

UNITED STATES OF AMERICA
Before the
OFFICE OF THRIFT SUPERVISION

_____)	
In the Matter of)	Order No.: CN 09-42
)	
FAMILY FEDERAL SAVINGS)	Effective Date: November 20, 2009
OF ILLINOIS)	
)	
Cicero, Illinois)	
OTS Docket No. 01638)	
_____)	

ORDER TO CEASE AND DESIST

WHEREAS, Family Federal Savings of Illinois, Cicero, Illinois, OTS Docket No. 01638 (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, the Association, by executing the Stipulation, has consented and agreed 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 Central Region (Regional Director) is authorized to issue Orders to Cease and Desist where a savings association has consented to the issuance of an order.

NOW, THEREFORE, IT IS ORDERED that:

Cease and Desist.

1. The Association and its directors, officers, and employees shall cease and desist from any

action (alone or with others) for or toward, causing, bringing about, participating in, counseling, or aiding and abetting the unsafe or unsound practices that resulted in operating the Association: (i) with an inadequate level of capital protection for the volume, type and quality of assets held by the Association; (ii) with an excessive level of adversely classified assets; (iii) without an adequate level of experienced and qualified staff; and (iv) with inadequate written loan policies and procedures.

Capital.

2. (a) By January 31, 2010, the Association shall meet and maintain, after the funding of an adequate Allowance for Loan and Lease Losses (ALLL): (i) a Tier 1 (Core) Capital Ratio equal to or greater than seven percent (7%) and (ii) a Total Risk-Based Capital Ratio equal to or greater than ten percent (10%);

(b) By March 31, 2010, the Association shall meet and maintain, after the funding of an adequate Allowance for Loan and Lease Losses (ALLL): (i) a Tier 1 (Core) Capital Ratio equal to or greater than seven percent (7%) and (ii) a Total Risk-Based Capital Ratio equal to or greater than eleven percent (11%); and

(c) By June 30, 2010, the Association shall meet and maintain, after the funding of an adequate Allowance for Loan and Lease Losses (ALLL): (i) a Tier 1 (Core) Capital Ratio equal to or greater than eight percent (8%) and (ii) a Total Risk-Based Capital Ratio equal to or greater than twelve percent (12%).

3. By January 15, 2010, the Association shall submit to the Regional Director for review and comment revisions to the Association's current business plan to address the requirements of this Order and the capital enhancement strategies necessary for the Association to meet and maintain the capital levels prescribed in Paragraph 2 (Capital and Business Plan). The Capital

and Business Plan shall cover the period beginning with the quarter ending December 31, 2009 through the quarter ending December 31, 2011 and, at a minimum, shall:

- (a) address the amount of additional capital that will be necessary to meet the capital requirements of Paragraph 2 under different forward-looking scenarios involving progressively stressed economic environments;
- (b) address the specific sources of additional capital and the timeframes and methods by which additional capital will be raised, including specific month-end target dates and capital levels;
- (c) provide for alternative methods to strengthen capital if the primary sources identified under Subparagraph (b) are not available;
- (d) include operating strategies to achieve increased core deposits, realistic core earnings and net income levels, which will result in consistent profitability throughout the term of the Capital and Business Plan;
- (e) identify strategies to reduce and control general and administrative expenses relative to the Association's asset size, especially employee compensation levels;
- (f) address board oversight of and maintenance of adequate ALLL provisions;
- (g) contain detailed quarterly financial projections for the period beginning December 31, 2009 and ending December 31, 2011; and
- (h) contain detailed assumptions used for all financial projections, such as the assumed interest rate scenarios; assumptions used for noninterest income and noninterest expense; assumptions used to determine disposition of real estate owned (REO); assumptions used to determine the ALLL; assumptions for loan origination rates, using recent experience and taking into consideration current national and regional

economic conditions; and assumptions supporting the cost of funds projections.

4. Within thirty (30) days of receipt of any written comments from the Regional Director, the Board shall revise the Capital and Business Plan based upon such comments. Thereafter, the Association shall implement and adhere to the Capital and Business Plan. A copy of the Capital and Business Plan shall be provided to the Regional Director within seven (7) days after its adoption by the Board.

5. Once the Capital and Business Plan is implemented, the Association shall operate within the parameters of its Capital and Business Plan. Any proposed material deviation from or change to the Capital and Business Plan must be submitted for the prior, written non-objection of the Regional Director. Requests for any material deviations or changes must be submitted at least sixty (60) days before a proposed deviation or change is implemented.

6. The Association shall notify the Regional Director regarding any material event adversely affecting or that may affect adversely the capital or capital projections of the Association within five (5) days after such event.

7. On a quarterly basis, beginning with the quarter ending March 31, 2010, the Board shall review a written report (Plan Variance Report) that compares projected operating results contained within the Capital and Business Plan to actual results within forty-five (45) days after the end of each quarter. The Plan Variance Report shall, at a minimum:

- (a) compare actual operating results to projected results;
- (b) include detailed explanations of any deviations from the projections; and
- (c) describe the specific corrective actions or measures that have been implemented by the Association or are proposed to address each deviation.

In addition, the Board shall review external and internal risks that may affect the Association's ability to successfully implement the Capital and Business Plan. This review shall include, but not be limited to, adverse scenarios relating to asset or liability mixes, interest rates, staffing levels and expertise, operating expenses, marketing costs, and economic conditions in the markets in which the Association is operating. The Board shall discuss and approve corrective actions, if needed, to ensure the Association's adherence to its Capital and Business Plan. The Board's review of the Plan Variance Report and assessment of the Association's compliance with the Capital and Business Plan shall be fully documented in the appropriate Board meeting minutes. A copy of the Plan Variance Report shall be provided to the Regional Director within seven (7) days after the Board meeting.

8. Within fifteen (15) days after (i) the Association fails to meet the capital requirements prescribed in Paragraph 2; (ii) the Association fails to comply with the Capital and Business Plan prescribed in Paragraph 3; or (iii) any written request from the Regional Director, the Board shall prepare and submit a written Contingency Plan that is acceptable to the Regional Director. The Contingency Plan shall detail the actions to be taken, with specific time frames, to achieve one of the following results by the later of the date of receipt of all required regulatory approvals and applicable waiting periods or sixty (60) days after the implementation of the Contingency Plan: (a) merger with, or acquisition by another federally insured depository institution or holding company thereof; or (b) voluntary liquidation by filing an appropriate application with OTS in conformity with federal laws and regulations.

9. Upon receipt of written notification from the Regional Director, the Association shall implement the Contingency Plan immediately. The Board shall provide the Regional Director with written status reports detailing the Association's progress in implementing the Contingency

Plan by no later than the first (1st) and fifteenth (15th) of each calendar month following implementation of the Contingency Plan.

Board of Directors.

10. By December 31, 2009, the Board shall submit to the Regional Director for written non-objection in accordance with Paragraph 29 below the documentation for two (2) proposed independent¹ and qualified directors to fill existing vacancies on the Board.

Appointment of Senior Executive Officers.

11. Effective immediately, the Board shall require that the Association have and maintain qualified Senior Executive Officers (SEO) as that term is defined in 12 CFR §563.555. Each SEO shall have qualifications and experience commensurate with his or her duties and responsibilities at the Association, including, but not limited to, the ability to:

- (a) Comply with the requirements of this Order in a timely and effective manner;
- (b) Consistently operate the Association in a safe and sound manner;
- (c) Routinely comply with applicable laws, rules, and regulations;
- (d) Implement and adhere to the Capital and Business Plan that restores all aspects of the Association to a safe and sound condition, including improvements in asset quality, earnings, liquidity, and compliance.

12. (a) Within thirty (30) days, the Board shall approve and submit to the Regional Director written job descriptions, including qualifications, of the proposed duties and

¹ For this purpose the term “independent” means that the director is not: (1) a current or former officer or employee of the Association or of an affiliate or service provider of the Association; (2) a member of the immediate family (defined in 12 C.F.R. § 561.24) of a director, officer or employee of the Association or its affiliates; (3) a controlling person of the Association as defined in 12 C.F.R. § 561.14; (4) a borrower or obligor on any outstanding extension of credit from the Association except for loans secured by a lien on the borrower’s primary residence, and (5) a current or former consultant, advisor, underwriter, or legal counsel to the Association or its affiliates.

responsibilities of a Chief Executive Officer (CEO) and a Chief Lending Officer (CLO) for the Association. Qualifications for the CEO position shall include, at a minimum, proven ability in managing a bank of comparable size and in effectively implementing lending, investment, and operating policies in accordance with sound banking practices. Qualifications for the CLO position shall include, at a minimum, significant experience in lending, collection, and loan supervision in the type and quality of the Association's loans and significant experience in upgrading a low quality loan portfolio.

(b) Within twenty (20) days of receipt of any comments from the Regional Director, the Board shall revise the written job descriptions and qualifications based on such comments and implement recruitment plans to identify and source qualified candidates for the two positions.

(c) Within ninety (90) days, the Board shall select a qualified CEO and CLO who shall be subject to the prior written non-objection of the Regional Director in accordance with Paragraph 29 below. The CEO and CLO selected by the Board shall be vested with sufficient executive authority to fulfill the duties and responsibilities of their respective positions and shall have appropriate work histories of responsibility for their respective positions. The submission to the Regional Director required by Paragraph 29 below with respect to the proposed CEO and CLO shall include a written statement of the Board's reasons for selecting the proposed individual for each position.

Credit Administration Consultant.

13. (a) Within thirty (30) days, the Board shall submit to the Regional Director for written non-objection in accordance with Paragraph 31 below the name, qualifications, and terms of engagement of at least one independent outside credit administration

consultant (Consultant) to assist the Board, until a qualified CLO is hired by the Association, with remediation of the Association's lending function as addressed in the OTS Report of Examination of the Association dated June 15, 2009 (ROE).

(b) After receipt of the Regional Director's written non-objection, a copy of the executed Consultant engagement letter shall be provided to the Regional Director within seven (7) days after execution by the Board.

Problem Asset Report.

14. (a) Within forty-five (45) days after the end of each quarter, beginning with the quarter ending December 31, 2009, the Association shall submit a status report to the Board, with a copy to the Regional Director, covering each of the Association's credit relationships on the Association's books at the end of the quarter totaling an aggregate of \$300,000 or more that has been adversely classified (Problem Asset Report). For each of the identified credit relationships, the Problem Asset Report shall:
- (i) identify significant loan underwriting, documentation, or administration deficiencies, if any;
 - (ii) set forth the date(s) of payments due and any last payment made;
 - (iii) set forth the amount of interest reserve remaining and the contractually required debt service;
 - (iv) provide the estimated value of the collateral, the date of the valuation, and findings from any property inspections;
 - (v) analyze the borrower's and/or guarantor's current financial condition;
 - (vi) set forth the appropriate asset classification category and the rationale for the asset classification category;

- (vii) identify the specific risks with respect to the asset;
 - (viii) identify whether the loan is impaired and provide an estimate of the loan impairment;
 - (ix) set forth any required specific valuation allowances, charge-offs, or allocation of ALLL; and
 - (x) set forth the current strategy for resolving the problem asset or loan.
- (b) The Board's review of the quarterly Problem Asset Report and any proposed actions to be taken with respect to these credit relationships shall be fully documented in the Board meeting minutes.

Asset Quality.

15. (a) Effective immediately, without the prior written non-objection of the Regional Director, the Association's lending activities shall be limited to the origination of owner-occupied, 1-4 family residential loans, secured by properties located in the State of Illinois, that meet Federal government agency or government sponsored enterprise underwriting criteria.
- (b) Effective immediately, the Association shall limit its consumer lending to loans fully secured by savings or time deposit accounts over which the Association establishes proper collateral controls.
- (c) The Association may honor legally binding loan commitments as of the Effective Date, including outstanding revolving lines of credit.
16. (a) Effective immediately, the Association shall not extend, directly or indirectly, without prior written Regional Director non-objection any additional credit to, or for the benefit of, any borrower who has a loan or other extension of credit from the Association

that has been charged off or classified, in whole or in part “Loss” and is uncollected.

The requirements of this Paragraph shall not prohibit the Association from renewing (after collection in cash of interest due from the borrower) any credit already extended to any borrower. The Association’s expenses incurred in connection with its real estate owned (REO), including in-substance foreclosures, are not covered by this Paragraph.

(b) Effective immediately, the Association shall not make any additional extensions of credit, directly or indirectly, to any borrower whose loans are adversely classified “Substandard” unless the Association’s extension of further credit to a particular borrower would be in the best interests of the Association. Prior to extending additional credit pursuant to this Subparagraph, whether in the form of a renewal, extension, or further advance of funds, such additional credit shall be approved by the Board or a designated committee thereof, who shall certify in writing:

- (i) why the extension of such credit is in the best interests of the Association;
- (ii) that an appropriate workout plan has been developed and will be implemented in conjunction with the additional credit to be extended; and
- (iii) that the signed certification shall be made a part of the minutes of the meeting of the Board or designated committee with a copy retained in the borrower’s credit file.

17. (a) Within forty-five (45) days, the Board shall submit to the Regional Director for review and comment: (i) revisions to the Association’s loan policies and procedures to address the concerns noted in the ROE; (ii) new lending policies and procedures for income property lending, troubled debt restructuring, and foreclosures; and (iii) a revised methodology to calculate and document the Association’s ALLL in conformance with the

guidance provided in OTS CEO Memorandum No. 250 (Interagency Policy Statement on the Allowance for Loan and Lease Losses (ALLL) and Questions and Answers on Accounting for Loan and Lease Losses).

(b) Within thirty (30) days of receipt of any written comments from the Regional Director, the Board shall revise and adopt the submitted policies and procedures after consideration of such comments. Thereafter, the Association shall implement and adhere to the policies and procedures. A copy of the policies and procedures shall be provided to the Regional Director within seven (7) days after the Board meeting.

Liquidity.

18. (a) Within forty-five (45) days, the Board shall adopt and submit to the Regional Director for review and comment a Liquidity Contingency Plan that conforms to OTS Thrift Bulletin No. 77 (Sound Practices for Liquidity Management at Savings Associations) and identifies anticipated sources of funds that would allow the Association to withstand extraordinary demand against its funding base, priority for their implementation, and annual testing of each identified source of contingency funding, where appropriate. The Liquidity Contingency Plan shall include, at a minimum, the following requirements:

- (i) establishment of secured lines of credit at correspondent banks;
- (ii) retention of sufficient assets that can be liquidated within one day; and
- (iii) periodic liquidity stress testing to simulate various market conditions.

(b) Within thirty (30) days of receipt of any written comments from the Regional Director, the Board shall revise the Liquidity Contingency Plan after consideration of such comments. Thereafter, the Association shall implement and adhere to the Liquidity

Contingency Plan. A copy of the Liquidity Contingency Plan shall be provided to the Regional Director within seven (7) days after the Board meeting.

19. Effective immediately, the Association shall, on a weekly basis or more frequently if requested by the Regional Director, submit a liquidity and cash flow analysis acceptable to the Regional Director until such time as the Regional Director releases the Association from this reporting requirement.

Compliance.

20. By March 31, 2010, the Association shall retain a qualified, independent third party to perform the Association's next Bank Secrecy Act audit (BSA Consultant). The BSA Consultant shall have knowledge of and experience in compliance with the requirements imposed by the Currency and Foreign Transactions Reporting Act, as amended by the USA Patriot Act and other laws, 31 USC §§ 5311 et seq., and the related regulations issued and/or administered by the U.S. Department of the Treasury's Financial Crimes Enforcement Network (FinCEN), 31 CFR §§ 103.11 et seq., and the related BSA regulations issued by OTS, 12 CFR § 563.177 (collectively the BSA Laws and Regulations), the FinCEN regulations governing suspicious activity reports (SARs) set forth at 12 CFR § 103.18, the OTS SAR regulations set forth at 12 CFR § 563.180 (the SAR Regulations), and the Office of Foreign Assets Control (OFAC) regulations set forth at 31 CFR Part 500 (the OFAC Regulations).

21. Effective immediately, the Association shall take all necessary steps to address the comments in the ROE regarding the Association's weakness with the requirements of the National Flood Insurance Act of 1968 and the Flood Disaster Protection Act of 1973, as amended, 42 USC §§ 4001-4129, as implemented by Part 572 of the OTS's Rules and Regulations, 12 CFR Part 572 (collectively, Flood Laws and Regulations).

Compliance Committee and Progress Reports.

22. Within thirty (30) days, the Board shall appoint a committee of at least two (2) directors to monitor and coordinate the Association's compliance with the Order (Compliance Committee). The Committee shall be comprised of independent directors as defined in footnote one (1). The Compliance Committee may be an existing Board Committee that meets the criteria of this Paragraph.

23. (a) Within sixty (60) days, the Compliance Committee shall adopt and submit to the Regional Director a written remediation plan (Remediation Plan) to ensure that each internal control weakness and violation of law, rule or regulation cited in the ROE is corrected and that appropriate procedures are adopted by the Association to prevent future violations. The Compliance Committee shall oversee implementation of the Remediation Plan by the Association.

(b) By the last day of each month, beginning with February 28, 2010, the Remediation Plan will be updated by the Association to reflect progress made on each weakness and violation cited in the ROE and submitted simultaneously to the Compliance Committee and Regional Director. The monthly updates shall identify and discuss: (i) the progress made toward remediation during the month; (ii) the manner in which each weakness and violation was corrected; (iii) obstacles encountered causing delays or modifications of original remediation timetables; and (iv) the procedures or other corrective actions adopted by the Association to prevent future violations.

24. Within forty-five (45) days of the end of each quarter, beginning with the quarter ending December 31, 2009, the Compliance Committee shall provide a written progress report to the Board and simultaneously to the Regional Director, describing the actions taken by the

Association to comply with each provision of this Order and the Remediation Plan. The Board's consideration of the Compliance Committee's progress report for the period, including comments and questions concerning the progress report and additional actions taken or directed by the Board, shall be reflected in the minutes of the Board's meetings.

25. Nothing in this Compliance Committee provision shall diminish the responsibility of the whole Board to ensure the Association's compliance with the Order.

Growth.

26. Effective immediately, the Association is subject to and shall comply with the requirements and provisions of OTS Regulatory Bulletin 3b. Without the prior written non-objection of the Regional Director, the Association shall not increase its average total assets during any quarter, beginning with the quarter ending December 31, 2009, in excess of an amount equal to net interest credited on deposit liabilities during the quarter. The growth restrictions imposed by this Paragraph shall remain in effect until the Regional Director reviews and approves the Capital and Business Plan submitted by the Association as required by Paragraph 3. Any growth in assets, including any growth proposed in the Capital and Business Plan, should consider:

- (a) the source, volatility and use of the funds that support asset growth;
- (b) any increase in credit risk or interest rate risk as a result of growth; and
- (c) the effect of such growth on the Association's capital.

Brokered Deposits and Interest Rate Restriction.

27. Effective immediately, the Association shall comply with the requirements of 12 C.F.R. § 337.6(b) and shall not: (a) accept, renew or roll over any brokered deposit, as that term is

defined at 12 C.F.R. § 337.6(a)(2); or (b) act as a deposit broker, as that term is defined at 12 C.F.R. § 337.6(a)(5).

Severance and Indemnification Payments.

28. Effective immediately, the Association shall not make any golden parachute payment² or any prohibited indemnification payment³ unless, with respect to each such payment, the Association has complied with the requirements of 12 C.F.R. Part 359 and, as to indemnification payments, 12 C.F.R. § 545.121.

Directorate and Management Changes.

29. Effective immediately, the Association shall comply with the prior notification requirements for changes in directors and Senior Executive Officers set forth in 12 C.F.R. Part 563, Subpart H.

Employment Contracts and Compensation Arrangements.

30. (a) Effective immediately, the Association shall not enter into, renew, extend, or revise any contractual arrangement relating to compensation or benefits for any Senior Executive Officer or director of the Association, unless it first provides the Regional Director with not less than thirty (30) days prior written notice of the proposed transaction. The notice to the Regional Director shall include a copy of the proposed employment contract or compensation arrangement or a detailed, written description of the compensation arrangement to be offered to such officer or director, including all benefits and perquisites. The Board shall ensure that any contract, agreement, or arrangement submitted to the Regional Director fully complies with the requirements of

² The term “golden parachute payment” is defined at 12 C.F.R. § 359.1(f).

³ The term “prohibited indemnification payment” is defined at 12 C.F.R. § 359.1(l).

12 C.F.R. Part 359, 12 C.F.R. §§ 563.39 and 563.161(b), and 12 C.F.R. Part 570 –
Appendix A.

(b) Effective immediately, the Association shall not increase any salaries, bonuses, or director's fees or make any other similar payments, directly or indirectly, to the Association's directors or Senior Executive Officers without prior written non-objection from the Regional Director.

Third Party Contracts.

31. Effective immediately, the Association shall not enter into any arrangement or contract with a third party service provider that is significant to the overall operation or financial condition of the Association⁴ or outside the Association's normal course of business unless, with respect to each such arrangement or contract, the Association has: (a) provided the Regional Director with a minimum of thirty (30) days prior written notice; (b) determined that the arrangement or contract complies with the standards and guidelines set forth in OTS Thrift Bulletin 82a; and (c) received written notice of non-objection from the Regional Director.

Effective Date, Incorporation of Stipulation.

32. 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.

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

⁴ A contract will be considered significant to the overall operation or financial condition of the Association where the annual contract amount equals or exceeds two percent (2%) of the Association's total capital.

Time Calculations.

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

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

Submissions and Notices.

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

37. 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 the OTS:**

Regional Director
Office of Thrift Supervision
One South Wacker Drive, Suite 2000
Chicago, Illinois 60606
Facsimile: (312) 917-5001

(b) **To the Association:**

Secretary of the Board of Directors
Family Federal Savings of Illinois
5225 West 25th Street
Cicero, Illinois 60804
Facsimile: (708) 656-0153

No Violations Authorized.

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

IT IS SO ORDERED.

OFFICE OF THRIFT SUPERVISION

By: _____ /s/
Daniel T. McKee
Regional Director, Central Region

Date: See Effective Date on page 1

UNITED STATES OF AMERICA
Before the
OFFICE OF THRIFT SUPERVISION

_____)	
In the Matter of)	Order No.: CN 09-42
)	
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FAMILY FEDERAL SAVINGS)	
OF ILLINOIS)	Effective Date: November 20, 2009
)	
Cicero, Illinois)	
OTS Docket No. 01638)	
_____)	

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 Central Region (Regional Director), and based upon information derived from the exercise of its regulatory and supervisory responsibilities, has informed Family Federal Savings of Illinois, Cicero, Illinois, OTS Docket No. 01638 (Association), that the OTS is of the opinion that grounds exist to initiate an administrative proceeding against the Association pursuant to 12 U.S.C. § 1818(b);

WHEREAS, the Regional Director, pursuant to delegated authority, is authorized to issue Orders to Cease and Desist where a savings association has consented to the issuance of an order; and

WHEREAS, the Association desires to cooperate with the OTS to avoid the time and expense of such administrative cease and desist proceeding by entering into this Stipulation and Consent to the Issuance of Order to Cease and Desist (Stipulation) and, without admitting or denying that such grounds exist, but only admitting the statements and conclusions in Paragraphs

1 and 2 below concerning Jurisdiction, hereby stipulates and agrees to the following terms:

Jurisdiction.

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

2. 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, the Association is subject to the authority of the OTS to initiate and maintain an administrative cease and desist proceeding against it pursuant to 12 U.S.C. § 1818(b).

OTS Findings of Fact.

3. Based on its June 15, 2009 examination of the Association, the OTS finds that the Association has engaged in unsafe or unsound banking practices that resulted in operating the Association: (i) with an inadequate level of capital protection for the volume, type and quality of assets held by the Association; (ii) with an excessive level of adversely classified assets; (iii) without an adequate level of experienced and qualified staff; and (iv) with inadequate written loan policies and procedures.

Consent.

4. The Association consents to the issuance by the OTS of the accompanying Order to Cease and Desist (Order). The Association further agrees to comply with the terms of the Order upon the Effective Date of the Order and stipulates that the Order complies with all requirements of law.

Finality.

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

Waivers.

6. The Association waives the following:

- (a) the right to be served with a written notice of the 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 the 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 the 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 and/or the Order, whether arising under common law, federal statutes, or otherwise.

OTS Authority Not Affected.

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

Other Governmental Actions Not Affected.

8. The 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 7 above, and does not otherwise release, discharge, compromise, settle, dismiss, resolve, or in any way affect any actions, charges against, or liability of the Association that arise pursuant to this action or otherwise, and that may be or have been brought by any governmental entity other than the OTS.

Miscellaneous.

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

10. 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.

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

12. 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.

13. 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.

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

Signature of Directors/Board Resolution.

15. Each Director signing this Stipulation attests that he or she voted in favor of a Board Resolution authorizing the consent of the Association to the issuance of the Order and the execution of the Stipulation. This Stipulation may be executed in counterparts by the directors after approval of execution of the Stipulation at a duly called board meeting.

WHEREFORE, the Association, by its directors, executes this Stipulation.

Accepted by:

**FAMILY FEDERAL SAVINGS
of ILLINOIS**
Cicero, Illinois

OFFICE OF THRIFT SUPERVISION

By: _____ /s/
Arthur G. Jaros, Jr., Chairman

By: _____ /s/
Daniel T. McKee
Regional Director, Central Region

_____/s/
Frank M. Guerino, Director

Date: See Effective Date on page 1

_____/s/
Gregory F. Sobotka, Director

_____/s/
John S. Kociolko, Director

_____/s/
Barry R. Sobotka, Director