SUPERVISORY AGREEMENT

This Supervisory Agreement ("Agreement") is made and is effective this 20th day of November, 2001 (the "Effective Date"), by and between Home Federal Savings Bank ("Home Federal" or the "Association") OTS Docket No. 05171, a federally chartered mutual association, having its main office located at 9108 Woodward Avenue, Detroit, Michigan 48202 and the Office of Thrift Supervision ("OTS"), an office within the United States Department of the Treasury, having its principal executive offices located at 1700 G Street, N.W., Washington, D.C. 20552, acting through its Central Regional Director or his designee ("Regional Director"). It is understood and agreed that this Agreement is a "written agreement" entered into with the OTS within the meaning of 12 U.S.C. §§ 1818(b)(1) and (i)(2).[1]

WHEREAS, the OTS is the primary federal regulator of Home Federal; and

WHEREAS, based on the Report of Compliance Examination dated May 14, 2001 ("Compliance ROE"), the OTS is of the opinion that Home Federal has engaged in acts and practices that: (i) have resulted in violations of certain of the laws or regulations to which Home Federal is subject, and/or (ii) are considered to be unsafe and unsound; and

WHEREAS, the OTS is of the opinion that grounds exist for the initiation of administrative proceedings against Home Federal; and

WHEREAS, the OTS is of the view that it is appropriate to take measures intended to ensure that Home Federal shall: (i) comply with all applicable laws and regulations, and (ii) engage in safe and sound practices; and

WHEREAS, Home Federal, acting through its Board of Directors ("Board"), wishes to cooperate with the OTS and to evidence the intent to: (i) comply with all applicable laws and regulations, and (ii) engage in safe and sound practices.

NOW THEREFORE, in consideration of the above premises and the mutual undertakings set forth herein, the parties hereto agree as follows:

COMPLIANCE MANAGEMENT

1. Compliance Officer.

Within thirty (30) days after the Effective Date, the Board shall provide OTS with written certification that it has appointed a qualified individual to act as the Association's Compliance Officer. The Board shall ensure that the Association maintains the position of Compliance Officer, whose duties and responsibilities shall be consistent with the provisions contained in paragraph 2.

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

2. <u>Compliance Program</u>.

A. Within ninety (90) days after the Effective Date, the Compliance Officer shall develop, and the Board shall adopt, a written compliance program ("Compliance Program") designed to ensure that the Association is operating in compliance with nondiscrimination, consumer protection, and other public interest laws and regulations. The Compliance Program shall include, but not necessarily be limited to, the following:

i. incorporation of all eight (8) elements set forth in the "Components of an Effective Compliance Program" section of the October 1999 OTS handbook titled "<u>Compliance: *A Self-Assessment Guide*</u>", with emphasis on defined standards of accountability, ongoing monitoring, correction guidelines, and effective training;

ii. policies and procedures covering nondiscrimination, consumer protection and public interest laws and regulations for use by Association personnel. Particular emphasis shall be placed on the Association's compliance with the following laws and their implementing regulations: Truth in Lending Act, Real Estate Settlement Procedures Act, Bank Secrecy Act, Truth in Savings Act, Expedited Funds Availability Act, Equal Credit Opportunity Act, Community Reinvestment Act, and OTS's advertising regulation.

iii. pursuant to a formal written training plan, provisions for the adequate training of Association personnel as to their duties and responsibilities under nondiscrimination, consumer protection, and other public interest laws and regulations;

iv. provisions for ongoing periodic internal or external compliance reviews to monitor the Association's compliance with nondiscrimination, consumer protection, and other public interest laws and regulations. Such compliance audits shall include transactional testing;

v. procedures to ensure that exceptions noted in the compliance reviews and through the Compliance Program are immediately addressed and corrected by appropriate Association personnel;

vi. mechanisms for effective Board oversight, which shall include, at a minimum, quarterly regulatory compliance reports presented to the Board by the Compliance Officer;

vii. a provision ensuring unrestricted access for the Compliance Officer to the Board; and,

viii. procedures for amending the Compliance Program to address changes to nondiscrimination, consumer protection, and other public interest laws and regulations, and as needed for new products and services offered by the Association.

B. Once the Board has adopted the Compliance Program required under paragraph 2.A., the Association shall adhere to it in all material respects.

3. Examiner Access to Books and Records.

The Board shall insure that the Association shall provide prompt, full access to all records and staff during any examination as required under the Home Owners' Loan Act (12 U.S.C. § 1464 (d)(1)(B)(ii)) and OTS's regulations (12 C.F.R. § 563.170(c)).

4. Truth-in-Lending Act.

The Board commits that the Association shall comply with the disclosure requirements set forth in the Truth-in-Lending Act (15 U.S.C. § 1601 et seq.) and the Federal Reserve Board's Regulation Z (12 C.F.R. Part 226).

5. Real Estate Settlement Procedures Act.

The Board commits that the Association shall comply with the disclosure and notice requirements set forth in the Real Estate Settlement Procedures Act (12 U.S.C. § 2601 et seq.) and the U.S. Department of Housing and Urban Development's Regulation X (24 C.F.R. Part 3500), including, but not limited to, all requirements for the administration of borrowers' advance payments for real estate taxes and insurance.

6. Bank Secrecy Act and Reporting of Suspicious Activities.

The Board commits that the Association shall comply with the reporting and recordkeeping requirements set forth in 31 C.F.R. Part 103, 12 C.F.R. § 563.177, and 12 C.F.R. § 563.180(d).

7. Truth in Savings Act.

The Board commits that the Association shall comply with the disclosure requirements set forth in the Truth in Savings Act (12 U.S.C. § 4301 et seq.) and the Federal Reserve Board's Regulation DD (12 C.F.R. Part 230).

8. Expedited Funds Availability Act.

The Board commits that the Association shall comply with the disclosure and notice requirements set forth in the Expedited Funds Availability Act (12 U.S.C. § 4001 et seq.) and the Federal Reserve Board's Regulation CC (12 C.F.R. Part 229).

9. Equal Credit Opportunity Act.

The Board commits that the Association shall comply with the information collection, notification, and recordkeeping requirements set forth in the Equal Credit Opportunity Act (15 U.S.C. § 1601 et seq.) and the Federal Reserve Board's Regulation B (12 C.F.R. Part 202).

10. Community Reinvestment Act.

The Board commits that the Association shall comply with the Community Reinvestment Act (12 U.S.C. § 2901 et seq.) and the public-file content and availability requirements set forth in OTS's regulations (12 C.F.R. § 563e.43).

11. Representation of Contracts and Services.

The Board commits that the Association shall comply with OTS's advertising regulation (12 C.F.R. § 563.27), which sets forth the Association's general obligation to accurately represent the Association's contracts and services to the Association's customers and to the general public.

GENERAL

12. Corrections and Notice Regarding Violations of Law.

Within ninety (90) days after the Effective Date, the Board shall address each regulatory exception and each violation of law, rule or regulation cited in the Compliance ROE and shall take all corrective actions required by OTS in the Compliance ROE. The Board shall provide a comprehensive written notice to the OTS within the ninety- (90-) day timeframe, describing the date and manner in which each correction has been effected.

13. Director Responsibility.

Notwithstanding the requirements of this Agreement that the Board submit various matters to the OTS for consideration, non-objection or notice of acceptability, such regulatory oversight does not derogate or supplant each individual director's continuing 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 OTS as required by this Agreement.

14. Compliance with Agreement.

A. The Board and officers of Home Federal shall take immediate action to cause the Association to comply with the terms of this Agreement and shall take all actions necessary or appropriate thereafter to cause Home Federal to continue to carry out the provisions of this

Agreement.

B. The Board, on a quarterly basis, 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 quarter, Home Federal has complied with each provision of this Agreement currently in effect, except as otherwise stated.

The Compliance Resolution shall: (i) specify in detail how, if at all, full compliance was found not to exist, and (ii) identify all notices of exemption or non-objection issued by the Regional Director that were outstanding as of the date of its adoption.

C. The minutes of the meetings 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. The Board shall promptly respond to any request from the OTS for documents that the OTS reasonably requests to demonstrate compliance with this Agreement.

MISCELLANEOUS

15. Definitions.

All technical words or terms used in this Agreement for which meanings are not specified or otherwise provided by the provisions of this Agreement 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 Publications. Any such technical words or terms used in this Agreement and undefined in said Code of Federal Regulations, HOLA, FDIA, or OTS Publications shall have meanings that are in accordance with the best custom and usage in the savings and loan industry.

16. Successor Statutes, Regulations, Guidance, Amendments.

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

17. Notices.

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

i. OTS, by Home Federal, will 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 Mr. Christopher A. Lombardo, Assistant Director, Office of Thrift Supervision, Department of the Treasury, 1 South Wacker Drive, Suite 2000, Chicago, Illinois 60606, or by facsimile transmission to (312) 917-5001 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, will 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 Board of Directors, Home Federal Savings Bank, 9108 Woodward Avenue, Detroit, Michigan 48202, or by facsimile transmission to (313) 873-6395 and confirmed by first class mail, postage prepaid, overnight delivery service or physically delivered, in each case to the above address.

B. Notices hereunder will 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 Agreement, then, in the event such notice was sent by the United States mail, there will 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.

18. Duration, Termination, or Suspension of Agreement.

A. This Agreement will become effective upon its execution by the OTS, through its authorized representative whose signature appears below. The Agreement will remain in effect until terminated, modified or suspended in writing by the OTS, acting through its Director, Regional Director, or other authorized representative.

B. The Regional Director, in his sole discretion, may, by written notice, suspend any or all of the provisions of this Agreement.

19. Time Limits.

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

20. Effect of Headings.

The Section and paragraph headings herein are for convenience only and will not affect the construction hereof.

21. Separability Clause.

In case any provision in this Agreement 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 will not in any way be affected or impaired thereby, unless the Regional Director in his sole discretion determines otherwise.

22. No Violations of Law, Rule, Regulation or Policy Statement Authorized; OTS Not Restricted.

Nothing in this Agreement will 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 such action(s) that it believes is appropriate in fulfilling the responsibilities placed upon it by law, including, without limitation, any type of supervisory, enforcement or resolution action that the OTS determines to be appropriate.

23. Successors in Interest/Benefit.

The terms and provisions of this Agreement shall be binding upon, and inure to the benefit of, the parties hereto and their successors in interest. Nothing in this Agreement, express or implied, shall give to any person or entity, other than the parties hereto, the Federal Deposit Insurance Corporation and their successors hereunder, any benefit or any legal or equitable right, remedy or claim under this Agreement.

24. Integration Clause.

This Agreement represents the final written agreement of the parties with respect to the subject matter hereof and constitutes the sole agreement of the parties, as of the Effective Date, with respect to the subject matter.

25. Enforceability of Agreement.

Home Federal represents and warrants that this Agreement has been duly authorized, executed, and delivered, and constitutes, in accordance with its terms, a valid and binding obligation of the Association. Home Federal acknowledges that this Agreement is a "written agreement" entered into with the OTS within the meaning of Section 8 of the FDIA, 12 U.S.C. §1818.

IN WITNESS WHEREOF, the OTS, acting by and through the Regional Director, and Home Federal hereby execute this Agreement as of the Effective Date.

OFFICE OF THRIFT SUPERVISION

By: /S/
~~Ronald N. Karr~~ Daniel T. McKee
Central Regional Director-Acting

HOME FEDERAL SAVINGS BANK

By: /S/
Jack Martin
Director and Board Chairman

By: /S/
Louis Johnson
Director and Secretary

By: /S/
Helen Coleman
Director

By: /S/
James A. U. Carter
Director

By: /S/
Emeral A. Crosby
Director

By: /S/
Amyre Makupson
Director

By: /S/
William Walsh
Director