

UNITED STATES OF AMERICA
Before The
OFFICE OF THRIFT SUPERVISION

_____	)	
In the Matter of	)	
	)	
Sterling Bank and Trust, FSB	)	Order No. CHI-01-12
Southfield, Michigan	)	
OTS No.: 08028	)	Date: August 17, 2001
_____	)	

STIPULATION AND CONSENT TO THE ISSUANCE OF AN
ORDER TO CEASE AND DESIST FOR AFFIRMATIVE RELIEF

WHEREAS, the Office of Thrift Supervision (OTS), based upon information derived from the exercise of its regulatory responsibilities, is of the opinion that grounds exist to initiate an administrative cease and desist proceeding against Sterling Bank and Trust, FSB, Southfield, Michigan, OTS Docket No. 08028 (the Association) pursuant to 12 U.S.C. § 1818(b),¹ and

WHEREAS, the Association desires to cooperate with the OTS and to avoid the time and expense of such administrative proceeding and, without admitting or denying that such grounds exist, or the Findings of Fact or opinions and conclusions of the OTS, except as to Jurisdiction, paragraph 1, below, which is admitted, hereby stipulates and agrees to the following:

¹ All references to the United States Code (U.S.C.) are as amended, unless otherwise indicated.

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

(b) Pursuant to 12 U.S.C. § 1813(q), the Director of the OTS is the "appropriate Federal Banking agency" to maintain an administrative cease and desist proceeding against such a savings association. Therefore, the Association is subject to the jurisdiction of the OTS to initiate and maintain a cease and desist proceeding against it pursuant to 12 U.S.C. § 1818(b). The Director of the OTS has delegated to the Regional Director of the Central Region of the OTS or his/her designee (Regional Director) the authority to issue cease and desist orders where the institution has consented to the issuance of the orders.

2. OTS Findings of Fact. The OTS finds that:

The Association has engaged in unsafe and unsound activities, concentrations of risk, and a violation of 12 C.F.R. § 560.93, as outlined in the October 30, 2000 Report of Examination of Sterling Bank and Trust, FSB.

3. Consent. The Association consents to the issuance by the OTS of the accompanying Consent Order to Cease and Desist For Affirmative Relief (Order). It further agrees to comply with the terms of the Order upon issuance and stipulates that the Order complies with all requirements of law.

4. Finality. The Order is issued under 12 U.S.C. § 1818(b). Upon its issuance by the Regional Director or his/her designee for the Central Region, OTS, it shall be a final order, effective and fully enforceable by the OTS under the provisions of 12 U.S.C. § 1818(i).

5. Waivers. 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);

(b) the right to an administrative hearing of the OTS's charges against it as provided by 12 U.S.C. § 1818(b);

(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;

7. Miscellaneous. (a) The construction and validity of this Stipulation and the Order shall be governed by the laws of the United States of America;

(b) All references to the OTS in this Stipulation and the Order shall also mean any of the OTS's predecessors, successors, and assigns;

(c) The section and paragraph headings in this Stipulation and the Order are for convenience only and shall not affect the construction hereof;

(d) The terms of this Stipulation and the Order represent the final written agreement of the parties with respect to the subject matters hereof, and constitute the sole agreement of the parties with respect to such subject matters; and

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

WHEREFORE, Sterling Bank and Trust, FSB, by its authorized representative, execute this Stipulation and Consent to the Issuance of an Order to Cease and Desist For Affirmative Relief, intending to be legally bound hereby.

Sterling Bank and Trust, FSB

/S/

By: _____

Thomas J. St. Dennis
Chairman of the Board

Dated: _____

8/16/01.

OFFICE OF THRIFT SUPERVISION

/S/

Ronald N. Karr
Regional Director,
Central Region

Dated: _____

8-17-01

APPENDIX A TO STIPULATION

Re: Sterling Bank and Trust, FSB, Southfield, Michigan ("Sterling, FSB")

The undersigned members of the Board of Directors of the above-referenced OTS-regulated savings association represent that, on August 16, 2001, they voted in favor of a duly adopted resolution of the Board of Directors of Sterling, FSB that authorizes Sterling, FSB to stipulate to the OTS's issuance of the accompanying Order to Cease and Desist for Affirmative Relief, and further authorizes and directs Thomas J. St. Dennis, having the title of Chairman of the Board, to execute on behalf of Sterling, FSB the Stipulation and Consent to the Issuance of an Order to C&D for Affirmative Relief.

Sterling Bank and Trust, FSB

By: /S/
Thomas J. St. Dennis
Chairman of the Board

Dated: 8/16/01

/S/
Barry L. Allen

/S/
Jon M. Fox

/S/
Arthur W. Hermann

/S/
Seth Meltzer

/S/
Sandra Seligman

CERTIFIED COPY OF
RESOLUTION OF BOARD OF DIRECTORS

I, the undersigned, being in the duly qualified Chairman of the Board of Sterling Bank and Trust, FSB, Southfield, MI (Sterling FSB) hereby certify that the following is a true copy of a resolution duly adopted by its Board of Directors at a meeting duly called and held on August 16, 2001; that at said meeting a quorum was present and voting throughout; and that said resolution has not been rescinded or modified and is now in full force and effect;

I further certify that all members of the Board of Directors were present and voting (except N/A) and that all members of the Board of Directors (except N/A) voted in favor of the resolution;

RESOLUTION

WHEREAS, the Office of Thrift Supervision (OTS), based upon information derived from the exercise of its regulatory responsibilities, is of the opinion that grounds exist to initiate an administrative cease and desist proceeding against Sterling Bank and Trust, FSB, Southfield, Michigan, OTS Docket No. 08028 (the Association) pursuant to 12 U.S.C. § 1818(b),¹ and

WHEREAS, the directors of Sterling FSB have read and considered: (i) Order to Cease and Desist for Affirmative Relief; (ii) the Stipulation and Consent to the Issuance of an Order attached to the minutes of the meeting of the Board of Directors held on August 16, 2001; and

WHEREAS, after due consideration, the directors of Sterling FSB have determined to stipulate and consent to the issuance of Order to Cease and Desist for Affirmative Relief in the interest of regulatory compliance and cooperation;

NOW, THEREFORE BE IT RESOLVED, that the Stipulation, a copy of which is attached hereto and the provisions of which are incorporated herein by reference, be and are hereby approved by the Board of Directors of Sterling FSB. The officers and employees of Sterling FSB are directed and authorized to take all necessary steps to implement immediately the terms of Order to Cease and Desist for Affirmative Relief and to comply with such Order to Cease and Desist for Affirmative Relief.

IN WITNESS WHEREOF, I have hereto subscribed my name and affixed the seal of STERLING BANK & TRUST this 16 day of August, 2001.

/S/

¹ All references to the United States Code (U.S.C.) are as amended, unless otherwise indicated.

UNITED STATES OF AMERICA
Before The
OFFICE OF THRIFT SUPERVISION

In the Matter of)

Sterling Bank and Trust, FSB)

Southfield, Michigan)

OTS No.: 08028)

Order No. CHI-01-12

Date: August 17, 2001

CONSENT ORDER TO
CEASE AND DESIST FOR AFFIRMATIVE RELIEF

WHEREAS, Sterling Bank and Trust, FSB, Southfield, Michigan, OTS Docket No. 08028 (the 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 for Affirmative Relief (Stipulation); and

WHEREAS, the Association, in the Stipulation, has consented and agreed to the issuance of this Consent Order to Cease and Desist for Affirmative Relief (Order) pursuant to 12 U.S.C. § 1818(b); and

WHEREAS, the Director of the Office of Thrift Supervision (OTS) has delegated to the Regional Directors of the OTS the authority to issue Orders to Cease and Desist on behalf of the OTS where the Association has consented to the issuance of the Order.

All references to the United States Code (U.S.C.) are as amended, unless otherwise indicated.

NOW THEREFORE, IT IS ORDERED THAT the Association, its directors, officers, employees, agents, service corporations, and subsidiaries shall cease and desist from any action (alone or with another or others) for or toward causing, bringing about, participating in, counseling, aiding or abetting of any unsafe or unsound practice detailed in the October 30, 2000 Report of Examination of Sterling Bank and Trust, FSB (ROE) or any violation of:

12 C.F.R. Section 560.93, and concentrations of risk, as referred to in the ROE.

IT IS FURTHER ORDERED THAT:

CORRECTIVE PROVISIONS

1. Subprime Lending

A. As of the Effective Date of this Order, the Association shall not originate or purchase any new Subprime Loans, with the exception of the Secured Credit Card Program, as long as the aggregate total unpaid balance of Subprime Loans is greater than the Association's Tier 1 Capital. However, the aggregate amount of each unsecured credit within the Secured Credit Card Program shall be counted in the total of subprime loans.

B. Within thirty (30) calendar days of the Effective Date of this Order, the Association shall develop and submit to the Regional Director for review and non-objection a plan and timetable for reducing the amount of Subprime Loans to no more than the Association's Tier 1 Capital (Subprime Loan Plan).

C. After review and non-objection by the Regional Director, the Association shall implement and adhere to the Subprime Loan Plan in all material respects.

D. Any proposed major deviation from or material change to the Subprime Loan Plan that is within the Association's control shall be submitted to the Regional Director at least thirty (30) calendar days prior to such change for review and non-objection. Any proposed major deviation from or material change to the Subprime Loan Plan that is not within the Association's control shall be submitted to the Regional Director for review and non-objection as soon as reasonably possible.

2. ROE Loan Program

A. As of the Effective Date of this Order, the Association shall limit the total unpaid balance of the loan program described on pages 28 and 29 of the ROE (Loan Program) to no more than \$25 million.

B. Within thirty (30) calendar days of the Effective Date of this Order, the Association shall develop and submit to the Regional Director for review and non-objection a plan and timetable for reducing its investment in the Loan Program to a level acceptable to the Regional Director (Loan Program Plan).

C. After review and non-objection by the Regional Director, the Association shall implement and adhere to the Loan Program Plan in all material respects.

D. Any proposed major deviation from or material change to the Loan Program Plan that is within the Association's control shall be submitted to the Regional Director at least thirty (30) calendar days prior to such change for review and non-objection. Any proposed major deviation from or material change to the Loan Program Plan that is not within the Association's control shall be submitted to the Regional Director for review and non-objection as soon as reasonably possible.

3. Timeshare Lending

A. As of the Effective Date of this Order, the Association:

i. shall not originate or purchase any new Timeshare Related Loans as long as the aggregate total unpaid balance of Timeshare Related Loans is greater than the Association's Tier 1 Capital.

ii. shall limit the aggregate total unpaid balance of Timeshare Related Loans for any one project and/or developer to no more than 15 percent of the Association's Tier 1 Capital; and

iii. shall not originate or purchase any new timeshare acquisition, construction, or development loans, without the prior written non-objection of the Regional Director.

B. Within sixty (60) calendar days of the Effective Date of this Order, the Association shall develop and submit to the Regional Director for review and non-objection a plan and timetable for reducing existing Timeshare Related Loans to

conform to the limits outlined in 3(A)(i) and (ii) above (Timeshare Loan Plan).

C. After review and non-objection by the Regional Director, the Association shall implement and adhere to the Timeshare Loan Plan in all material respects.

D. Any proposed major deviation from or material change to the Timeshare Loan Plan that is within the Association's control shall be submitted to the Regional Director at least thirty (30) calendar days prior to such change for review and non-objection. Any proposed major deviation from or material change to the Timeshare Loan Plan that is not within the Association's control shall be submitted to the Regional Director for review and non-objection as soon as reasonably possible.

E. Within sixty (60) calendar days of the Effective Date of this Order, the Association shall develop and submit to the Regional Director for review and non-objection, procedures for reporting the credit grades of consumer timeshare receivable loans and timeshare hypothecation loans originated or purchased after April 1, 2001.

F. After review and non-objection by the Regional Director, the Association shall implement and adhere to these procedures in all material respects.

G. Any proposed major deviation from or material change to these procedures shall be submitted to the Regional Director at

least thirty (30) calendar days prior to such change for review and non-objection.

4. Restructuring Plan

A. Within thirty (30) calendar days of the Effective Date of this Order, the Board shall develop and submit to the Regional Director for review and non-objection a restructuring plan (Restructuring Plan) that, at a minimum:

- i. specifies what major business lines the Association will engage in;
- ii. incorporates the capital forecast for capital needs for subprime lending, with additional capital provisions for the unsecured portion of the Secured Credit Card Portfolio; and
- iii. provides quarterly projections of earnings and balance sheet items for the remainder of 2001.

B. After review and non-objection by the Regional Director, the Board shall implement and adhere to the Restructuring Plan in all material respects.

C. Any proposed major deviation from or material change to the Restructuring Plan that is within the Association's control shall be submitted to the Regional Director at least thirty (30) calendar days prior to such change for review and non-objection. Any proposed major deviation from or material change to the Restructuring Plan that is not within the Association's control shall be submitted to the Regional Director for review and non-objection as soon as reasonably possible.

5. Business Plan

A. By December 1, 2001, the Board shall develop and submit to the Regional Director for review and non-objection a business plan (Business Plan) that, at a minimum:

- i. specifies what major business lines the Association will engage in;
- ii. incorporates the capital forecast for capital needs for subprime lending, with additional capital provisions for the unsecured portion of the Secured Credit Card Portfolio; and
- iii. provides quarterly projections of earnings and balance sheet items for 2002.

B. After review and non-objection by the Regional Director, the Board shall implement and adhere to the Business Plan in all material respects.

C. Any proposed major deviation from or material change to the Business Plan that is within the Association's control shall be submitted to the Regional Director at least thirty (30) calendar days prior to such change for review and non-objection. Any proposed major deviation from or material change to the Business Plan that is not within the Association's control shall be submitted to the Regional Director for review and non-objection as soon as reasonably possible.

6. Periodic Reports

Beginning with the first full month after the Effective Date of this Order, the Association shall provide the OTS the

following reports within ten (10) calendar days following the Association's Board meeting:

- i. Progress reports covering the Plans outlined in Paragraphs 1(B), 2(B), and 3(B);
- ii. Variance reports covering the Plans outlined in Paragraphs 4(B) and 5(B); and
- iii. the Association's Classification of Assets & Loan Loss Reserve Report.

BOARD OF DIRECTORS

7. Director Responsibility

The requirements of this Order that the Board submit various matters to the Regional Director or his designee for the purpose of receiving his approval, non-objection, or notice of acceptability do not derogate or supplant each individual Board member's continuing fiduciary duty; furthermore, it is the intent of the OTS and the Association that compliance with such requirements be deemed consistent with and in furtherance of such fiduciary duty. The Board shall have the ultimate responsibility for overseeing the safe and sound operation of the Association at all times, including compliance with the determinations of the Regional Director as required by this Order.

8. Compliance with Order

A. The Board and officers of the Association shall take immediate action to cause the Association to comply with the terms of this Order and shall take all actions necessary or

appropriate thereafter to cause the Association to continue to carry out the provisions of this Order.

B. The Board, at its regularly scheduled Board meeting, beginning with the first Board meeting after the Effective Date of this Order, shall adopt a Board resolution (the Compliance Resolution) formally resolving that, following a diligent inquiry of relevant information (including reports of management), to the best of its knowledge and belief, during the immediately preceding calendar month, the Association has complied with each provision of this Order currently in effect, except as otherwise stated. The Compliance Resolution shall specify in detail how, if at all, full compliance was found not to exist.

C. The minutes of the meeting of the Board shall set forth the following information with respect to the adoption of each Compliance Resolution: (i) the identity of each director voting in favor of its adoption; and (ii) the identity of each director voting in opposition to its adoption or abstaining from voting thereon, setting forth each such director's reasoning for opposing or abstaining.

D. No later than the 10th calendar day after the Association's Board meeting, beginning with the Board meeting held in the first full month following the Effective Date of this Order, the Association shall provide to the Regional Director a certified true copy of the Compliance Resolution(s) adopted at the Board meeting. In the event that one or more directors do

not agree with the representations set forth in a Compliance Resolution, such disagreement shall be noted in the minutes of the Association.

E. The Board shall promptly respond to any request from the OTS for documents that the OTS reasonably requests to demonstrate compliance with this Order.

MISCELLANEOUS

9. Definitions

A. All technical words or terms used in this Order for which meanings are not specified or otherwise provided by the provisions of this Order shall, insofar as applicable, have meanings as defined in Chapter V of Title 12 of the Code of Federal Regulations, Home Owners' Loan Act (HOLA), Federal Deposit Insurance Act (FDIA) or OTS Memoranda. Any such technical words or terms used in this Order and undefined in said Code of Federal Regulations, HOLA, FDIA, or OTS Memoranda shall have meanings that are in accordance with the best custom and usage in the savings and loan industry.

B. For purposes of this Order only, Subprime Loans shall include: (i) one-to-four family mortgage and timeshare loans (as defined in Paragraph 9(C)(ii) and (iii)) within the Association's matrix grades of A or B, as of May 3, 2001; (ii) one-to-four family mortgage loans within the Association's matrix grades of C or D; (iii) land contracts; (iv) the auto loan portfolio noted in the ROE; (v) 25 percent of the Association's home equity loan

portfolio as of May 31, 2001; and (vi) the aggregate amount of each unsecured credit within the Secured Credit Card Portfolio. For purposes of this Order only, loans granted with a binding, non-recourse, forward commitment to be sold within ninety (90) calendar days, shall be excluded from this definition.

C. For purposes of this Order only, Timeshare Related Loans include: (i) loans for the acquisition, construction, or development of properties that are sold to consumers as timeshare units; (ii) loans made to finance the purchase by consumers of timeshare units (consumer timeshare receivable loans); and (iii) hypothecation loans secured by consumer timeshare receivable loans, as noted in the ROE.

D. For purposes of this Order only, Secured Credit Card Portfolio includes those credit card receivables made under the Association's secured credit card program as discussed in the ROE, which includes both fully secured and unsecured credits.

10. Successor Statutes, Regulations, Guidance, Amendments

Reference in this Order to provisions of statutes, regulations, and OTS Memoranda shall be deemed to include references to all amendments to such provisions as have been made as of the Effective Date of this Order and references to successor provisions as they become applicable.

11. Effective Date

This Order is and shall become effective on the date it is issued, as shown in the caption hereof (Effective Date). The

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

12. Notices

A. Except as otherwise provided herein, any request, demand, authorization, direction, notice, consent, waiver, or other document provided or permitted by the Order to be made upon, given or furnished to, delivered to, or filed with

i. the OTS, by the Association, shall be sufficient for every purpose hereunder if in writing and mailed, first class, postage prepaid or sent via overnight delivery service or physically delivered, in each case addressed to the Regional Director, Office of Thrift Supervision, Department of the Treasury, One South Wacker Drive, Suite 2000, Chicago, Illinois, 60606 or telecopied to (312) 917-5002 and confirmed by first class mail, postage prepaid, overnight delivery service or physically delivered, in each case to the above address.

ii. the Association by the OTS, shall be sufficient for every purpose hereunder if in writing and mailed, first class, postage prepaid, or sent via overnight delivery service or physically delivered, in each case addressed to Sterling Bank and Trust, FSB, at 1 Towne Square, Suite 1700, Southfield, MI 48076-3729 or telecopied to (248)-351-3377 and confirmed by first

class mail, postage prepaid, overnight delivery service or physically delivered, in each case to the above address.

B. Notices hereunder shall be effective upon receipt, if by mail, overnight delivery service or telecopy, and upon delivery, if by physical delivery. If there is a dispute about the date on which a written notice has been received by a party to this Order, then, in the event such notice was sent by the United States mail, there shall be a presumption that the notice was received two Business Days after the date of the postmark on the envelope in which the notice was enclosed.

13. Time Limits

Time limitations for compliance with the terms of this Order run from the Effective Date of this Order, unless otherwise noted.

14. Effect of Headings

The section and paragraph headings herein are for convenience only and shall not affect the construction hereof.

15. Separability Clause

In case any provision in this 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/her sole discretion determines otherwise.

16. No Violations Authorized; OTS Not Restricted

Nothing in this Order or the Stipulation shall be construed as: (i) allowing the Association to violate any law, rule, regulation, or policy statement to which it is subject; or (ii) restricting or estopping the OTS from taking any action(s) that it believes are appropriate in fulfilling the responsibilities placed upon it by law.

17. Incorporation

The Stipulation is made a part hereof and is incorporated herein by this reference.

OFFICE OF THRIFT SUPERVISION

By: /S/

Ronald N. Karr
Regional Director
Central Region