

Prompt Corrective Action Restrictions 12 CFR §565.6

<i>Capital Category</i>	<i>Restriction</i>
Well and adequately capitalized	Cannot pay dividends or management fees to controlling persons if it would result in undercapitalization.
Undercapitalized	<p><u>Mandatory actions:</u></p> <ul style="list-style-type: none"> • Capital distributions and management fees restricted. • Capital plan required. • Monitoring of condition and capital plan. • Growth restricted. • Prior approval of certain expansion proposals such as acquisitions, branching and new lines of business.
Significantly Undercapitalized	<p><u>Mandatory actions:</u></p> <ul style="list-style-type: none"> • Activities restricted. • Payments on subordinated debt restricted. <p><u>Discretionary actions:</u></p> <ul style="list-style-type: none"> • Require recapitalization: <ul style="list-style-type: none"> — Issue stock. — Require acquisition (if grounds exist for appointing a conservator or receiver). • Restrict interest rates paid. • Impose more stringent asset growth restrictions (or require shrinkage). • Restrict activities. • Improve management by requiring the election of directors or employment of qualified senior executive officers. • Prohibit deposits from correspondent banks. • Require prior approval for capital distributions by a bank holding company. • Require divestiture. • Require other actions the regulator determines appropriate.
Critically Undercapitalized	<p><u>Mandatory actions:</u></p> <ul style="list-style-type: none"> • Activities restricted - Associations may not: <ul style="list-style-type: none"> — Enter into any material transactions other than in the usual course of business. — Extend credit for any highly leveraged transaction. — Amend the association’s charter or bylaws, except to the extent necessary to carry out any other requirement of any law, regulation, or order. — Make any material change in accounting methods. — Engage in any covered transaction. — Pay excessive compensation or bonuses. • Payments on subordinated debt prohibited.