

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

In the Matter of:)
)
Advanta National Bank,) AA-EC-2000-31
Wilmington, Delaware)
)
_____)

C O N S E N T O R D E R

The Comptroller of the Currency of the United States of America (“Comptroller”), through his National Bank Examiners, has examined Advanta National Bank, Wilmington, Delaware (“Bank”), and his preliminary findings have been communicated to the 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,” dated May 30, 2000, that is accepted by the Comptroller. By this Stipulation and Consent, which is incorporated herein by this 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

ACTION PLAN

(1) Within sixty (60) days, subject to further changes required as a consequence of the Report of Examination, the Board shall adopt, and when approved by the Deputy Comptroller for Large Bank Supervision (“Deputy Comptroller”), implement and thereafter ensure Bank adherence to a written action plan detailing the Board's assessment of what needs to

be done to improve the Bank's asset quality, capital levels, internal controls, information systems, proper and timely recognition of loss reserves and charge-off practices for on-book assets, valuation processes for residual asset interests, credit risk management, collection practices and asset management; specifying how the Board will implement the plan; and setting forth a timetable for the implementation of the plan and compliance with each of the provisions of this Order. Upon completion of the plan, the Bank shall submit the plan to the Deputy Comptroller for review and approval. The Board shall establish appropriate procedures for the implementation of the plan and compliance with each of the provisions of this Order.

(2) The plan shall be implemented pursuant to the time frames set forth within the plan unless the provisions of this Order dictate earlier time frames. Where the Board considers modifications appropriate, those modifications shall be submitted to the Deputy Comptroller for approval.

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

ARTICLE II

CAPITAL PLAN AND HIGHER MINIMUMS

(1) The Bank shall achieve by September 30, 2000, and thereafter maintain the following capital levels (as defined in 12 C.F.R. Part 3):

- (a) Tier 1 capital at least equal to fourteen percent (14%) of risk-weighted assets;
- (b) Tier 1 capital at least equal to seventeen percent (17%) of adjusted total assets.

(2) Within sixty (60) days, the Board shall develop, implement, and thereafter ensure Bank adherence to a three-year capital program consistent with the requirements of paragraph (1) of this Article. The program shall include:

- (a) specific plans for the maintenance of adequate capital that may in no event be less than the requirements of paragraph (1);
- (b) projections for growth and capital requirements based upon a detailed analysis of the Bank's assets, liabilities, earnings, fixed assets, and off-balance sheet activities;
- (c) projections of the sources and timing of additional capital to meet the Bank's current and future needs;
- (d) the primary source(s) from which the Bank will strengthen its capital structure to meet the Bank's needs;
- (e) contingency plans that identify alternative methods should the primary source(s) under (d) above not be available; and
- (f) a dividend policy that permits the declaration of a dividend only when the Bank is in compliance with its approved capital program and 12 U.S.C. §§ 56 and 60.

(3) Upon completion, the Bank's capital program shall be submitted to the Deputy Comptroller for approval. Upon approval by the Deputy Comptroller, the Bank shall implement and adhere to the capital program. The Board shall review and update the Bank's capital program on an annual basis, or more frequently if necessary. Copies of the reviews and updates shall be submitted to the Deputy Comptroller.

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

ARTICLE III

GROWTH RESTRICTIONS

(1) The Bank shall not permit its total assets at any calendar quarter end (commencing with the quarter ending June 30, 2000) to increase more than two and one-half (2 1/2) percent over its total assets at the end of the preceding calendar quarter, unless the Bank's capital program pursuant to Article II has been accepted and approved by the Deputy Comptroller; provided, however, total assets at June 30, 2000, will not exceed total assets at May 31, 2000.

(2) Effective immediately, any increase by the Bank in total assets at any calendar quarter end resulting from the origination or purchase of subprime loans must be made in accordance with the requirements of the lending guidelines of paragraph (1) of Article VIII, and the credit documentation requirements of paragraph (3) of Article IX of this Order.

ARTICLE IV

ALLOWANCE FOR LOAN AND LEASE LOSSES

(1) Within thirty (30) days of the effective date of this Order, the Board shall review the adequacy of the Bank's Allowance for Loan and Lease Losses (Allowance) for assets on the books of the Bank, and shall establish and implement prior to submission of the June 30, 2000, Report of Condition and Income ("Call Report") a program for the Bank's maintenance of an adequate Allowance at all times. This review and program shall be designed to be consistent with the comments on maintaining a proper Allowance found in the Allowance for Loan and

Lease Losses booklet of the Comptroller's Handbook, and OCC Advisory Letter 96-8 dated August 6, 1997, entitled "Allowance for Loans and Lease Losses," and shall include, but not be limited to, the following factors:

- (a) results of the Bank's internal loan review;
- (b) an estimate of inherent loss exposure on each subprime credit originated or purchased by the Bank;
- (c) an estimate of inherent loss exposure on each non-subprime credit in excess of fifty thousand dollars (\$50,000);
- (d) the loan size, loan-to-value ratio, geographic location and owner-occupied status of each subprime credit originated or purchased by the Bank;
- (e) loan loss experience;
- (f) the refreshed FICO scores on each subprime credit;
- (g) trends of delinquent and nonaccrual loans, including subprime credits;
- (h) concentrations of credit in the Bank; and
- (i) present and prospective economic conditions.

(2) The program shall provide for a review of the Allowance by the Board at least once each calendar quarter. Any deficiency in the Allowance shall be remedied in the calendar quarter it is discovered, prior to the filing of the Call Report, by additional provisions from earnings. Written documentation shall be maintained indicating the factors considered and conclusions reached by the Board in determining the adequacy of the Allowance.

(3) A copy of the Board's program shall be submitted to the Deputy Comptroller for review and approval.

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

ARTICLE V

BROKERED DEPOSITS

(1) Except as set forth in paragraph (3) below, the Bank shall not accept or renew any Brokered Deposits (as defined by 12 C.F.R. § 337.6(a)(2)) for deposit at the Bank unless and until the Bank's capital program pursuant to Article II has been accepted and approved by the Deputy Comptroller, and the Bank is in compliance with the approved capital program.

(2) The limitation of paragraph (1) of this Article shall include the acquisition of Brokered Deposits through any transfer, purchase, or sale of assets, including Federal funds transactions.

(3) If the Bank seeks to acquire Brokered Deposits prior to the approval of the Bank's capital program, the Bank shall apply to the Deputy Comptroller for written permission. Such application shall contain, at a minimum, the following:

- (a) the dollar volume, maturities, and cost of the Brokered Deposits to be acquired;
- (b) the proposed use of the Brokered Deposits, i.e., short-term liquidity or restructuring of liabilities to reduce cost;
- (c) alternative funding sources available to the Bank; and
- (d) the reasons why the Bank believes that the acceptance of the Brokered Deposits does not constitute an unsafe and unsound practice in its particular circumstances.

The Deputy Comptroller may require the submission of such additional information as necessary to make an informed decision. Upon consideration of the Bank's application, the Deputy Comptroller will determine whether the proposed acquisition of Brokered Deposits may be accomplished in a safe and sound manner and may condition the Bank's acquisition as the Deputy Comptroller shall deem appropriate.

(4) Nothing in this article shall relieve the Bank of its obligation under 12 U.S.C. § 1831f to seek necessary approvals from the Federal Deposit Insurance Corporation before accepting Brokered Deposits and to comply with all the requirements of 12 U.S.C. § 1831f.

ARTICLE VI

CHARGE OFF ASSETS

(1) Effective immediately, to be reflected in the Bank's June 30, 2000, Call Report, the Bank shall charge off to net realizable value all loans on the Bank's books and records that are more than 180 days past due, or as otherwise required by subsequent OCC guidance.

ARTICLE VII

INTERNAL LOAN REVIEW

(1) Within forty-five (45) days, the Board shall establish, and within thirty (30) days thereafter implement, and thereafter ensure the Bank's adherence to an effective, independent, and on-going loan review system to assess, at least quarterly, the loan and lease portfolio to ensure the timely identification of problem credits or other trends within the portfolio. The system shall provide for a report to be filed with the Board after each review. Such reports shall, at a minimum, include conclusions regarding:

- (a) the overall quantity, quality and direction of risk of the loan and lease portfolio through reports stratifying the entire portfolio by such elements

as geography, FICO or other credit score, originator, servicer, product, agings, reagings, deferrals, etc.;

- (b) the identification, type and amount of delinquent loans and leases;
- (c) credit and collateral documentation exceptions;
- (d) escrow and insurance reserve status;
- (e) claims-in-process including a determination of claim eligibility, date claim filed, and status in claim process;
- (f) loans and leases not in conformance with the Bank's lending policy or mortgage underwriting standards;
- (g) concentrations of credit;
- (h) loans and leases rejected or withdrawn from securitizations;
- (i) loans and leases repurchased from any securitization; and
- (j) quality control reports with respect to compliance with any applicable OCC guidance on subprime lending, including the Interagency Guidance on Subprime Lending, dated March 1, 1999, and the OCC's Supplemental Guidance on Subprime Lending, dated April 5, 1999.

(2) The loan review system required by paragraph (1) of this Article must verify that losses are recognized in a timely manner, that adequate loss reserves are maintained at all times, that management is reporting adequate information to keep the Board informed of the condition of the loan portfolio, and that information reported to the Board is accurate. A copy of the reports submitted to the Board, as well as documentation of the action taken by the Board in response to such reports, shall be forwarded to the Deputy Comptroller immediately following each such review.

(3) The loan review system required by paragraph (1) of this Article shall be acceptable to the OCC and, prior to implementation, shall be submitted to the Deputy Comptroller for review and approval.

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

ARTICLE VIII

LENDING GUIDELINES AND POLICY

(1) Effectively immediately, the Bank's origination of any new subprime mortgage loan shall fully comply with the Interagency Guidance on Subprime Lending, dated March 1, 1999, and the OCC's published supplemental guidance on subprime lending in OCC Bulletin 99-15, dated April 5, 1999. Pending approval of the Bank's loan policy by the Deputy Comptroller as required by paragraph (2) of this Article, the OCC shall deem the Bank to be in compliance with this paragraph so long as the Bank originates new subprime mortgage loans in accordance with the following criteria, and to the extent not inconsistent, in conformance with the Bank's existing written lending policies:

- (a) set a maximum loan-to-value ("LTV") ratio generally allowable for all loans, and provide that a higher maximum LTV may only be allowed for specifically defined classes of applicants who have debt-to-income ratios ("DTI") lower than, and FICO scores higher than, the otherwise applicable criteria;
- (b) set a maximum DTI generally allowable and prohibit the exclusion of any debt payments made by the borrower from any DTI calculation, and allow

a higher maximum DTI only for specifically defined classes of applicants who have FICO scores and disposable incomes higher than the otherwise applicable minimums;

- (c) within thirty (30) days, set a minimum FICO score for all borrowers, and require the loan grading matrix to include consideration of DTI and bankruptcies;
- (d) consider the borrower's bankruptcy history;
- (e) require documentation, and approval by a senior management official, of any material credit and collateral exceptions;
- (f) require Bank adherence to the recommendations of the Bank's quality control unit prior to funding any loan reviewed by the unit; and
- (g) require the Bank's quality control unit to sample 10% of the Bank loans or use statistically valid sampling methods in its quality control review.

(2) Within sixty (60) days, the Board shall review and revise the Bank's written loan policy. The Board shall develop a policy consistent with the Loan Portfolio Management booklet, A-LPM, of the Comptroller's Handbook, the Interagency Guidance on Subprime Lending, dated March 1, 1999, and the OCC's additional guidance on Subprime Lending in OCC Bulletin 99-15, dated April 5, 1999. This policy shall incorporate, but not necessarily be limited to, the following:

- (a) a description of acceptable types of loans;
- (b) a provision that current and satisfactory credit information, including a refreshed FICO score, will be obtained on each borrower;

- (c) maturity scheduling related to the anticipated source of repayment, the purpose of the loan, and the useful life of the collateral;
- (d) maximum ratio of loan value to appraised value or acquisition costs of collateral securing the loan;
- (e) collection procedures, to include follow-up efforts, that are systematically and progressively stronger;
- (f) a pricing policy that takes into consideration costs, general overhead, and probable loan losses, while providing for a reasonable margin of profit;
- (g) a definition of the Bank's trade area;
- (h) guidelines and limitations for loans originating outside of the Bank's trade area;
- (i) a limitation on aggregate outstanding loans in relation to other balance sheet accounts;
- (j) a distribution of loans by category;
- (k) restrictions and limitations regarding the use of brokered deposits to fund loan growth or support criticized loans;
- (l) guidelines for loans to insiders, including a statement that such loans will not be granted on terms more favorable than those offered to similar outside borrowers;
- (m) guidelines and limitations on concentrations of credit;
- (n) a limitation on the type and size of loans that may be made by loan officers without prior approval by the Board or a committee established by the Board for this purpose;

- (o) the establishment of dollar limits on extensions of credit to any one borrower, above which the prior approval of the Board, or a committee thereof, would be required;
- (p) the establishment of dollar limits on aggregate extensions of credit to any one borrower, above which any new extensions of credit to that borrower, regardless of amount, would require the prior approval of the Board, or a committee thereof;
- (q) the establishment of debt-to-income and loan-to-value ratios in accordance with industry standards and practice, above which any new extensions of credit, regardless of amount, would require the prior approval of the Board, or a committee thereof;
- (r) the establishment of minimum disposable income levels;
- (s) measures to correct the deficiencies in the Bank's lending procedures noted in any Report of Examination;
- (t) guidelines designed to improve management oversight of the loan approval process, specifically with regard to all subprime credits;
- (u) guidelines consistent with Banking Circular 255, setting forth the criteria under which renewals of extensions of credit may be approved. At a minimum, the policy shall:
 - (i) ensure that renewals are not made for the sole purpose of reducing the volume of loan delinquencies; and
 - (ii) provide guidelines and limitations on the capitalization of interest and fees;

- (v) guidelines setting forth the criteria under which modifications of loan payments or terms, and deferrals of principal and interest may be approved. At a minimum, the policy shall fully comply with the OCC Bulletin 99-13, Uniform Retail Credit Classification Policy, dated February 1999, or as required by subsequent OCC guidance;
- (w) charge-off guidelines, by type of loan or other asset, including Other Real Estate Owned, addressing the circumstances under which a charge-off would be appropriate and ensuring the recognition of losses within the calendar quarter of discovery; and
- (x) guidelines for periodic review of the Bank's adherence to the revised lending policy.

(3) Upon completion, the policy shall be forwarded to the Deputy Comptroller for review and approval. Once approved, the policy shall be implemented, and the Board shall thereafter ensure Bank adherence to the policy.

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

ARTICLE IX

CREDIT AND COLLATERAL EXCEPTIONS

(1) Within forty-five (45) days, the Board shall adopt, implement, and thereafter ensure Bank adherence to a written credit and collateral exception tracking system to ensure that the Bank properly documents any material deviations or exceptions to the Bank's loan policy. A

report summarizing the results of the tracking system shall be presented to the Board on a monthly basis.

(2) Within ninety (90) days the Board shall obtain current and satisfactory credit information available from the credit bureaus, such as a refreshed FICO scores or new financial information, on all loans on the books of the Bank lacking such information, including those listed in any Report of Examination, in any internal or external loan review, or in any listings of loans lacking such information provided to management by the National Bank Examiners at the conclusion of an examination.

(3) Within ninety (90) days the Board shall adopt policies and procedures to ensure proper collateral documentation is maintained on all loans and, to the extent available or obtainable, correct each collateral exception listed in any Report of Examination, in any internal or external loan review, or in any listings of loans lacking such information provided to management by the National Bank Examiners at the conclusion of an examination.

(4) 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, renewal, alteration or restructure of the 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 income and credit information;

Failure to obtain the information in (4)(d) shall require a majority of the full Board (or a delegated committee thereof) to certify in writing the specific reasons (which may relate to a specific set of borrowers satisfying a specific set of criteria) why obtaining and analyzing the information in (4)(d) would be detrimental to the best interests of the Bank.

A copy of the Board or committee 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; and

- (e) documenting, with adequate supporting material, the value of collateral and properly perfecting the Bank's lien on it where applicable.

ARTICLE X

STRATEGIC PLAN

(1) Within ninety (90) days, the Board shall adopt, implement, and thereafter ensure Bank adherence to a written strategic plan for the Bank covering at least a three-year period. The strategic plan shall establish objectives for the Bank's overall risk profile, earnings performance, growth, balance sheet mix, off-balance sheet activities, liability structure, capital adequacy, reduction in the volume of non-performing assets, product line development and market segments that the Bank intends to promote or develop, together with strategies to achieve those objectives and the strategic plan shall, at a minimum, include:

- (a) a mission statement that forms the framework for the establishment of strategic goals and objectives;
- (b) an assessment of the Bank's present and future operating environment;

- (c) the development of strategic goals and objectives to be accomplished over the short and long term;
- (d) an identification of the Bank's present and future product lines (assets and liabilities) that will be utilized to accomplish the strategic goals and objectives established in (1)(c) of this Article;
- (e) an evaluation of the Bank's internal operations, staffing requirements, board and management information systems and policies and procedures for their adequacy and contribution to the accomplishment of the goals and objectives developed under (1)(c) of this Article;
- (f) product line development and market segments that the Bank intends to promote or develop;
- (g) an action plan to improve bank earnings and accomplish identified strategic goals and objectives, including individual responsibilities, accountability and specific time frames;
- (h) a financial forecast to include projections for major balance sheet and income statement accounts and desired financial ratios over the period covered by the strategic plan;
- (i) control systems to mitigate risks associated with planned new products, growth, or any proposed changes in the Bank's operating environment;
- (j) specific plans to establish responsibilities and accountability for the strategic planning process, new products, growth goals, or proposed changes in the Bank's operating environment; and

- (k) systems to monitor the Bank's progress in meeting the plan's goals and objectives.

(2) Upon adoption, a copy of the plan shall be forwarded to the Deputy Comptroller for review.

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

ARTICLE XI

RISK MANAGEMENT

(1) Within sixty (60) days, the Board shall develop, implement, and thereafter ensure Bank adherence to a written risk management program to include, at a minimum, the following:

- (a) identification of existing credit, interest rate, liquidity, transaction, compliance, strategic, reputation, and price risks, and a written analysis of those risks;
 - (b) action plans and time frames to reduce risks where exposure is high, particularly with regard to credit risk, which impacts directly on liquidity, compliance, strategic, and reputation risks, as more fully discussed in the Report of Examination;
 - (c) policies, procedures or standards which limit the degree of risk the Board is willing to incur, consistent with the strategic plan and the Bank's financial condition. This includes analyzing and limiting the risks associated with any new lines of business which the Board undertakes.
- The procedures shall ensure that strategic direction and risk tolerances are

effectively communicated and followed throughout the Bank and should describe the actions to be taken where noncompliance with risk policies is identified;

- (d) systems to measure and control risks within the Bank. Measurement systems should provide timely and accurate risk reports by customer, by department or division, and bank-wide as appropriate; and
- (e) procedures to ensure that Bank employees have the necessary skills to supervise effectively the current and the new business risks within the Bank, and procedures to describe the actions to be taken to address deficiencies in staff levels and skills.

The risk management program shall be consistent with the Bank Supervision Process booklet, EP-SUP of the Comptroller's Handbook.

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

(3) Within sixty (60) days, the Board shall identify and appoint an individual with demonstrated experience and skills in providing overall risk management to implement the Bank's risk management program. This individual shall report to the Board of Directors of the Bank and shall be independent of other Bank operations. Prior to the appointment of an individual to this position, the Deputy Comptroller shall have the power to veto the appointment of this person. However, the failure to exercise such veto power shall not constitute an approval or endorsement of the proposed individual.

(4) The requirement to submit information and the prior veto provisions of this Article are based on the authority of 12 U.S.C. § 1818(b).

ARTICLE XII

VALUATION OF RESIDUAL ASSETS

(1) Effective immediately, the Bank shall estimate the value of its residual assets, including any over-collateralization (“O/C”) and interest-only strip (“I/O”) securities, at least monthly. The Bank shall utilize a static pool cash collection analysis acceptable to the OCC (“model”) to generate its estimates, and may use its current vendor provided program as its tool to calculate the model estimates required by this Article.

(2) The Bank shall establish and comply with policies and procedures, acceptable to the OCC, specifying how the Bank will calculate the factors or assumptions required as inputs for the model. In addition to the provisions below, the policies and procedures must require that the Bank will fully document and maintain every quantitative and qualitative assumption used to determine residual asset valuation, and any deviations from the policy’s calculation process shall be fully documented and maintained by the Bank. The policies and procedures shall also: (i) require the performance of a back-testing procedure to validate the accuracy of estimates relative to actual performance; (ii) a written analysis of the results of each such back-testing; and (iii) require the retention of all documentation pertaining to each such back-testing. The Bank shall not record in its books and records any estimate of the value of a residual where the estimate was not generated according to its written policies without the prior approval of the OCC.

(3) The Bank’s model shall, at a minimum, base its estimation process on the following factors or assumptions:

- (a) an actual cash payment rate--which the Bank shall calculate based on the history of actual payments made;
- (b) a loss rate--which the Bank shall calculate on the basis of current monthly loss rates (including roll rate analysis) from the relevant portfolio. For purposes of determining loss rate, the Bank shall consider a loan to be “loss” according to the requirements described in paragraph (5) below;
- (c) a prepayment rate--which the Bank shall calculate by determining the aggregate prepayment rate of the relevant portfolio during the prior three months; and
- (d) a discount rate--which the Bank shall calculate based on appropriate comparisons with at least three comparable portfolios and supported by such other market information as is available to determine the appropriate required yields for residual assets.

(4) The Bank shall document, and maintain such documentation of, its calculation of each of the factors or assumptions described above in paragraph (3).

(5) For purposes of this Article and for estimating the value of a residual asset on the Bank’s books, the Bank shall consider the loan balance in excess of the fair value of the property securing a loan in a securitization to be a loss when:

- (a) the loan is 180 days or more past due, as calculated according to the requirements described below in Paragraph (6); and
- (b) the current value of the collateral, less liquidation costs, is less than the unpaid balance of the loan; or

- (c) as otherwise required by any subsequently issued OCC published guidance for classification of retail credits.

Provided, however, the amount of any loss may be reduced by objective and verifiable cash flow attributable to borrowers who pay off their loans in full or who otherwise make payments on their loans, as established to the satisfaction of the OCC.

(6) For purposes of paragraph (5) above, the Bank shall not consider the fact that a borrower is granted an extension, deferral, payment modification, renewal, or re-write, or the loan is re-aged (collectively “deferral”), whether pursuant to contract or not, in calculating how many days past due the loan is unless the deferral was granted according to the following criteria:

- (a)
 - (i) at the time each deferral is granted, the borrower re-commits to repay the loan in full; and
 - (ii) at the time each deferral is granted, the Bank has documented its analysis and conclusion that the borrower has the ability to repay the loan in full; and
 - (iii) the decision to grant the deferral was fully documented and granted in accordance with written policies and procedures, and the Bank reviewed all such documentation; and
 - (iv) the policies governing granting of deferrals place prudent limits on both the number and frequency of deferrals that may be granted and these limitations were not exceeded; and

- (v) the deferral did not involve the extension of any additional credit to refinance or capitalize accumulated unpaid balances, interest or fees; or
- (b) as to deferrals made prior to the issuance of this Order, the deferral was granted in accordance with the following criteria:
 - (i) no more than one deferral was granted during any twelve month period; and
 - (iii) no more than one payment was deferred at the time of the deferral; Provided, however, the valuation shall reflect the actual historical performance of past deferred loans that have been charged off or paid off in the past 15 months, and shall further take into consideration the then current past due status of any such loans.

(7) The Bank's valuation estimate and the applicable valuation assumptions shall comply with Generally Accepted Accounting Principles ("GAAP"), and in the case of a disagreement regarding the appropriate application of GAAP to the Bank's valuation estimate and assumptions, the Bank shall engage a firm or firms, other than the Bank's and Advanta Corp.'s current independent public accountants, that is (are) acceptable to the OCC, to review compliance with GAAP.

ARTICLE XIII

SECURITIZATION ACTIVITIES

(1) Effectively immediately, the Bank shall cease and desist from funding any Delinquency Advances, as defined by either the Sub-Servicing Agreement or Mortgage Loan Servicing Agency Agreement, with respect to any loans which:

- (a) are 180 days or more past due, and

- (b) the unpaid balance of the loan exceeds the value of the collateral securing the loan, less the costs of liquidation.

(2) The Bank may continue to pay Delinquency Advances for loans described in subparagraphs (1)(a) or (b) of this Article only if:

- (a) prior to funding the Delinquency Advance, the Bank obtains from Advanta Corp. or Advanta Mortgage Corp. USA, a prior perfected security interest in collateral acceptable to the OCC, and in the form prescribed by and having a market value equal to or greater than the minimums described in 12 U.S.C. § 371c(c)(A), (B), (C), or (D); and
- (b) the Bank has submitted in a timely manner monthly reports to the OCC, each month since the effective date of this Order, which reports accurately and completely describe the aggregate total of all such Delinquency Advances in the prior month and, for each Delinquency Advance, detail the securitization, loan number, date of the Delinquency Advance, amount, reason for the Delinquency Advance, loan number, delinquency bucket, most current collateral valuation, and loan status.

(3) If the Bank, as subservicer, ceases to fund Delinquency Advances and AMCUSA agrees to assume the obligation to fund Delinquency Advances, the Subservicing Agreement between AMCUSA and the Bank shall be amended to provide for AMCUSA to assume the obligation to fund Delinquency Advances and to relieve the Bank from the obligation to fund Delinquency Advances, and such other terms and provisions as shall be approved by the parties and found acceptable to the Deputy Comptroller.

ARTICLE XIV

DEFINITIONS

(1) For purposes of this Order, the terms described below shall have the following meaning:

- (a) “Subprime” lending shall mean lending to borrowers who exhibit characteristics indicating a significantly higher risk of default than traditional bank lending customers;
- (b) “Extension of credit” shall be defined as provided in section 215.3 of Regulation O of the Board of Governors of the Federal Reserve System, 12 C.F.R. § 215.3;
- (c) “Delinquency Advances” shall have the same meaning as given in the Sub-Servicing Agreement between the Bank and Advanta Mortgage Corp. USA, dated and effective February 15, 1999, in section 4.03.
- (d) “Servicing Advances” shall have the same meaning as given in the Sub-Servicing Agreement between the Bank and Advanta Mortgage Corp. USA, dated and effective February 15, 1999, in Article I on page 12.

ARTICLE XV

COMPLIANCE COMMITTEE

(1) Within ten (10) days, the Board shall appoint a Compliance Committee of at least three (3) officers or directors to be responsible for monitoring and coordinating the Bank's adherence to the provisions of this Order. Upon appointment, the names of the members of the Compliance Committee shall be submitted in writing to the Deputy Comptroller.

(2) Within twenty (20) days of the appointment of the Committee, and every thirty (30) days thereafter, the Compliance Committee shall submit a written progress report to the Board setting forth in detail:

- (a) actions taken to comply with each Article of this Order; and
- (b) the results of those actions.

(3) The Board shall forward a copy of the Compliance Committee's report, with any additional comments by the Board, to the Deputy Comptroller.

ARTICLE XVI

NOTICE AND CLOSING

(1) All correspondences related to this Order, and any information or documentation required hereunder to be submitted to the Deputy Comptroller or the Bank, shall be sent by overnight mail, hand delivery, or facsimile to:

if to the OCC:

Timothy W. Long
Deputy Comptroller-Large Bank Supervision
Office of the Comptroller of the Currency
250 E Street, SW
Mail Stop 6-1
Washington, DC 20219
202-874-4610
202-927-0631 (fax)

if to the Bank:

William A. Rosoff
Vice-Chairman
Advanta Corp.
Welsh and McKean Roads
P.O. Box 918
Spring House, PA 19477-0844

and

Elizabeth Mai, Esq.
General Counsel
Advanta National Bank
Welsh and McKean Roads
P.O. Box 918
Spring House, PA 19477-0844

(2) Although the Board is by this Order required to submit certain proposed actions and programs for the review or approval of the Deputy Comptroller, the Board has the ultimate responsibility for proper and sound management of the Bank.

(3) 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, including the commencement of any administrative action on matters arising from the ongoing examination of the Bank and not expressly addressed herein, nothing in this Order shall in any way inhibit, estop, bar or otherwise prevent the Comptroller from so doing.

(4) 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 Deputy Comptroller for good cause upon written application by the Board.

(5) 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, it is intended to mean that the Board will exercise best efforts to: (i) 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; (ii) require the timely reporting by Bank management of such actions directed by the Board to be taken under the terms of this Order; (iii) follow-up on any non-compliance with such

actions in a timely and appropriate manner; and (iv) require corrective action be taken in a timely manner of any non-compliance with such actions.

(6) 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.

IT IS SO ORDERED, this 31st day of May, 2000.

Signed

5-31-00

Timothy W. Long
Deputy Comptroller-Large Bank Supervision
Office of the Comptroller of the Currency

Date