

#2016-035

Also Terminates #2010-069

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

In the Matter of:)
Neighborhood National Bank)
San Diego, California)

AA-EC-2016-24

CONSENT ORDER

WHEREAS, the Comptroller of the Currency of the United States of America ("Comptroller" or "OCC"), through his authorized representative, has supervisory authority over Neighborhood National Bank, San Diego, California ("Bank");

WHEREAS, 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"), dated March 24, 2016, that is accepted by the Comptroller, through his duly authorized representative; and

WHEREAS, by this Stipulation, which is incorporated by reference, the Bank, has consented to the issuance of this Consent Order ("Order") by the Comptroller;

NOW, THEREFORE, 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

COMPLIANCE COMMITTEE

(1) By March 31, 2016, the Board shall appoint and maintain a Compliance Committee of at least three (3) directors, none of whom shall be an employee or controlling shareholder of the Bank or any of its affiliates (as the term "affiliate" is defined in 12 U.S.C.

§ 371c(b)(1)), or a family member of any such person. Upon appointment, the names of the members of the Compliance Committee and, in the event of a change of the membership, the name of any new member shall be submitted in writing to the Director for Special Supervision ("Director"). The Compliance Committee shall be responsible for monitoring and coordinating the Bank's adherence to the provisions of this Order.

(2) The Compliance Committee shall meet at least monthly.

(3) By the April 2016 board meeting, and every ninety (90) days thereafter, the Compliance Committee shall submit a written progress report to the Board setting forth in detail:

(a) a description of the actions needed to achieve full compliance with each Article of this Order;

(b) actions taken to comply with each Article of this Order; and

(c) the results and status of those actions.

(4) The Board shall forward a copy of the Compliance Committee's report, with any additional comments by the Board, to the Director within five (5) days of receiving such report.

(5) By March 31, 2016, the Bank shall designate an officer to be responsible for coordinating and submitting to the OCC the written plans, reports, and other documents required to be submitted under the terms and conditions of this Order.

ARTICLE II

STRATEGIC PLAN

(1) By May 31, 2016, the Board shall forward to the Director for his review, pursuant to paragraph (5) of this Article, a written Strategic Plan for the Bank that is acceptable to the Director, covering at least a three-year period. At the Board meeting following receipt of the

Director's written determination of no supervisory objection, the Board shall adopt and the Bank (subject to Board review and ongoing monitoring) shall implement and thereafter ensure adherence to the Strategic Plan. 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, product line development, and market segments that the Bank intends to promote or develop, together with strategies to achieve those objectives, and shall, at a minimum, include:

- (a) a mission statement that forms the framework for the establishment of strategic goals and objectives;
- (b) a description of the Bank's targeted market(s) and an assessment of the current and projected risks and competitive factors in its identified target market(s);
- (c) short and long-term strategic goals and objectives, including key financial indicators, risk tolerances, and realistic strategies to improve the overall condition of the Bank;
- (d) identification of Bank personnel to be responsible and accountable for achieving each goal and objective of the Strategic Plan, including specific timeframes;
- (e) a financial forecast, to include projections for major balance sheet and income statement accounts, targeted financial ratios, and growth projections over the period covered by the Strategic Plan;
- (f) a description of the assumptions used to determine financial projections and growth targets;

- (g) an identification and risk assessment of the Bank's present and planned product lines (assets and liabilities) that will be utilized to accomplish the strategic goals and objectives in the Strategic Plan, with the requirement that the risk assessment of new product lines must be completed prior to offering such product lines;
- (h) a description of control systems to mitigate risks associated with planned new products, growth, or any proposed changes in the Bank's markets;
- (i) 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 established in the Strategic Plan;
- (j) assigned responsibilities and accountability for the strategic planning process, new products, growth goals, and proposed changes in the Bank's operating environment; and
- (k) a description of systems to monitor the Bank's progress in meeting the Strategic Plan's goals and objectives.

(2) If the Board's Strategic Plan under paragraph (1) of this Article is a sale or merger of the Bank, the Strategic Plan shall, at a minimum, describe the actions, including the associated timeline, to execute a definitive agreement for the sale or merger no later than ninety (90) days after the receipt of the Director's written determination of no supervisory objection pursuant to paragraph (5) of this Article. If the Strategic Plan outlines a liquidation of the Bank, the Strategic Plan shall detail the actions and steps necessary to accomplish the liquidation in conformance with 12 U.S.C. §§ 181 and 182, and the dates by which each step of the liquidation

shall be completed, including the date by which the Bank will terminate the national bank charter. In the event of liquidation, the Bank shall hold a shareholder vote, pursuant to 12 U.S.C. § 181, and commence liquidation within thirty (30) days of receiving the Director's written determination of no supervisory objection pursuant to paragraph (5) of this Article.

(3) At least monthly, the Board shall review the Bank's financial reports and earnings analyses to evaluate the Bank's performance against the Strategic Plan's goals and objectives, as well as management's written explanation of significant differences between actual and projected balance sheet, income statement, and expense accounts, including descriptions of extraordinary or nonrecurring items.

(4) At least quarterly, the Board shall prepare a written evaluation of the Bank's performance against the Strategic Plan, based upon its monthly reviews under paragraph (3) of this Article, and shall include a description of the actions the Board will require management to take to address any shortcomings, which shall be documented in the Board meeting minutes. Within five (5) days of completing its evaluation, the Board shall submit a copy to the Director.

(5) Prior to adoption by the Board, a copy of the Strategic Plan, and any subsequent amendments or revisions, shall be forwarded to the Director for review and prior written determination of no supervisory objection. Upon receiving a written determination of no supervisory objection from the Director, the Board shall adopt and the Bank shall immediately implement and adhere to the Strategic Plan, and any subsequent amendments or revisions.

(6) The Bank may not initiate any action that deviates significantly from the Strategic Plan (that has received a no supervisory objection from the Director that has been adopted by the Board) without prior written determination of no supervisory objection from the Director. The Board must give the Director at least thirty (30) days advance written notice of its intent to

deviate significantly from the Strategic Plan, along with an assessment of the impact of such change on the Bank's condition, including an analysis of the risks and benefits, a profitability analysis, and an evaluation of the adequacy of the Bank's organizational structure, staffing, MIS, internal controls, and written policies and procedures to identify, measure, monitor, and control the risks associated with the change in the Strategic Plan. For purposes of this Article, changes that may constitute a significant deviation from the Strategic Plan include, but are not limited to, a change in the Bank's products and services, business lines, marketing strategies, marketing partners, underwriting practices and standards, credit administration, accounting management, asset composition and size, collection strategies or operations, fee structure or pricing, funding sources and strategies, structure, operations, accounting processes and practices, or markets of the Bank any of which, alone or in the aggregate, may have a material impact on the Bank's operations or financial performance; or any other changes in personnel, operations, or external factors that may have a material impact on the Bank's operations or financial performance. For purposes of this paragraph, "personnel" shall include the president, chief executive officer, chief operating officer, chief financial officer, chief credit officer, chief compliance officer, risk manager, auditor, member of the Bank's Board, or any other position subsequently identified in writing by the Director.

(7) Until the Strategic Plan required under this Article has received a written determination of no supervisory objection from the Director, the Bank shall not significantly deviate from the products and services, asset composition and/or size, funding sources, structure, operations, policies, procedures, and/or market(s) of the Bank that existed before the effective date of this Order without first obtaining the Director's prior written determination of no supervisory objection to such significant deviation. Any request to the Director for prior written

determination of no supervisory objection to a significant deviation must be submitted to the Director following the same requirements described in paragraph six (6) of this Article.

ARTICLE III

CAPITAL PLAN AND HIGHER MINIMUMS

(1) Upon execution of this Order, the Bank shall achieve and maintain at all times the following minimum capital levels (as defined in 12 C.F.R. Part 3):

- (a) total capital ratio at least equal to eleven percent (11%); and
- (b) leverage ratio at least equal to nine percent (9%).

(2) The requirement in this Order to achieve and maintain specific capital levels 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 6, pursuant to 12 C.F.R. § 6.4(b)(1)(iv).

(3) By May 31, 2016, the Board shall develop and implement an effective internal capital planning process to assess the Bank’s capital adequacy in relation to its overall risks and to ensure appropriate capital levels, which shall in no event be less than the requirements of paragraph (1) of this Article. The capital planning process shall be consistent with OCC Bulletin 2012-16, “Guidance for Evaluating Capital Planning and Adequacy” (June 7, 2012), and shall ensure the integrity, objectivity, and consistency of the process through adequate governance. The Board shall document the initial capital planning process and thereafter review and document the capital planning process at least annually.

(4) By May 31, 2016, the Board shall forward to the Director for review and prior written determination of no supervisory objection, pursuant to paragraph (6) of this Article, a written Capital Plan for the Bank that is acceptable to the Director, consistent with the Strategic

Plan required by Article II of this Order, covering at least a three-year period. The Capital Plan shall, at a minimum:

- (a) include specific plans for the achievement and maintenance of adequate capital, which may in no event be less than the requirements of paragraph (1) of this Article;
 - (b) identify and evaluate all material risks;
 - (c) determine the Bank's capital needs in relation to the material risks and strategic direction;
 - (d) identify and establish a strategy to maintain capital adequacy and strengthen capital if necessary, and establish a contingency or back-up capital plan commensurate with the Bank's overall risk and complexity;
 - (e) include detailed quarterly financial projections; and
 - (f) include specific plans detailing how the Bank will comply with restrictions or requirements set forth in this Order that will have an impact upon the Bank's capital.
- (5) The Bank may declare or pay a dividend or make a capital distribution only:
- (a) when the Bank is in compliance with and would remain in compliance with its approved written Capital Plan immediately following the declaration or payment of any dividend or the capital distribution;
 - (b) when the Bank is in compliance with 12 U.S.C. §§ 56 and 60; and
 - (c) following the prior written determination of no supervisory objection by the Director.

(6) Prior to adoption by the Board, a copy of the Capital Plan shall be submitted to the Director for a prior written determination of no supervisory objection. The Board shall review and update the Bank's written Capital Plan at least annually, no later than January 31 each year, and more frequently if necessary or if required by the Director in writing, to cover the next three-year period. Subsequent amendments or revisions to the Bank's written Capital Plan shall be submitted to the Director for a prior written determination of no supervisory objection. At the next Board meeting following receipt of the Director's written determination of no supervisory objection, the Board shall adopt and the Bank, subject to Board review and ongoing monitoring, shall implement and thereafter adhere to the written Capital Plan and any amendments or revisions thereto.

(7) At least monthly, the Board shall review financial reports and earnings analyses that evaluate the Bank's performance against the goals and objectives established in the written Capital Plan, as well as the Bank's written explanation of significant differences between the actual and projected balance sheet, income statement, and expense accounts, including descriptions of extraordinary and/or nonrecurring items. This review shall include a description of the actions the Board will require the Bank to take to address any deficiencies. At least quarterly, the Board shall prepare a written evaluation of the Bank's performance against the written Capital Plan, which shall include a description of the actions the Board will require the Bank to take to address any deficiencies, which shall be documented in the Board meeting minutes.

(8) If the Bank fails to maintain the capital ratios required by paragraph (1) of this Article, fails to submit a Capital Plan as required by paragraph (4) of this Article, or fails to implement a Capital Plan to which the Director has provided a written determination of no

supervisory objection, then the Bank may, in the Director's sole discretion, be deemed undercapitalized for the purposes of this Order. The Bank shall take such corrective measures as the OCC may direct in writing from among the provisions applicable to undercapitalized depository institutions under 12 U.S.C. § 1831o(e) and 12 C.F.R. Part 6. For purposes of this requirement, an action "necessary to carry out the purpose of this section" under 12 U.S.C. § 1831o(e)(5) shall include restoration of the Bank's capital to the minimum ratios required by this Order, and any other action deemed advisable by the OCC to address the Bank's capital deficiency or the safety and soundness of its operations.

ARTICLE IV

BOARD TO ENSURE EFFECTIVE AND QUALIFIED MANAGEMENT

(1) Effectively immediately, the Board shall ensure that the Bank has effective, qualified, full-time management in place for all executive officer positions to: (i) carry out the Board's policies; (ii) implement effective corrective actions to address any violations of law or deficient practices as described in the most recent Report of Examination ("ROE"); (iii) ensure compliance with this Order, applicable laws, rules, and regulations; and (iv) manage the day-to-day operations of the Bank in a safe and sound manner.

(2) By June 30, 2016, and annually thereafter, the Board shall perform an evaluation of corporate governance processes and management supervision in light of the Bank's condition. This evaluation shall be documented in a written report and include corrective actions along with timeframes to ensure compliance with paragraph (1) of this Article. This report shall be submitted to the Director upon completion and shall address whether:

- (a) senior executive officers are capable of performing present and anticipated duties or whether senior executive officer changes should be made, factoring in each officer's performance experience, and qualifications, compared to the position description, duties and responsibilities, with particular emphasis on the proposed responsibilities to comply with this Order and correct the concerns raised in the most recent ROE and any subsequent ROE;
- (b) clear lines of responsibility and authority exist for each member of senior executive management, including but not limited to, the Chairman of the Board, Chief Executive Officer ("CEO"), President, Chief Operations Officer, Chief Financial Officer, and Chief Lending Officer;
- (c) a management employment and succession program is in place to identify future senior executive management staffing requirements for the Bank and to promote the retention and continuity of capable management;
- (d) there is an adequate process to evaluate, at least annually, the Bank's overall internal operations, staffing, Board and management oversight, information systems, policies, procedures, and other risk management systems with time sensitive strategies to address any deficiencies and to ensure that the findings from the evaluations are documented; and
- (e) an adequate process is in place to ensure that management promptly responds to and appropriately corrects any audit, compliance, and/or regulatory criticisms.

(3) The Board shall ensure it receives and reviews sufficient information from management (including scope, frequency, timing and content) regarding the operation of the Bank and compliance with this Order to enable it provide oversight and fulfill its fiduciary duties and other responsibilities under law and as outlined in the OCC's "The Director's Book: the Role of a National Bank Director" (October 2010) and "Duties and Responsibilities of Directors" booklet of the Comptroller Handbook.

(4) The Board shall establish, at least annually, the objectives by which senior executive officers' effectiveness shall be measured.

(5) The Board, or Board-approved committee, shall perform and prepare an independent annual written performance appraisal for the Bank's President and CEO. The Board shall review and approve any appraisal of the Bank's President and CEO performed and prepared by a Board-approved committee. The Board shall ensure that an annual independent written performance appraisal is performed and prepared for all other senior executive officers. Each annual independent written performance appraisal shall evaluate the performance of each senior executive officer according to the position's description and responsibilities. If necessary and as appropriate, the Board shall engage a qualified independent third party to assist in preparing the written performance appraisals. Each annual independent written performance appraisal also must evaluate compliance with:

- (a) objectives established by the Board;
- (b) Board approved policies and procedures;
- (c) Board approved Strategic and Capital Plan;
- (d) action plans to remedy concerns raised in ROEs or audit reports; and
- (e) compliance with laws, regulations, regulatory guidance, and the Order.

(6) The Board shall ensure that the Bank addresses and implements effective actions to correct any deficiencies identified pursuant to paragraph (5) of this Article.

ARTICLE V

BANK SECRECY ACT PROGRAM

(1) By July 31, 2016, the Board shall ensure that the Bank develops, implements, and thereafter adheres to a written program (“BSA Program”) of policies and procedures to provide for compliance with the Bank Secrecy Act, as amended (31 U.S.C. § 5311 *et seq.*), the regulations promulgated thereunder at 31 C.F.R. Chapter X, as amended, 12 C.F.R. § 21.11 and 21.21, and the rules and regulations of the Office of Foreign Assets Control (“OFAC”) (collectively referred to as the “BSA”), and for appropriate identification and monitoring of transactions that pose greater than normal risk for compliance with the BSA.

(2) The Bank’s BSA Program shall be consistent with the guidance set forth in the Federal Financial Institutions Examination Council (FFIEC) *Bank Secrecy Act/Anti-Money Laundering (“BSA/AML”) Examination Manual*, shall adhere to corrective actions in the most recent Report of Examination (including those required to correct the 12 C.F.R. § 21.21 violation), and shall (at a minimum) provide for:

- (a) a system of internal controls that includes, at a minimum:
 - i. a comprehensive, written assessment of Bank-wide BSA/AML risks performed on at least an annual basis;
 - ii. clear definitions of the Bank’s risk tolerance with regard to specific products, services, customers, entities, and geographic locations;

- iii. effective customer due diligence and enhanced due diligence processes at account opening and on an ongoing basis;
 - iv. an adequate methodology for properly risk rating customer accounts at account opening and on an ongoing basis;
 - v. effective transaction monitoring processes that ensures all transactions are monitored on a periodic basis and alerts are designed to mitigate identified BSA risks;
 - vi. identification and reporting of all suspicious activity across all monitoring channels (*e.g.*, transaction monitoring, EDD processes, law enforcement requests);
 - vii. requires management to review the level of BSA risks in the Bank's products, services and customer bases on a periodic basis and to bring to the attention of the Board or senior management any excessive BSA risks (including relationship risks) that cannot be effectively mitigated; and
 - viii. model risk management practices that, at a minimum, require model and data validation, model adjustments, and optimization on a periodic basis.
- (b) a permanent, qualified, experienced, and independent BSA officer who will have sufficient authority, necessary resources, and qualified staff to coordinate and monitor compliance with the Bank's BSA program, including filing Suspicious Activity Reports ("SARs");

- (c) a comprehensive training program for all appropriate operational and supervisory personnel to ensure that they:
 - i. understand current and ongoing requirements of the BSA;
 - ii. understand any updated Bank policies or procedures required to achieve compliance with this Order;
 - iii. collect and update required CDD/EDD information;
 - iv. demonstrate sufficient knowledge of how to monitor accounts for suspicious activity and properly review and investigate alerts;
 - v. understand and manage risks associated with money service businesses and cash intensive businesses; and
 - vi. recognize and report suspicious activity in accounts; and
- (d) an independent, risk-based, and properly-scoped BSA/AML audit on at least an annual basis that includes, among other things, an in-depth review of money service businesses, cash intensive businesses, and related risk management practices.

ARTICLE VI

BSA ACTION PLAN

- (1) By May 31, 2016, the Bank shall submit to the Director for a determination of no supervisory objection an Action Plan containing:
 - (a) detailed remediation plans and corrective actions to correct the 12 C.F.R. § 21.21 violation and achieve full compliance with Article V (BSA

Program) of this Order, including, but not limited to, corrective actions required by the most recent Report of Examination;

- (b) specific dates by which the Bank will achieve each of the required corrective actions in the Action Plan; such timeframes for completion of the corrective actions shall be consistent with any deadlines set forth in the Order, unless modified in writing by the Director.

(2) The Bank shall implement the Action Plan upon the Director's issuance of a written determination of no supervisory objection. In the event the Director requires the Bank to revise the plan, the Bank shall promptly make and the Board shall approve necessary and appropriate revisions and resubmit the Action Plan to the Director for review and determination of no supervisory objection.

(3) Following implementation, the Bank shall not take any action that will cause a significant deviation from, or material change to, the Action Plan unless and until the Bank has received a prior written determination of no supervisory objection from the Director. The Board shall ensure that the Bank achieves and thereafter maintains compliance with this Order, including, without limitation, successful implementation of the Action Plan. In each instance in this Order in which the Board is required to ensure adherence to or undertake to perform certain obligations of the Bank, it is intended to mean that the Board shall:

- (a) authorize and adopt such actions necessary for Bank management to perform its obligations and undertakings;
- (b) require timely reporting by Bank management of such actions directed by the Board under this Order;

(c) require timely corrective action be taken in a timely manner for any non-compliance with such actions; and

(d) follow-up timely and appropriately on non-compliance with such actions.

(4) At least monthly, the Board shall review the Action Plan and evaluate the Bank's performance against the goals and objectives established in the Action Plan. At least quarterly, the Board shall prepare a written evaluation of the Bank's performance against the Action Plan, which shall include a description of the actions the Board will require management to take to address any shortcomings, which shall be documented in the Board meeting minutes. Within five (5) days of completing the written evaluation, the Board shall submit a copy to the Director.

(5) The Action Plan must specify responsible personnel and overall staffing plans that are necessary to achieve and maintain compliance with 12 C.F.R. § 21.21 and with Articles V and VII of this Order.

ARTICLE VII

CUSTOMER ACCOUNT AND TRANSACTION ACTIVITY REVIEW ("LOOK BACK")

(1) By April 30, 2016, the Bank shall submit to the Director for a written determination of no supervisory objection, a qualified, independent, third-party consultant, in accordance with OCC Bulletin 2013-33, to review and provide a report on the Bank's suspicious activity monitoring over customer accounts and transaction activity ("Look Back"). The Look Back shall cover areas and dates to be approved in writing by the Director. The purpose of the Look Back is to determine whether suspicious activity was timely identified by the Bank, and, if appropriate to do so, was then timely reported by the Bank in accordance with 12 C.F.R. § 21.11

(2) Within thirty (30) days of the completion of the Look Back, the written findings shall be reported to the Board, with a copy to the Director. The report shall include, at a minimum, the Look Back scope, methodology, a list of customers with SARs that should be filed or amended, a list of accounts that represent excessive risk for BSA/AML compliance, and a conclusion about the effectiveness of the Bank's suspicious activity monitoring. The Bank shall file SARs, in accordance with 12 C.F.R. § 21.11, for any previously unreported suspicious activity identified during the Look Back within sixty (60) days of receiving the Look Back results and provide a summary of the final results to the Director.

(3) Based upon the results of the Look Back, the OCC, at its sole discretion, may expand the scope of the Look Back period. If an additional Look Back is deemed appropriate by the OCC, the Bank shall complete the additional Look Back in accordance with this Article.

ARTICLE VIII

ADMINISTRATIVE APPEALS AND EXTENSIONS OF TIME

(1) If the Bank requires a waiver or suspension of any provision or an extension of any timeframe within this Order, the Board shall submit a written request to the Director asking for relief. Any written requests submitted pursuant to this Article shall include a statement setting forth in detail, with relevant supporting documentation, the special facts and circumstances that support the waiver or suspension of any provision or an extension of a timeframe within this Order.

(2) The Director's decision concerning a request submitted pursuant to paragraph (1) of this Article is final and not subject to further review.

ARTICLE IX

OTHER PROVISIONS

(1) Although the Bank is required to submit certain proposed actions and programs for the review or prior written determination of no supervisory objection of the Director, the Board has the ultimate responsibility for proper and sound management of the Bank and the completeness and accuracy of the Bank's documents, books and records.

(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 or its institution-affiliated parties (as defined by 12 U.S.C. § 1813(u)), nothing in this Order shall in any way inhibit, estop, bar, or otherwise prevent the Comptroller from so doing.

(3) Each citation or referenced guidelines included in this Order includes any subsequent guidance that replaces, supersedes, amends, or revises the cited law, regulation, or guidance.

(4) The provisions of this Order are effective upon issuance of this Order by the Comptroller, through his authorized representative whose signature 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, through his authorized representative.

(5) Except as otherwise expressly provided herein, any time limitations imposed by this Order shall begin to run from the effective date of this Order.

(6) In each instance in this Order in which the Board or a Board committee is required to ensure adherence to and undertake to perform certain obligations of the Bank, it is intended to mean that the Board or Board committee shall:

- (a) ensure that the Bank has sufficient processes, management, personnel, and control systems to ensure implementation of and adherence to the program developed pursuant to this Order, and that Bank management and personnel have sufficient training and authority to execute their duties under this Order;
- (b) authorize, direct 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 non-compliance with such actions in a timely and appropriate manner; and
- (e) require that corrective action be taken in a timely manner of any non-compliance 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, and expressly does not form, and may not be construed to form, a contract binding on the Comptroller or the United States.

(8) All reports or plans which the Bank or Board has agreed to submit to the Director pursuant to this Order shall be forwarded, by overnight mail or via email, to the following:

Director for Special Supervision
Comptroller of the Currency
400 7th Street, S.W.
Suite 3E-218, Mail Stop 8E-12
Washington, DC 20219

with a copy to:
Comptroller of the Currency
Santa Ana Field Office
1551 North Tustin Avenue, Suite 1050
Santa Ana, California 92705

(9) The terms of this Order, including this paragraph, are not subject to amendment or modification by any extraneous expression, prior agreements, or prior arrangements between the parties, whether oral or written.

(10) The Bank entered into a Consent Order with the OCC dated April 12, 2010 (“2010 Order”). This Order replaces the 2010 Order in its entirety and, therefore, the 2010 Order is hereby terminated. Provided, however, no provision in this Order shall bar or otherwise limit any enforcement action the OCC may choose to initiate, in its discretion, against the Bank or its institution-affiliated parties for any failure to comply with the 2010 Order while it was effective.

IT IS SO ORDERED, this 24th day of March, 2016.

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

/s

Wendell C. Walker
Acting Director
Special Supervision Division

3/24/2016

Date

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

In the Matter of:)
Neighborhood National Bank)
San Diego, California)

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

WHEREAS, the Comptroller of the Currency of the United States of America ("Comptroller" or "OCC") intends to initiate cease and desist proceedings against Neighborhood National Bank, San Diego, California ("Bank"), pursuant to 12 U.S.C. § 1818(b), through the issuance of a Notice of Charges, for Bank Secrecy Act/Anti-Money Laundering Violations under 12 C.F.R. § 21.21 and for unsafe or unsound banking practices relating to, among other things, capital and credit risk management;

WHEREAS, the Bank, in the interest of compliance and cooperation, consents to the issuance of a Consent Order, dated March 24, 2016 ("Order") by executing this Stipulation and Consent to the Issuance of a Consent Order ("Stipulation");

NOW THEREFORE, 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 national banking association chartered and examined by the Comptroller pursuant to the National Bank Act of 1864, as amended, 12 U.S.C. § 1 *et seq.*

(2) The Bank is an "insured depository institution" within the meaning of 12 U.S.C. § 1818.

(3) The Comptroller is "the appropriate Federal banking agency" regarding the Bank, pursuant to 12 U.S.C. §§ 1813(q) and 1818.

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 acknowledges 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).

(3) 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, 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.

(4) The Bank declares that no separate promise or inducement of any kind has been made by the Comptroller, or by his agents or employees, to cause or induce the Bank to consent to the issuance of the Order and/or execute the Order.

(5) 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. Department of the Treasury, 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.

(6) The terms and provisions of the Stipulation and the Order shall be binding upon, and inure to the benefit of, the parties hereto and their successors in interest. Nothing in this Stipulation or Order, express or implied, shall give to any person or entity, other than the parties hereto, and their successors hereunder, any benefit or any legal or equitable right, remedy or claim under this Stipulation or the Order.

ARTICLE III

WAIVERS

- (1) The Bank, by signing this Stipulation and Consent, hereby waives:
- i. the issuance of a Notice of Charges pursuant to 12 U.S.C. § 1818;
 - ii. any and all procedural rights available in connection with the issuance of the Order;
 - iii. all rights to a hearing and a final agency decision pursuant to 12 U.S.C. § 1818 and 12 C.F.R. Part 19;
 - iv. all rights to seek any type of administrative or judicial review of the Order;
 - v. any and all rights to challenge or contest the validity of the Order; and
 - vi. any and all claims for fees, costs, or expenses against the Comptroller, or any of his agents or employees, related in any way to this enforcement matter or this Order, whether arising under common law or the terms of any statute, including, but not limited to, the Equal Access to Justice Act, 5 U.S.C. § 504 and 28 U.S.C. § 2412.

ARTICLE IV

CLOSING PROVISIONS

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

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

/s

Wendell C. Walker
Acting Director
Special Supervision Division

3/24/2016

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.

/s
Alfred Atallah

3/24/2016
Date

/s
Richard Castillo

3/24/2016
Date

/s
Roger Cazares

3/24/2016
Date

/s
Kurt Chilcott

3/24/2016
Date

/s
Conny Jamison

3/24/2016
Date

/s
Robert McGill

3/24/2016
Date

/s
Dan Yates

3/24/2016
Date