

#2012-077

**UNITED STATES OF AMERICA
DEPARTMENT OF THE TREASURY
COMPTROLLER OF THE CURRENCY**

In the Matter of:)
Fort Lee Federal Savings Bank, FSB)
Fort Lee, New Jersey)

AA-EC-12-41

PROMPT CORRECTIVE ACTION DIRECTIVE

WHEREAS, Fort Lee Federal Savings Bank, FSB, Fort Lee, New Jersey (“Bank”) is a critically undercapitalized bank pursuant to 12 U.S.C. § 1831o and 12 C.F.R. Part 165; and

WHEREAS, the Office of the Comptroller of the Currency (“OCC”) is authorized, pursuant to 12 U.S.C. § 1831o, to take certain supervisory actions against critically undercapitalized banks; and

WHEREAS, on March 1, 2012, the OCC issued a Notice of Intent to Issue a Prompt Corrective Action Directive (“Notice”) to the Bank pursuant to 12 C.F.R. § 165.7(a)(1); and

WHEREAS, on March 8, 2012, the Bank submitted a written response to the Notice pursuant to 12 C.F.R. § 165.7(c); and

WHEREAS, the OCC has carefully considered the Bank’s response to the Notice; and

WHEREAS, the Comptroller finds it necessary in order to carry out the purpose of 12 U.S.C. § 1831o to issue this Prompt Corrective Action Directive (“Directive”), requiring the Bank to immediately follow proscriptions and take actions; and

NOW THEREFORE, pursuant to the authority in 12 U.S.C. § 1831o, the Comptroller hereby issues this Directive.

ARTICLE I

JURISDICTION

(1) The Bank is a federal savings association as that term is defined in 12 U.S.C. § 1813(b)(1), and (2) and is supervised and examined by the Comptroller pursuant to 12 U.S.C. § 5412(b).

(2) The Comptroller is “the appropriate Federal banking agency” regarding the Bank pursuant to 12 U.S.C. §§ 1813(q) and 1831o.

(3) The Bank is an “insured depository institution” within the meaning of 12 U.S.C. § 1831o.

(4) This Directive constitutes a final order under 12 U.S.C. § 1831o and is enforceable under 12 U.S.C. § 1818(i).

(5) A violation of this Directive constitutes a violation of a final order under 12 U.S.C. § 1831o and is subject to the assessment of civil money penalties under 12 U.S.C. § 1818(i)(2).

ARTICLE II

BOARD TO ENSURE COMPETENT MANAGEMENT

(1) The Board of Directors (“Board”) shall ensure that the Bank has competent management in place on a full-time basis in all executive officer positions to carry out the Board’s policies; correct the concerns raised during the November 14, 2011 examination; ensure compliance with the October 6, 2010 Consent Order; ensure compliance with the PCA Directive; ensure compliance with all applicable laws, rules, and regulations; and manage the day-to-day operations of the Bank in a safe and sound manner.

(2) Within thirty (30) days, the Board shall identify and provide notice to the Director, pursuant to paragraph (3) of this Article, of a competent and capable candidate for the position of Chief Financial Officer. Prior to the appointment of an individual to the Chief Financial Officer position, the Board shall submit to the Director written notice pursuant to 12 C.F.R. Part 163. Prior to the appointment of any individual to an executive officer position, the Board shall submit to the Director written notice containing the information that 12 C.F.R. Part 163 requires for senior executive officers. The Director shall have the power to disapprove the appointment of the proposed executive officer. However, the failure to exercise such veto power shall not constitute an approval or endorsement of the proposed executive officer. The requirement to submit information and the prior disapproval provisions of this Article are based upon the authority of 12 U.S.C. § 1831o and this Order and do not require the Comptroller or the Director to complete the review and act on any such information or authority within ninety (90) days.

(3) The Board shall ensure that the Bank has sufficient processes, personnel, and control systems to effectively implement and adhere to all provisions of this Directive, and that Bank personnel have sufficient training and authority to execute their duties and responsibilities under this Directive.

ARTICLE III

DIRECTOR AND EXECUTIVE OFFICER COMPENSATION

(1) Effective immediately, the Bank shall obtain the Director's written, supervisory non-objection prior to the payment of any fees, expense reimbursements, bonuses, commissions,

board fees, or other types of compensation to a Bank director, executive officer, or his or her related interests, as defined in 12 C.F.R. Part 215, other than salary payments to the Bank's executive officers that were previously approved by the Board and earned and accrued in any pay period.

(2) Any request for supervisory non-objection pursuant to this Article shall contain, at a minimum and in writing, the Board's determination that such remuneration:

- (a) is reasonable;
- (b) is proportionate to services rendered; and
- (c) compensates only for providing services that meet the Bank's legitimate needs.

ARTICLE IV

SEVERANCE PAYMENTS AND INDEMNIFICATION

(1) The Bank shall not make any payments of severance to any institution-affiliated party unless approved pursuant to 12 U.S.C. § 1828(k)(4) and 12 C.F.R. Part 359.

(2) The Bank shall make no indemnification payments to, or on behalf of, any institution-affiliated party unless such payments fully comply with 12 U.S.C. § 1828(k)(5), 12 C.F.R. Part 359 and § 145.121. Pursuant to 12 U.S.C. § 1831o(f)(2)(J), the Bank shall not cause any indemnification payments to be made to, or on behalf of, any institution-affiliated party without first obtaining a written, supervisory non-objection from the OCC. Any request for the OCC's supervisory non-objection shall include a legal opinion from independent counsel setting

forth the basis under which such indemnification payments fully satisfy the requirements of 12 U.S.C. § 1828(k)(5), 12 C.F.R. Part 359, and 12 C.F.R. § 145.121.

ARTICLE V

PRESERVATION OF BOOKS AND RECORDS

(1) The Board shall ensure that all of the Bank's documents, books, and records are accurately maintained and preserved on the premises of the Bank and shall ensure that no Bank documents, books, or records are destroyed, altered, or removed from the Bank's premises. For purposes of this paragraph, "documents, books, and records" shall have the broadest possible meaning reasonably imaginable and shall include, without limitation, paper and electronic records of all kinds, reports, notes, calendars, phone logs, e-mails, voice-mails, financial instruments, and tapes.

(2) The Bank shall provide OCC personnel with prompt and unrestricted access to the documents, books, records, directors, officers, and staff of the Bank. The Board shall also ensure all agents and representatives of the Bank provide OCC personnel with prompt and complete access to the documents, books, and records of the Bank.

(3) The Bank shall provide full and complete details of the purpose of the transactions by and between the Bank and any of its customers and by and between the Bank and any of its directors, officers, and staff, to OCC personnel upon inquiry.

ARTICLE VI

VIOLATIONS OF LAW

(1) The Board shall require and the Bank shall immediately take all necessary steps to correct each violation of law, rule, or regulation cited in any ROE, or brought to the Board's or Bank's attention in writing by management, regulators, auditors, loan review, or other compliance efforts. Within fifteen (15) calendar days after the violation is cited or brought to the Board's attention, the Bank shall provide to the Board a list of any violations that have not been corrected. This list shall include an explanation of the actions taken to correct the violation, the reasons why the violation has not yet been corrected, and a plan to correct the violation by a specified date.

(2) The Board shall require and the Bank shall immediately take all necessary steps to comply with the requirements of the October 6, 2010 Consent Order, March 16, 2011 Supervisory Directive, and May 20, 2011 Supervisory Directive, all of which will remain in effect.

(3) Within fifteen (15) calendar days of the date of this Directive, the Board shall adopt and the Bank (subject to Board review and ongoing monitoring) shall implement and thereafter ensure adherence to:

- (a) specific procedures to prevent future violations as cited by the OCC in any correspondence to the Bank; and
- (b) general procedures addressing compliance management that incorporate internal control systems and education of employees regarding laws, rules, and regulations applicable to their areas of responsibility.

(4) Upon adoption, the Board shall forward a copy of these policies and procedures to the Director.

ARTICLE VII

CONTINUING OBLIGATION TO SUBMIT

AN ACCEPTABLE CAPITAL RESTORATION PLAN

(1) The Bank first became undercapitalized as of August 1, 2011, and the OCC confirmed this status to the Bank by letter dated August 24, 2011.

(2) On September 15, 2011, the Bank submitted a timely CRP. On October 14, 2011, the OCC notified the Bank that the CRP was not acceptable because the CRP did not address the criteria set forth in 12 U.S.C. § 1831o(e)(2)(B) and 12 C.F.R. § 165.5(b). Since August 1, 2011, the Bank has been under a continuing obligation to submit an acceptable Capital Restoration Plan (“CRP”), pursuant to 12 U.S.C. § 1831o(e)(2); 12 C.F.R. § 165.5; and the OCC’s August 24, 2011 letter.

(3) Any increase in capital necessary to meet the requirements of this Article and satisfy the CRP may be accomplished solely by the following:

- (a) the sale of common stock; or
- (b) the sale of noncumulative perpetual preferred stock; or
- (c) the direct contribution of cash by the Board and/or shareholders of the Bank; or
- (d) any other means acceptable to the Director.

ARTICLE VIII

LEGAL LENDING LIMIT

(1) The Bank shall not make, renew, refinance, purchase or commit to make, renew, refinance, or purchase any loan or extension of credit in an amount greater than fifty thousand dollars (\$50,000), except for certain Permitted Loans. For purposes of this Directive, the term “Permitted Loans” includes:

- (a) an advance of funds under a legally binding written commitment existing prior to the February 21, 2012 letter from the OCC, provided that such commitment complied with the Bank’s lending limit in 12 C.F.R. § 160.93 and all other applicable regulatory requirements at the date of the commitment;
- (b) a renewal of loans that are performing and are not criticized assets, provided that the renewal does not constitute a new loan or extension of credit under 12 C.F.R. § 160.93(b)(4) and 12 C.F.R. § 32.2(k) and the transaction complies with all applicable regulatory requirements; and
- (c) the loans that are fully secured by segregated deposit accounts, provided that the Bank has a security interest in the deposit perfected under applicable law and the loan complies with all applicable regulatory requirements.

ARTICLE IX

OTHER ACTIONS REQUIRED

(1) Immediately upon issuance of this Directive, the Bank shall not do any of the following without the prior, written approval of the Bank's Board and prior, written, supervisory non-objection of the Director¹:

- (a) enter into any material transaction other than in the usual course of business, including any investment, expansion, acquisition, or other similar action;
- (b) amend the Bank's charter or bylaws, except to the extent necessary to carry out any other requirement of law, regulation, or order; or
- (c) make any material change in accounting methods.

(2) Immediately upon issuance of the PCA Directive, the Board shall charge off all overdrafts in excess of 60 days and comply fully with the FFIEC Uniform Retail Credit Classification and Account Management Policy, including but not limited to charging off closed-end credit at 120 days delinquency.

¹ This is in addition to any approval required by the Federal Deposit Insurance Corporation ("FDIC").

ARTICLE X

THIRD PARTY CONTRACTS

(1) Effective immediately, the Bank shall not enter into an arrangement or contract with a third party that is significant to the overall operation or financial condition of the Bank² or outside the Bank's normal course of business, unless with respect to each such contract, the Board of Directors or designated committee thereof, approves of the arrangement or contract and certifies in writing:

- (a) why the third party arrangement or contract is in the best interest of the Bank;
- (b) that management has completed, and the Board of Directors has reviewed and approved, a thorough risk assessment that identifies the Bank's needs and requirements;
- (c) that management has completed and documented proper due diligence to identify and select a third party provider (including the consideration of more than one competitive and arms length bid or proposal);

² A contract will be considered significant to the overall operation or financial condition of the Bank where the annual contract amount equals or exceeds two percent (2%) of the Bank's total capital, as defined at 12 C.F.R. §167.5(c), 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.

- (d) that the arrangement or contract with the third party is governed by written agreements that outline duties, obligations, and responsibilities of the parties involved;
- (e) that management and the Board have established processes to provide appropriate ongoing oversight of the third parties and third-party activities; and
- (f) that the arrangement or contract with the third party complies with applicable law, regulation, regulatory guidance, and safe and sound practices, including, but not limited to Thrift Bulletin 82a and OTS Examination Handbook, Section 310 (Corporate Governance and Oversight by the Board of Directors) or any applicable successor regulation or regulatory guidance issued by the OCC.

(2) The signed certification and any supporting documentation thereof shall be made a part of the minutes of the Board or designated committee thereof.

(3) Upon completion of the signed certification pursuant to paragraphs (1) and (2) of this Article, the Bank is not required to receive a prior written determination of supervisory non-objection.

(4) Notwithstanding the provisions of paragraphs 1 through 3 of this Article, the Bank shall not enter into any contract with a third party to assist in the sale, merger, or recapitalization of the Bank that requires the payment of anything other than expenses prior to such sale, merger or recapitalization, or that requires the Bank to pay, directly or indirectly, the

cost of performing due diligence, or other services related to the transaction, unless the Bank first receives the Director's written determination of no supervisory objection.

(5) Any request for the Director's written determination of no supervisory objection shall include:

- (a) the Board's written analysis of why the proposed contract is in the best interests of the Bank;
- (b) a description of the due diligence credit review, fairness opinion or any other services to be performed by the third party, including a copy of the proposed contract or engagement;
- (c) a description of the Bank's due diligence process for agreeing to the services to be performed by a potential purchaser or merger partner; and
- (d) a determination by the Board that:
 - (i) the activities to be performed by the third party as part of the sale or merger requirements are fair and reasonable to the Bank;
 - (ii) the parties are able to perform under the contract or commitment;
 - (iii) the fees the Bank is required to pay to the third party are reasonable for the services provided; and
 - (iv) the contract is in the best interests of the Bank.

(6) Following any written determination of no supervisory objection by the Director, the Board shall regularly monitor the contractor or service provider's performance to ensure that the contractor or service provider is complying with the written contract or engagement. The Board shall immediately take appropriate action if the contractor or service provider is not

complying with the written contract or engagement and shall maintain documentation of any such actions.

ARTICLE XI

COOPERATION WITH THE FEDERAL DEPOSIT INSURANCE CORPORATION

(1) The Bank shall cooperate fully with the FDIC to avoid a loss or otherwise minimize exposure to the Deposit Insurance Fund. Such cooperation includes, but is not limited to, promptly and completely responding to requests for information; providing prompt and complete access to books, records, agents, and service providers; accommodating on-site Bank visits by FDIC personnel; and permitting the FDIC to provide confidential information to third parties to facilitate the liquidation or other resolution of the Bank, in the event of the appointment of the FDIC as receiver or conservator.

ARTICLE XII

CLOSING

(1) This Directive is enforceable under 12 U.S.C. § 1818(i). Each provision of this Directive shall be binding upon the Bank, its directors, officers, employees, agents, successors, assigns, subsidiaries, and other persons participating in the affairs of the Bank.

(2) A copy of the Directive shall be immediately provided to each member of the Board and all employees. The Board shall immediately provide the OCC with a written confirmation that each Board member and employee has received a copy of the Directive.

(3) Any time limitations imposed by this Directive shall begin to run from the effective date of this Directive. Such time limitations may be extended in writing by the Director for good cause upon written application by the Board.

(4) The provisions of this Directive are effective upon issuance of this Directive by the Comptroller, through his authorized representative whose hand appears below, and shall remain effective and enforceable, except to the extent that, and until such time as, any provisions of this Directive shall have been amended, suspended, waived, or terminated in writing by the Director.

(5) It is expressly and clearly understood that if, at any time, the Comptroller deems it appropriate in fulfilling the responsibilities placed upon him by the several laws of the United States of America to undertake any action affecting the Bank, or any institution-affiliated party of the Bank, nothing in this Directive shall in any way inhibit, estop, bar or otherwise prevent the Comptroller from so doing.

(6) All reports or plans which the Bank or Board has agreed to submit to the Director pursuant to this Directive shall be forwarded, by overnight mail or via email, to the following:

Director for Special Supervision
Comptroller of the Currency
250 E Street, S.W.
Mail Stop 2-7
Washington, DC 20219

with a copy to
Comptroller of the Currency
Harborside Fin. Cntr, Plaza Five
Suite 1600
Jersey City, NJ 07311

IT IS SO ORDERED, this 15th day of March, 2012.

/s/
Henry Fleming
Director
Special Supervision Division
Office of the Comptroller of the Currency