

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

In the Matter of:) AA-CE-12-48
Home Savings Bank)
Jefferson City, Missouri)

CONSENT ORDER

The Comptroller of the Currency of the United States of America (“Comptroller”) has supervisory authority over Home Savings Bank, Jefferson City, Missouri (“Bank”).

The Bank, by and through its duly elected and acting Board of Directors (“Board”), has executed a Stipulation and Consent to the Issuance of a Consent Order (“Stipulation and Consent”), dated April 11, 2012, that is accepted by the Comptroller. By this Stipulation and Consent, which is incorporated by reference, the Bank has consented to the issuance of this Consent Order (“Order”) by the Comptroller.

Pursuant to the authority vested in him by the Federal Deposit Insurance Act, as amended, 12 U.S.C. § 1818, the Comptroller hereby orders that:

ARTICLE I

CAPITAL PLAN AND HIGHER MINIMUMS

- (1) The Bank shall maintain the following capital levels (as defined in 12 C.F.R. Part 165):
- (a) Tier 1 Capital at least equal to eight and one quarter percent (8.25%) of adjusted total assets; and
 - (b) Total Risk Based Capital at least equal to twelve percent (12%) of risk-weighted assets.

(2) The requirement in this Order to meet and maintain a specific capital level means that the Bank may not be deemed to be “well capitalized” for purposes of 12 U.S.C. § 1831o and 12 C.F.R. Part 165 pursuant to 12 C.F.R. § 165.4(b)(1)(iv).

(3) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the minimum capital requirements pursuant to this Article.

ARTICLE II

CRITICIZED ASSETS

(1) Effective immediately, the Bank shall take continuing action to protect its interest in those assets criticized in the Report of Examination dated July 25, 2011 (“ROE”), in any subsequent Report of Examination, by internal or external loan review, or in any list provided to management by the Bank Examiners during any examination.

(2) By June 30, 2012, the Board shall adopt, implement, and thereafter ensure Bank adherence to individual workout plans designed to protect the Bank’s interest in or eliminate the basis of criticism on any asset (other than owner occupied residential real estate loans or consumer installment loans) criticized as “Special Mention”, “Doubtful”, or “Substandard” in the ROE, in any subsequent Report of Examination, by any internal or external loan review, or in any list provided to management by the Bank Examiners during any examination. Each workout plan must include, at a minimum:

- (a) an identification of the expected sources of repayment;
- (b) the current value of supporting collateral and the position of the Bank’s lien on such collateral when applicable;

- (c) an analysis of current and satisfactory credit information, including cash flow analysis where loans are to be repaid from operations and a global cash flow analysis of guarantors; and
- (d) actions designed to protect the Bank's interest in, or eliminate the basis of criticism of, the asset, including timeframes for implementing and evaluating the effectiveness of those actions.

(3) Upon adoption of the workout plans, a copy of the workout plan for each criticized asset shall be forwarded to the Assistant Deputy Comptroller.

(4) By June 30, 2012, and subsequently on at least a quarterly basis, the Board shall conduct a review to determine all of the following:

- (a) the status of each criticized asset;
- (b) management's adherence to the workout plans adopted pursuant to this Article;
- (c) the status and effectiveness of the workout plans; and
- (d) the need to revise the workout plans or take alternative action.

(5) A copy of each review shall be maintained and placed in the credit file of each affected borrower. Within sixty (60) days after the end of each quarter, the Bank shall forward a copy of each review to the Assistant Deputy Comptroller.

(6) Effective immediately, the Bank may extend credit, directly or indirectly, including renewals or extensions, to a borrower whose loans or other extensions of credit are criticized in the ROE, in any subsequent Report of Examination, in any internal or external loan review, or in any list provided to management by the Bank Examiners during any examination, only if each of the following conditions is met:

- (a) the Board or designated committee finds that the extension of additional credit is necessary to promote the best interests of the Bank and that prior to renewing or extending any additional credit, a majority of the full Board (or its designated committee) approves the credit extension and records, in writing, why such extension is necessary to promote the best interests of the Bank; and
- (b) a comparison to the workout plan adopted pursuant to this Article shows that the Board's formal plan to collect or strengthen the criticized asset will not be compromised.

(7) A copy of the approval of the Board or of the designated committee shall be maintained in the file of the affected borrower.

ARTICLE III

OVERDRAFT ACCOUNTS

(1) Within sixty (60) days, the Board shall develop, implement, and thereafter ensure Bank adherence to a written policy and procedures for overdraft extensions of credit. The policy shall include, at a minimum:

- (a) conditions and circumstances under which overdrafts are allowable, including standards, dollar threshold limits for overdrafts, and specific overdraft lending authority limits;
- (b) charges that will be levied against depositors using overdrafts; and
- (c) a requirement that past due overdrafts are charged off in accordance with CEO Memorandum #211, *Guidance on Overdraft Protection Programs*.

ARTICLE IV

CREDIT RISK RATING

(1) Within sixty (60) days, and on an ongoing basis thereafter, the Board must ensure that the Bank's internal risk ratings of commercial credit relationships, as assigned by responsible loan officers and by internal loan review, are timely, accurate, and consistent with the regulatory credit classification criteria set forth in section 260 of the OTS Handbook. At a minimum, the Board must ensure, on an ongoing basis, that with respect to the assessment of credit risk of any commercial credit relationship:

- (a) the primary consideration is the strength of the borrower's primary source of repayment (i.e., the probability of default rather than the risk of loss);
- (b) collateral, non-government guarantees, and other similar credit risk mitigants that affect potential loss in the event of default (rather than the probability of default) are taken into consideration only if the primary source of repayment has weakened and the probability of default has increased;
- (c) credit risk ratings are reviewed and updated whenever relevant new information is received, but no less frequently than annually; and
- (d) the credit risk rating analysis is documented and available for review by the Board and the OCC upon request.

(2) Within sixty (60) days, and on an ongoing basis thereafter, the Board shall ensure that any commercial credit relationship with a high probability of payment default or other well-defined weakness is rated no better than Substandard, unless the debt is secured by marketable securities or cash.

(3) Within sixty (60) days, and on an ongoing basis thereafter, the Board shall ensure that retail loans are classified and charged off in accordance with OCC Bulletin 2000-20, *Uniform Retail Credit Classification and Account Management Policy*. As part of this requirement, the Board shall ensure that open- and closed-end retail loans secured by residential real estate shall receive a current assessment of value no later than when the loan becomes 180 days past due.

ARTICLE V

CREDIT UNDERWRITING AND ADMINISTRATION

(1) By June 30, 2012, the Board shall develop a written program to improve the Bank's credit underwriting and administration process. The program shall include, at a minimum:

- (a) guidelines for evaluating and monitoring a borrower's capacity to meet a realistic repayment program from liquidity and cash flow;
- (b) standards for minimally acceptable financial information on borrowers and guarantors;
- (c) guidelines for the identification of and accounting treatment for nonaccrual loans that are consistent with the accounting requirements contained in the Call Report Instructions;
- (d) prohibition of the extension of amortization periods to improve a borrower's debt service coverage ratios or to match competition, unless supported by prudent underwriting;

- (e) limitations on the use of interest reserves and capitalized interest that, at a minimum:
 - i. prohibit advances to fund interest reserves at renewal when the original repayment plan did not materialize, unless such advance is clearly supported by the project's viability in the current market and the borrower's repayment capacity;
 - ii. prohibit advances to fund interest reserves for non-construction or non-development related loans, e.g., holding of raw land; and
 - iii. prohibit capitalization of interest unless such capitalization is deemed appropriate pursuant to U.S. generally accepted accounting principles ("GAAP").

(2) Upon adoption, a copy of the program shall be forwarded to the Assistant Deputy Comptroller for review and determination of no supervisory objection. Upon receiving a determination of no supervisory objection from the Assistant Deputy Comptroller, the Board shall implement and thereafter ensure Bank adherence to the program.

(3) By June 30, 2012, the Bank shall obtain and analyze current and satisfactory credit information on all loans lacking such information, including those listed in the ROE, in any subsequent Report of Examination, in any internal or external loan review, or in any listings of loans lacking such information provided to management by the Bank Examiners.

(4) If the Bank is unable to obtain the credit information required by paragraph (3) of this Article by June 30, 2012, the Bank shall document its efforts to obtain such information, and maintain the documentation of its efforts in the loan file.

(5) Effective immediately, the Bank may grant, extend, renew, alter or restructure any loan or other extension of credit only after:

- (a) documenting the specific reason or purpose for the extension of credit;
- (b) identifying the expected source of repayment in writing;
- (c) structuring the repayment terms to coincide with the expected source of repayment;
- (d) obtaining and analyzing current and satisfactory credit information, including cash flow analysis where loans are to be repaid from operations;
- (e) documenting, with adequate supporting material, the value of collateral and properly perfecting the Bank's lien on it where applicable;
 - i. Failure to obtain the information in (5)(d) and (5)(e) shall require a majority of the full Board (or a delegated committee thereof) to certify in writing the specific reasons why obtaining and analyzing the information in (5)(d) and (5)(e) would be detrimental to the best interests of the Bank.
 - ii. A copy of the Board certification shall be maintained in the credit file of the affected borrower(s). The certification will be reviewed by this Office in subsequent examinations of the Bank.

(6) By June 30, 2012, the Board shall establish a system to ensure that all exceptions to Bank policy are documented and monitored. At least quarterly, management shall provide a report to the Board listing all such exceptions.

(7) The Board shall establish parameters for exception levels and monitor adherence to those standards.

(8) The Board shall ensure that the Bank has policies, processes, personnel, and control systems to ensure implementation of and adherence to the procedures developed pursuant to this Article.

ARTICLE VI

TROUBLED DEBT RESTRUCTURING

(1) Within sixty (60) days, the Board shall develop, implement, and thereafter ensure Bank adherence to a written policy and procedures for troubled debt restructurings (“TDRs”).

The policy shall include, at a minimum:

- (a) provision for compliance with Thrift Bulletin 85, FASB ASC 310-10, FASB ASC 470-60, and FASB ASC 310-40.
- (b) provision for a monthly report to the Board that includes the following information for each outstanding TDR:
 - i. loan number and the borrower name;
 - ii. loan amount after restructuring;
 - iii. current loan amount;
 - iv. date of restructuring;
 - v. current interest rate;
 - vi. amortization period;
 - vii. modification terms;
 - viii. amounts capitalized to the principal balance;
 - ix. payment (delinquency) status;
 - x. whether the loan is on accrual or nonaccrual of interest;

- xii. for noncommercial borrowers, the front-end and back-end debt-to-income ratios.

ARTICLE VII

ALLOWANCE FOR LOAN AND LEASE LOSSES

(1) Within ninety (90) days, the Board shall revise its written policies and procedures for maintaining an adequate Allowance for Loan and Lease Losses (“Allowance”) in accordance with GAAP. The revised Allowance policies and procedures shall be consistent with the guidance set forth in the Federal Financial Institutions Examination Council’s “Interagency Policy Statement on the Allowance for Loan and Lease Losses” dated December 13, 2006 (OCC Bulletin 2006-47) and shall include, at a minimum:

- (a) procedures for determining whether a loan is impaired and measuring the amount of impairment, consistent with GAAP (including FASB ASC 310-10, *Receivables - Overall - Subsequent Measurement - Impairment*);
- (b) a process for summarizing and documenting, for the Board’s prior review and approval, the amount to be reported in the Consolidated Reports of Condition and Income (“Call Reports”) for the Allowance;
- (c) procedures to ensure that all official and regulatory reports filed by the Bank accurately reflect an adequate Allowance balance as of the date that such reports are submitted. Any difference between the Allowance balance as determined by the analysis required by this Article and the

Bank's actual Allowance balance shall be remedied through appropriate account adjustments in the quarter it is discovered, prior to the filing of the Call Reports.

ARTICLE VIII

LOAN REVIEW FUNCTION

(1) By June 30, 2012, the Board shall establish, implement, and thereafter ensure Bank adherence to an effective, independent and ongoing loan review system to review, at least semi-annually, the Bank's loan and lease portfolios to assure the timely and accurate risk ratings of credit and the identification of credit information, collateral documentation, and policy exceptions. The system shall provide for a written report to be filed with the Board after each review. Such reports shall include, at a minimum, conclusions regarding:

- (a) the accuracy of individual loan ratings and the quality of the overall loan portfolio;
- (b) the accrual status and amount of impairment reserves, if necessary;
- (c) credit information and collateral documentation exceptions;
- (d) the identification and status of credit-related violations of law, rule or regulation;
- (e) loans and leases not in conformance with the Bank's lending and leasing policies;
- (f) management responses to identified weaknesses; and
- (g) the effectiveness of actions taken to correct weaknesses identified in previous reports.

(2) The Board shall evaluate the internal loan review reports and shall ensure that immediate, adequate, and continuing remedial action, if appropriate, is taken upon all findings noted in the report.

(3) A copy of the reports submitted to the Board, as well as documentation of the action taken by the Bank to collect or strengthen assets identified as problem credits, shall be preserved in the Bank.

ARTICLE IX

INTERNAL AUDIT

(1) By June 30, 2012, the Board shall adopt, implement, and thereafter ensure Bank adherence to an independent, internal audit program consistent with the Interagency Guidelines Establishing Standards for Safety and Soundness, 12 C.F.R. Part 170, Appendix A, II. Operational and Managerial Standards, Subparts A and B. The internal audit program shall be sufficient to:

- (a) detect irregularities and weak practices in the Bank's operations;
- (b) determine the Bank's level of compliance with all applicable laws, rules and regulations;
- (c) assess and report the effectiveness of policies, procedures, controls, and management oversight relating to accounting and financial reporting;
- (d) evaluate the Bank's adherence to established policies and procedures, with particular emphasis directed to the Bank's adherence to its loan policies concerning underwriting standards and problem loan identification and classification;

- (e) adequately cover all areas; and
- (f) establish an annual audit plan using a risk-based approach sufficient to achieve these objectives.

(2) As part of this audit program, the Board shall evaluate the audit reports of any party providing services to the Bank, and shall assess the impact on the Bank of any audit deficiencies cited in such reports.

(3) The Board shall ensure that the audit function is supported by an adequately staffed department or outside firm, with respect to both the experience level and number of individuals employed.

(4) The Board shall ensure that the audit program is independent. The persons responsible for implementing the internal audit program described above shall report directly to the Board, which shall have the sole power to direct their activities. All reports prepared by the audit staff shall be filed directly with the Board and not through any intervening party, including any individual who is a director.

(5) All audit reports shall be in writing. The Board shall ensure that immediate actions are undertaken to remedy deficiencies cited in audit reports, and that auditors maintain a written record describing those actions.

ARTICLE X

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 the ROE or in any subsequent ROE, or brought to the Board's or Bank's attention in writing by management, regulators, auditors, loan review, or other compliance efforts.

(2) Within sixty (60) 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 time.

(3) Within sixty (60) days, the Board shall adopt, implement, and thereafter ensure adherence to:

- (a) specific procedures to prevent future violations as cited in the ROE; 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 Assistant Deputy Comptroller.

ARTICLE XI

EMPLOYMENT CONTRACTS AND COMPENSATION ARRANGEMENTS

The Bank 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 Bank, unless it first provides the Assistant Deputy Comptroller with not less than thirty (30) days prior written notice of the proposed transaction. The notice to the Assistant Deputy Comptroller 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 Assistant Deputy Comptroller fully complies with the requirements of 12 C.F.R. Part 359, 12 C.F.R. §§ 163.39 and 163.161(b), and 12 C.F.R. Part 170 – Appendix A.

ARTICLE XII

THIRD PARTY CONTRACTS

The Bank 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 Bank¹ or outside the Bank's normal course of business unless, with respect to each such contract, the Bank has: (i) provided the Assistant Deputy Comptroller 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

¹ 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, where there is a foreign service provider, or where it involves information technology that is critical to the Bank's daily operations without regard to the contract amount.

with the standards and guidelines set forth in Thrift Bulletin 82a (TB82a); and (ii) received written notice of non-objection from the Assistant Deputy Comptroller.

ARTICLE XIII

CLOSING

(1) Although the Board is by this Order required to submit certain proposed actions and programs for the review or prior written determination of no supervisory objection of the Assistant Deputy Comptroller, the Board has the ultimate responsibility for proper and sound management of the Bank.

(2) 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, nothing in this Order shall in any way inhibit, estop, bar, or otherwise prevent the Comptroller from so doing.

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

(4) The provisions of this Order are effective upon issuance of this Order 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 Order shall have been amended, suspended, waived, or terminated in writing by the Comptroller.

(5) References in this Order to provisions of statutes, regulations, and other published regulatory guidance shall be deemed to include references to successor provisions as they become applicable.

(6) In each instance in this Order in which the Board is required to ensure adherence to, and undertake to perform, certain obligations of the Bank, including the obligation to implement plans, policies, or other actions, it is intended to mean that the Board shall:

- (a) ensure that the Bank has sufficient processes, management, personnel, and control systems to effectively implement and adhere to all provisions of this Order, and that Bank management and personnel have sufficient training and authority to execute their duties and responsibilities under this Order;
- (b) authorize and adopt such actions on behalf of the Bank as may be necessary for the Bank to perform its obligations and undertakings under the terms of this Order;
- (c) require the timely reporting by Bank management of such actions directed by the Board to be taken under the terms of this Order;
- (d) follow up on any noncompliance with such actions in a timely and appropriate manner; and
- (e) require corrective action be taken in a timely manner of any noncompliance with such actions.

(7) This Order is intended to be, and shall be construed to be, a final order issued pursuant to 12 U.S.C. § 1818(b), and expressly does not form, and may not be construed to form, a contract binding on the Comptroller or the United States of America.

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

In the Matter of:)	AA-CE-12-48
Home Savings Bank)	
Jefferson City, Missouri)	

**STIPULATION AND CONSENT TO THE ISSUANCE
OF A CONSENT ORDER**

The Comptroller of the Currency of the United States of America (“Comptroller”) intends to initiate cease and desist proceeding against Home Savings Bank, Jefferson City, Missouri (“Bank”) pursuant to 12 U.S.C. § 1818(b) for unsafe and unsound banking practices relating to capital adequacy and credit administration.

The Bank, in the interest of compliance and cooperation, consents to the issuance of a Consent Order, dated April 11, 2012 (“Order”).

In consideration of the above premises, the Comptroller, through his authorized representative, and the Bank, through its duly elected and acting Board of Directors, hereby stipulate and agree to the following:

ARTICLE I

JURISDICTION

(1) The Bank is a federal savings association examined by the Comptroller pursuant to the Home Owners Loan Act of 1933, as amended, 12 U.S.C. § 1461 *et seq.* and is a “savings association” within the meaning of 12 U.S.C. § 1813(b)(2).

(2) The Bank is an “insured depository institution” within the meaning of 12 U.S.C. §1813(c)(2).

(3) Pursuant to U.S.C. § 1813(q), the Comptroller is “the appropriate Federal banking agency” to initiate and maintain a proceeding against the Bank pursuant to 12 U.S.C. § 1818(b).

(4) This Order shall cause the Bank to continue to be designated as in “troubled condition” as set forth in 12 C.F.R. § 163.555, unless otherwise informed in writing by the Comptroller.

ARTICLE II

AGREEMENT

(1) The Bank, without admitting or denying any wrongdoing, hereby consents and agrees to the issuance of the Order by the Comptroller.

(2) The Bank further agrees that said Order shall be deemed an “order issued with the consent of the depository institution” as defined in 12 U.S.C. § 1818(h)(2), and consents and agrees that said Order shall become effective upon its issuance and shall be fully enforceable by the Comptroller under the provisions of 12 U.S.C. § 1818(i). Notwithstanding the absence of mutuality of obligation, or of consideration, or of a contract, the Comptroller may enforce any of the commitments or obligations herein undertaken by the Bank under his supervisory powers, including 12 U.S.C. § 1818(i), and not as a matter of contract law. The Bank expressly acknowledges that neither the Bank nor the Comptroller has any intention to enter into a contract.

(3) The Bank also expressly acknowledges that no officer or employee of the Comptroller has statutory or other authority to bind the United States, the U.S. Treasury Department, the Comptroller, or any other Federal bank regulatory agency or entity, or any officer or employee of any of those entities to a contract affecting the Comptroller’s exercise of his supervisory responsibilities.

ARTICLE III

WAIVERS

- (1) The Bank, by signing this Stipulation and Consent, hereby waives:
- (a) the issuance of a Notice of Charges pursuant to 12 U.S.C. § 1818(b);
 - (b) any and all procedural rights available in connection with the issuance of the Order;
 - (c) all rights to a hearing and a final agency decision pursuant to 12 U.S.C. § 1818(i) and 12 C.F.R. Part 109;
 - (d) all rights to seek any type of administrative or judicial review of the Order;
and
 - (e) any and all rights to challenge or contest the validity of the Order.

ARTICLE IV

OTHER ACTION

(1) The Bank agrees that the provisions of this Stipulation and Consent shall not inhibit, estop, bar, or otherwise prevent the Comptroller from taking any other action affecting the Bank if, at any time, it deems it appropriate to do so to fulfill the responsibilities placed upon it by the several laws of the United States of America.

IN TESTIMONY WHEREOF, the undersigned, authorized by the Comptroller as its representative, has hereunto set her hand on behalf of the Comptroller.

_____/s/_____
Lesslie A. Swip
Assistant Deputy Comptroller
St. Louis Field Office

4/11/12
Date

IN TESTIMONY WHEREOF, the undersigned, as the duly elected and acting Board of Directors of the Bank, have hereunto set their hands on behalf of the Bank.

Signature

Date

/s/
Robert M. Bates

4-11-12

/s/
Sam Bushman

4/11/12

/s/
John W. Curtit

4/11/12

/s/
Dennis L. Mueller

4-11-12

/s/
James E. Wunderlich

4-11-12