Association shall submit (i) a copy of the employment contract or written compensation arrangement or a written summary of any verbal compensation arrangement with any new officer, director or management level employee; and (ii) the Board meeting minutes detailing the Board's review and approval of such contract or compensation arrangement, including any

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<sup>2</sup> The term management level employee shall include all persons with a title of vice-president or higher.

information supporting the Board's determination that the contract or compensation arrangement complies with applicable OTS law, regulation and guidance.

**Board Compliance Committee.**

36. On or before April 30, 2008, the Board shall appoint a committee (Regulatory Compliance Committee) comprising three or more non-employee Directors to monitor and coordinate the Savings Association's compliance with the provisions of this Order and the completion of all corrective action required in the 2007 Examination.

37. Within thirty (30) days after the end of each calendar quarter, beginning with the quarter ending March 31, 2008, the Regulatory Compliance Committee shall submit a written progress report to the Board detailing the actions taken to comply with each provision of this Order, the corrective actions required by the 2007 Examination and the results of all such actions. The Board shall review the Regulatory Compliance Committee's progress report and adopt a resolution (i) certifying that each director has reviewed the progress report; (ii) detailing the Savings Association's compliance with the provisions of this Order and the directives and corrective actions contained in the 2007 Examination; (iii) identifying each instance of noncompliance; and (iv) setting forth in detail additional corrective actions or steps adopted or required by the Board to address each instance of noncompliance.

38. On or before May 31, 2008, and thereafter within forty-five (45) days after the end of each calendar quarter, the Board shall submit to the Regional Director: (i) a copy of the Regulatory Compliance Committee's quarterly progress report required by Paragraph 37 of this Order and (ii) a copy of the Board resolution required by Paragraph 37 of this Order, including the Board meeting minutes. Nothing contained herein shall diminish the responsibility of the entire Board to ensure the Savings Association's compliance with the provisions of this Order.

**Effective Date, Incorporation of Stipulation.**

39. This Order is effective on the Effective Date as shown on the first page. The Stipulation is made a part hereof and is incorporated herein by this reference.

**Duration.**

40. The Order shall remain in effect until terminated, modified or suspended, by written notice of such action by OTS, acting by and through its authorized representatives.

**Time Calculations.**

41. Calculation of time limitations for compliance with the terms of this Order run from the Effective Date and shall be calendar based, unless otherwise noted.

42. The Regional Director may extend any of the deadlines set forth in the provisions of this Order upon written request by the Savings Association that includes reasons in support for any such extension. Any OTS extension shall be made in writing.

**Submissions and Notices.**

43. All submissions, including progress reports, to the OTS that are required by or contemplated by this Order shall be submitted within the specified timeframes.

44. Except as otherwise provided herein, all submissions, requests, communications, consents or other documents relating to this Order shall be in writing and sent by first class U.S mail (or by reputable overnight carrier, electronic facsimile transmission or hand delivery by messenger) addressed as follows:

- a. To OTS:  
John E. Ryan, Regional Director  
1475 Peachtree St., N.E.  
Atlanta, Georgia 30309
  
- b. To Savings Association:  
Robert L. Morrison, Jr., Chief Executive Officer  
2120 Baldwin Avenue  
Crofton, MD 21114

**No Violations Authorized.**

45. Nothing in this Order or the Stipulation shall be construed as allowing Savings Association, its Board, officers or employees to violate any law, rule, regulation.

**IT IS SO ORDERED.**

**OFFICE OF THRIFT SUPERVISION**

By: \_\_\_\_\_ /s/  
John E. Ryan  
Regional Director

Date: See Effective Date on page 1

**UNITED STATES OF AMERICA**  
**Before the**  
**OFFICE OF THRIFT SUPERVISION**

|                                      |   |                                |
|--------------------------------------|---|--------------------------------|
| In the Matter of                     | ) | Order No.: SE-08-02            |
|                                      | ) |                                |
|                                      | ) |                                |
| <b>Suburban Federal Savings Bank</b> | ) | Effective Date: March 21, 2008 |
|                                      | ) |                                |
| Crofton, Maryland                    | ) |                                |
| OTS Docket No. 05875                 | ) |                                |

**STIPULATION AND CONSENT TO ISSUANCE OF ORDER TO CEASE AND DESIST**

**WHEREAS**, the Office of Thrift Supervision (OTS), acting by and through its Regional Director for the Southeast Region (Regional Director), and based upon information derived from the exercise of its regulatory and supervisory responsibilities, has informed Suburban Federal Savings Bank, Crofton, Maryland, OTS Docket No. 05875 (Savings Association) that OTS is of the opinion that grounds exist to initiate an administrative proceeding against Savings Association pursuant to 12 U.S.C. § 1818(b);

**WHEREAS**, the Regional Director, pursuant to delegated authority, is authorized to issue cease and desist orders where a savings associations has consented to the issuance of the order; and

**WHEREAS**, Savings Association desires to cooperate with OTS to avoid the time and expense of such administrative proceedings and, without admitting or denying that such grounds exist, but only admitting the statements and conclusions in Paragraph 1 below concerning Jurisdiction, hereby stipulates and agrees to the following terms:

**1. Jurisdiction.**

a. Savings Association is a “savings association” within the meaning of 12 U.S.C. § 1813(b) and 12 U.S.C. § 1462(4). Accordingly, Savings Association is “an insured depository institution” as that term is defined in 12 U.S.C. § 1813(c).

b. Pursuant to 12 U.S.C. § 1813(q), the Director of OTS is the “appropriate Federal Banking agency” with jurisdiction to maintain an administrative enforcement proceeding against a savings association. Therefore, Savings Association is subject to the authority of OTS to initiate and maintain an administrative cease-and-desist proceeding against it pursuant to 12 U.S.C. § 1818(b).

**2. OTS Findings of Fact.**

a. Based on its February 20, 2007 Report of Examination of Savings Association, OTS finds Savings Association has engaged in unsafe and unsound banking practices, including unsafe and unsound real estate lending practices related to the origination, oversight and administration of its acquisition, development, and construction (ADC) and land loan portfolios as follows:

- i. Savings Association initiated and pursued an aggressive ADC and land loan lending program that resulted in an excessive concentration of risk to the Savings Association’s financial condition.
- ii. Savings Association initiated and pursued an aggressive nontraditional real estate lending program, including without limitation the origination and purchase of stated income loans, non verified income and asset loans, and no documentation loans, that represents an excessive level of risk to the Savings Association’s financial condition.
- iii. The Board of Directors of Savings Association (Board) failed to exercise appropriate oversight and monitoring over the Savings Association’s activities and

operations, including without limitation the lending activities, initiatives and programs noted herein.

- iv. The Board failed to prepare, adopt, and ensure Savings Association's compliance with appropriate policies, procedures and requirements to ensure that the lending activities, initiatives and programs noted herein were conducted in a safe and sound manner and did not present undue risk to the Savings Association's financial condition.
- v. The Board failed to establish and implement an effective and comprehensive formal written compliance program that includes policies, procedures and internal controls, to adequately monitor and ensure the Bank's compliance with applicable laws and regulations.

b. Further, the OTS finds that Savings Association has other deficiencies in its management and operations and has failed to comply with requirements of various laws and regulations, including:

- i. The Home Mortgage Disclosure Act (HMDA), 12 U.S.C. § 2801 et seq.
- ii. The Truth in Lending Act (TILA), 15 U.S.C. § 1601 et. seq.
- iii. The recordkeeping requirements for loans made to one borrower (LTOB), 12 C.F.R. § 563.93.
- iv. The real estate lending standards and interagency guidelines for real estate lending policies, 12 C.F.R. § 560.101.

**3. Consent.**

Savings Association consents to the issuance by OTS of the accompanying Consent Order to Cease and Desist (Order). Savings Association further agrees to comply with the terms of the Order and stipulates that the Order complies with all requirements of law.

4. **Finality.**

The Order is issued by OTS under 12 U.S.C. § 1818(b) and upon the Effective Date it shall be a final order, effective and fully enforceable by OTS under the provisions of 12 U.S.C. § 1818(i).

5. **Waivers.**

Savings Association waives the following:

- a. The right to be served with a written notice of OTS's charges against it as provided by 12 U.S.C. § 1818(b) and 12 C.F.R. Part 509;
- b. The right to an administrative hearing of OTS's charges as provided by 12 U.S.C. § 1818(b) and 12 C.F.R. Part 509;
- c. The right to seek judicial review of the Order, including, without limitation, any such right provided by 12 U.S.C. § 1818(h), or otherwise to challenge the validity of the Order; and
- d. Any and all claims against OTS, including its employees and agents, and any other governmental entity for the award of fees, costs, or expenses related to this OTS enforcement matter, whether arising under common law, federal statutes or otherwise.

6. **OTS Authority Not Affected.**

Nothing in this Stipulation or accompanying Order shall inhibit, estop, bar or otherwise prevent OTS from taking any other action affecting Savings Association if at any time OTS deems it appropriate to do so to fulfill the responsibilities placed upon OTS by law.

7. **Other Governmental Actions Not Affected.**

Savings Association acknowledges and agrees that its consent to the issuance of the Order is solely for the purpose of resolving the matters addressed herein, consistent with Paragraph 6 above, and does not otherwise release, discharge, compromise, settle, dismiss, resolve, or in any way affect any actions, charges against, or liability of the Savings Association that arise pursuant

to this action or otherwise, and that may be or have been brought by any other governmental entity other than OTS.

**8. Miscellaneous.**

a. The laws of the United States of America shall govern the construction and validity of this Stipulation and of the Order;

b. If any provision of this Stipulation and/or the Order 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 or her sole discretion determines otherwise;

c. All references to OTS in this Stipulation and the Order shall also mean any of the OTS's predecessors, successors, and assigns;

d. The section and paragraph headings in this Stipulation and the Order are for convenience only and shall not affect the interpretation of this Stipulation or the Order;

e. The terms of this Stipulation and of the Order represent the final agreement of the parties with respect to the subject matters thereof, and constitute the sole agreement of the parties with respect to such subject matters; and

f. The Stipulation and Order shall remain in effect until terminated, modified, or suspended in writing by OTS, acting through its Regional Director or other authorized representative.

**9. Signature of Directors/Board Resolution.**

Each Director signing this Stipulation attests that he or she voted in favor of a Board Resolution authorizing the consent of the Savings Association to the issuance of the Order and the execution of the Stipulation.

WHEREFORE, Savings Association, by authority of its board of directors, executes this Stipulation.

**SUBURBAN FEDERAL SAVINGS BANK**  
Crofton, Maryland

**OFFICE OF THRIFT SUPERVISION**

By:                   /s/                    
Frank L. Hewitt, III, Chairman

  /s/    
John E. Ryan  
Regional Director

  /s/    
Robert L. Morrison, Jr., Director

Date: See Effective Date on page 1

  /s/    
Robert I. Bickford, Director

  /s/    
Ian B. Cohen, Director

  /s/    
Susan B. Katzenberg, Director

  /s/    
Douglas M. Lederman, Director

  /s/    
Richard F. Stefanelli, Director