

UNITED STATES OF AMERICA
Before the
OFFICE OF THRIFT SUPERVISION

In the Matter of)

Order No.: NE-11-05

CARVER FEDERAL SAVINGS BANK)

Effective Date: February 7, 2011

New York, New York)

OTS Docket No. 05273)
_____)

ORDER TO CEASE AND DESIST

WHEREAS, Carver Federal Savings Bank, New York, New York, OTS Docket No. 05273 (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 Northeast 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, its institution-affiliated parties,¹ and its successors and assigns, shall cease and desist from any action (alone or with others) for or toward causing, bringing about, participating in, counseling, or the aiding and abetting the unsafe or unsound banking practices that resulted in:

- (a) operating the Association with an inadequate level of capital protection for the volume, type, and quality of assets held by the Association;
- (b) operating the Association with an excessive level of adversely classified assets;
and
- (c) operating the Association with inadequate earnings to augment capital.

2. The Association, its institution-affiliated parties, and its successors and assigns, shall also cease and desist from any action (alone or with others) for or toward causing, bringing about, participating in, counseling, or the aiding and abetting violations of the following regulations:

- (a) 12 C.F.R. § 560.160 (requiring evaluation and accurate classification of assets);
and
- (b) 12 C.F.R. §§562.1(b); 562.2 and 563.180(a) (requiring accurate regulatory reports).

¹ The term “institution-affiliated party” is defined at 12 U.S.C. § 1813(u).

Capital.

3. By April 30, 2011, the Association shall have and maintain a Tier 1 (Core) Capital Ratio equal to or greater than nine percent (9%) and a Total Risk-Based Capital Ratio equal to or greater than thirteen percent (13%).²

4. By February 2, 2011, the Association shall submit a written plan to achieve and maintain the Association's capital at the levels prescribed in Paragraph 3 (Capital Plan) that is acceptable to the Regional Director. The Capital Plan shall detail the Association's capital preservation and enhancement strategies with specific narrative goals.

5. Upon receipt of written notification from the Regional Director that the Capital Plan is acceptable, the Association shall adopt, implement, and adhere to the Capital Plan. A copy of the Capital Plan and the Board meeting minutes reflecting the Board's adoption thereof shall be provided to the Regional Director within ten (10) days after the Board meeting.

6. The Association shall submit a written Contingency Plan that is acceptable to the Regional Director, within fifteen (15) days after: (a) the Association fails to meet the capital requirements prescribed in Paragraph 3; (b) the Association fails to comply with the Capital Plan prescribed in Paragraph 4; or (c) any written request from the Regional Director.

7. 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 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 dissolution by filing an appropriate application with the OTS in conformity with

² The requirement in Paragraph 3 to have and maintain a specific capital level means that the Association may not be deemed to be "well-capitalized" for purposes of 12 U.S.C. §1831o and 12 C.F.R. Part 565, pursuant to 12 C.F.R. §565.4(b)(1)(iv).

applicable laws, regulations, and regulatory guidance.

8. Upon receipt of written notification from the Regional Director, the Association immediately shall implement and adhere to the Contingency Plan. The Association 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 month following implementation of the Contingency Plan.

Concentrations of Assets.

9. Within thirty (30) days, the Association shall revise, and thereafter implement and adhere to, its written program for identifying, monitoring, and controlling risks associated with concentrations of assets (Assets Concentration Program) to address the corrective actions set forth in the April 26, 2010 Report of Examination (2010 ROE) relating to concentrations of assets. The Assets Concentration Program shall comply with all applicable laws, regulations and regulatory guidance. The Board's review of the Assets Concentration Program shall be documented in the Board meeting minutes.

10. Within sixty (60) days after the end of each quarter, beginning with the quarter ending March 31, 2011, the Board shall review the appropriateness of the Association's concentration limits given current conditions and the Association's compliance with its Assets Concentration Program. The Board's review of the Assets Concentration Program shall be documented in the Board meeting minutes.

Restrictions on Lending.

11. Effective immediately, the Association shall not originate or purchase, refinance, extend, or otherwise modify any commercial real estate loan (CRE Loan)³ without the prior written non-objection of the Regional Director. A request for non-objection must be received by OTS at least fifteen (15) days before a response is needed.

12. Notwithstanding the restriction at Paragraph 11 above, the Association may refinance, modify, or extend any existing CRE Loan where (i) refinancing by a third party is not reasonably feasible, (ii) no new funds are advanced by the Association, and (iii) the Association improves the credit quality and collectability of the loan through receipt of a material principal pay-down, new guarantees, or new collateral and fully documents and supports the improved credit quality and collectability of the loan in the loan file. If the Association cannot obtain a material principal pay-down, new guarantees, or new collateral to support the refinance, modification, or extension, then the Association, at a minimum, must document at the time of loan maturity that the existing borrower has demonstrated the ability to make timely payments on the loan and on other debts.

Internal Asset Review and Classification.

13. Within thirty (30) days, the Association shall revise, and thereafter implement and adhere to, its written internal asset review (IAR) and classification program (IAR Program) to address all corrective actions set forth in the 2010 ROE relating to internal asset review and classification and to comply with all applicable laws, regulations and regulatory guidance. At a minimum, the IAR Program revisions shall include:

³ The term "Commercial Real Estate Loan" includes: (a) Acquisition, Development, Construction or Land Loans; (b) Multifamily (5 or more) Loans; and (c) Nonresidential Real Estate Loans, except for loans secured by owner-occupied nonfarm nonresidential properties where the primary or significant source of repayment is the cash flow from ongoing operations and activities conducted by the party, or affiliate of the party, who owns the property.

- (a) consolidation of all existing IAR guidance into one stand-alone policy;
- (b) clear identification of who is responsible for performing the IAR and loan grading process and how it will be conducted;
- (c) procedures designed to ensure that the IAR function is implemented independent of the lending function; and
- (d) procedures requiring a written presentation to, and Board approval of, any instances where management rejects or proposes different asset classifications or designations than those recommended by personnel performing the IAR.

Problem Assets.

14. By March 31, 2011, the Association shall develop, and thereafter implement and adhere to, a detailed, written plan with specific strategies, targets and timeframes to reduce⁴ the Association's level of problem assets⁵ (Problem Asset Reduction Plan). The Problem Asset Reduction Plan, at a minimum, shall include:

- (a) quarterly targets for the level of problem assets as a percentage of Tier 1 (Core) capital plus ALLL;
- (b) a description of the methods for reducing the Association's level of problem assets to the established targets; and
- (c) all relevant assumptions and projections.

The Board's review of the Problem Asset Reduction Plan shall be documented in the Board meeting minutes.

15. Within forty-five (45) days, the Association shall develop individual written specific

⁴ For purposes of this Paragraph, "reduce" means to collect, sell, charge off, or improve the quality of an asset sufficient to warrant its removal from adverse criticism or classification.

⁵ The term "problem assets" shall include all: (i) classified assets, (ii) assets designated special mention, and (iii) nonperforming assets.

workout plans for each problem asset of Five Hundred Thousand Dollars (\$500,000) or greater (Asset Workout Plans). Thereafter, the Association shall immediately develop Asset Workout Plans for any newly identified problem asset. The Asset Workout Plans shall comply with all applicable laws, regulations and regulatory guidance.

16. Within sixty (60) days after the end of each quarter, beginning with the quarter ending March 31, 2011, the Association shall submit a quarterly written asset status report (Quarterly Asset Report) to the Board. The Board's review of the Quarterly Asset Report shall be documented in the Board meeting minutes. The Quarterly Asset Report shall include, at a minimum:

- (a) the current status of all Asset Workout Plans;
- (b) a comparison of problem assets to Tier 1 (Core) capital plus ALLL and Total Risk-Based capital;
- (c) a comparison of problem assets at the current quarter end with the preceding quarter;
- (d) a breakdown of problem assets by type and risk factor (e.g. Acquisition, Development, Construction and Land Loans, Multifamily Loans and Nonresidential Real Estate Loans);
- (e) an assessment of the Association's compliance with the Problem Asset Reduction Plan;
- (f) a discussion of the actions taken during the preceding quarter to reduce the Association's level of problem assets; and
- (g) any recommended revisions or updates to the Problem Asset Reduction Plan.

17. Within sixty-five (65) days after the end of each quarter, a copy of the Quarterly Asset Report shall be provided to the Regional Director.

Financial Reporting.

18. Effective immediately, the Association shall ensure that its financial reports and statements are timely and accurately prepared and filed in compliance with applicable laws, regulations, and regulatory guidance including, but not limited to, 12 C.F.R. Part 562 and the Thrift Financial Report (TFR) instructions.

19. Within thirty (30) days, the Association's internal audit function shall: (a) perform a special review of the Association's information and data gathering system surrounding the preparation of TFR's, with a particular focus on the reporting deficiencies identified in the 2010 ROE, and (b) prepare and present to the Board a report summarizing its findings, together with recommended corrective actions to address identified deficiencies.

20. Beginning with its independent audit for the fiscal year ending March 31, 2011, and for each successive fiscal year end, the Association shall comply with the requirements of: (i) 12 C.F.R. § 363.2(b)(3) (component of management report requiring assessment and statement of internal control structure and procedures) and (ii) 12 C.F.R. § 363.3(b) (examination attestation, and report separately on the assertion of management concerning the effectiveness of the institution's internal control structure and procedures for financial reporting) as if its total assets exceeded \$1 billion. The Association shall specify, as part of the audit engagement letter, that the independent auditors will provide such services as part of the independent audit report.

Growth.

21. Effective immediately, the Association shall not increase its total assets during any quarter in excess of an amount equal to net interest credited on deposit liabilities during the prior quarter without the prior written notice of non-objection of the Regional Director.

Dividends and Other Capital Distributions.

22. Effective immediately, the Association shall not declare or pay dividends or make any other capital distributions, as that term is defined in 12 C.F.R. § 563.141, without receiving the prior written approval of the Regional Director in accordance with applicable regulations and regulatory guidance. The Association's written request for approval shall be submitted to the Regional Director at least thirty (30) days prior to the anticipated date of the proposed declaration, dividend payment or distribution of capital.

Brokered Deposits.

23. Effective immediately, the Association shall comply with the requirements of 12 C.F.R. § 337.6(b). The Association shall provide to the Regional Director a copy of any waiver request submitted to the Federal Deposit Insurance Corporation (FDIC).

Transactions with Affiliates.

24. Effective immediately, the Association shall not engage in any new transaction with an affiliate unless, with respect to each such transaction, the Association has complied with the notice requirements set forth in 12 C.F.R. § 563.41(c)(4), which shall include the information set forth in 12 C.F.R. § 563.41(c)(3). The Board shall ensure that any transaction with an affiliate for which notice is submitted pursuant to this Paragraph, complies with the requirements of 12 C.F.R. § 563.41 and Regulation W, 12 C.F.R. Part 223.

Third Party Contracts.

25. 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 Association⁶ or outside the Association's normal course of business unless, with respect to each such contract, the Association has: (a) provided the Regional Director with a minimum of thirty (30) days prior written notice of such arrangement or contract and a written determination that the arrangement or contract complies with the standards and guidelines set forth in Thrift Bulletin 82a (TB 82a); and (b) received written notice of non-objection from the Regional Director.

Directorate and Management Changes.

26. Effective immediately, the Association shall comply with the prior notification requirements for changes in directors and Senior Executive Officers⁷ set forth in 12 C.F.R. Part 563, Subpart H.

Golden Parachute Payments.

27. Effective immediately, the Association shall not make any golden parachute payment⁸ unless, with respect to each such payment, the Association has complied with the requirements of 12 C.F.R. Part 359.

Employment Contracts and Compensation Arrangements.

28. 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

⁶ 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, where there is a foreign service provider, or where it involves information technology that is critical to the Association's daily operations without regard to the contract amount.

⁷ The term "Senior Executive Officer" is defined at 12 C.F.R. § 563.555.

⁸ The term "golden parachute payment" is defined at 12 C.F.R. § 359.1(f).

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 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.

Board Oversight of Compliance with Order.

29. Effective immediately, the Board shall monitor and coordinate the Association's compliance with the provisions of this Order and the completion of all corrective actions required in the 2010 ROE. The Board shall review and adopt all plans, policies and procedures required by this Order prior to submission to the OTS.

30. Within fifty-five (55) days after the end of each quarter, beginning with the quarter ending March 31, 2011, the Association shall prepare a written compliance progress report for the Board (Compliance Tracking Report). The Compliance Tracking Report shall, at a minimum:

- (a) separately list each corrective action required by this Order and the 2010 ROE;
- (b) identify the required or anticipated completion date for each corrective action; and
- (c) discuss the current status of each corrective action, including the action(s) taken or to be taken to comply with each corrective action.

31. Within sixty (60) days after the end of each quarter, beginning with the quarter ending March 31, 2011, the Board shall review the Compliance Tracking Report and all reports required

to be prepared by this Order. Following its review, the Board shall adopt a resolution: (a) certifying that each director has reviewed the Compliance Tracking Report and all required reports; and (b) documenting any corrective actions adopted by the Board. A copy of the Compliance Tracking Report and the Board resolution shall be provided to the Regional Director within five (5) days after the Board meeting.

32. Nothing contained herein shall diminish the responsibility of the entire Board to ensure the Association's compliance with the provisions of this Order.

Violations of Law.

33. Within sixty (60) days, the Association shall ensure that all violations of law and/or regulation discussed in the 2010 ROE are corrected and that adequate policies, procedures and systems are established or revised and thereafter implemented to prevent future violations.

Effective Date, Incorporation of Stipulation.

34. 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.

35. 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.

Time Calculations.

36. 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.

37. 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.

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

39. 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:
Michael E. Finn, Regional Director
Office of Thrift Supervision
Harborside Financial Center Plaza Five
Suite 1600
Jersey City, New Jersey 07311

- (b) To the Association:
Deborah C. Wright, Chairman of the Board
Carver Federal Savings Bank
75 West 125th Street
New York, New York 10027-4512

No Violations Authorized.

40. 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/_____
Michael E. Finn
Regional Director, Northeast Region

Date: See Effective Date on page 1

UNITED STATES OF AMERICA
Before the
OFFICE OF THRIFT SUPERVISION

_____)	
In the Matter of)	Order No.: NE-11-05
)	
)	
CARVER FEDERAL SAVINGS BANK)	Effective Date: February 7, 2011
)	
New York, New York)	
OTS Docket No. 05273)	
_____)	

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 Northeast Region (Regional Director), and based upon information derived from the exercise of its regulatory and supervisory responsibilities, has informed Carver Federal Savings Bank, New York, New York, OTS Docket No. 05273 (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 the 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 April 26, 2010 examination of the Association (2010 ROE), the OTS finds that the Association has engaged in unsafe or unsound banking practices including:
 - (a) operating the Association with an inadequate level of capital protection for the volume, type, and quality of assets held by the Association;
 - (b) operating the Association with an excessive level of adversely classified assets;and
 - (c) operating the Association with inadequate earnings to augment capital.
4. Based on its 2010 ROE of the Association, the OTS finds that the Association has engaged in violations of regulation, including:

- (a) 12 C.F.R. § 560.160 (requiring evaluation and accurate classification of assets);
- and
- (b) 12 C.F.R. §§562.1(b), 562.2 and 563.180(a) (requiring accurate regulatory reports).

Consent.

5. 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.

6. 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.

7. 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.

8. 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.

9. 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 8 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.

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

11. 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.

12. All references to the OTS in this Stipulation and the Order shall also mean any of the

OTS's predecessors, successors, and assigns.

13. 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.

14. 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.

15. 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.

16. 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. A copy of the Board Resolution authorizing execution of this Stipulation shall be delivered to the OTS, along with the executed original(s) of this Stipulation.

[Remainder of Page Intentionally Left Blank]

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

Accepted by:

CARVER FEDERAL SAVINGS BANK
New York, New York

OFFICE OF THRIFT SUPERVISION

By: _____/s/_____
Deborah C. Wright
Chairman

By: _____/s/_____
Michael E. Finn
Regional Director, Northeast Region

Date: See Effective Date on page 1

_____/s/_____
Samuel J. Daniel, Director

_____/s/_____
Robert Holland, Jr., Director

_____/s/_____
Pazel G. Jackson, Jr., Director

_____/s/_____
Colbert Narcisse, Director

_____/s/_____
Janet Rolle, Director

_____/s/_____
Robert R. Tarter, Director

_____/s/_____
Susan Tohbe, Director