

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

In the Matter of:)
) AA-EC-2017-81
Washington Federal Bank for Savings)
Chicago, Illinois)

PROMPT CORRECTIVE ACTION DIRECTIVE

WHEREAS, Washington Federal Bank for Savings, Chicago, Illinois (“Bank”) is critically undercapitalized pursuant to 12 U.S.C. § 1831o and 12 C.F.R. Part 6; and

WHEREAS, the OCC is authorized, pursuant to 12 U.S.C. § 1831o, to take certain supervisory actions against critically undercapitalized banks, including those available pursuant to 12 U.S.C. § 1831o(h); and

WHEREAS, the Comptroller of the Currency (“Comptroller”) finds it necessary in order to carry out the purpose of 12 U.S.C. § 1831o to issue this PCA Directive (“Directive”) requiring the Bank to immediately follow proscriptions and take actions; and

NOW THEREFORE, pursuant to the authority in 12 U.S.C. § 1831o, the Comptroller hereby issues this Directive.

ARTICLE I

JURISDICTION

(1) The Bank is a federal savings association as that term is defined in 12 U.S.C. § 1813(b) and is supervised and examined by the Comptroller pursuant to 12 U.S.C. § 5412(b).

(2) The Comptroller is the “appropriate Federal banking agency” regarding the Bank pursuant to 12 U.S.C. §§ 1813(q) and 1831o.

(3) The Bank is an “insured depository institution” within the meaning of 12 U.S.C. § 1831o.

(4) This Directive constitutes a final order under 12 U.S.C. § 1831o and is enforceable under 12 U.S.C. § 1818(i).

(5) A violation of this Directive constitutes a violation of a final order under 12 U.S.C. § 1831o and is subject to the assessment of civil money penalties under 12 U.S.C. § 1818(i)(2).

ARTICLE II

CAPITAL RESTORATION PLAN

(1) The Bank must immediately undertake efforts to identify potential sources of capital and is obligated to submit an acceptable capital restoration plan pursuant to and that complies with all the requirements of 12 U.S.C. § 1831o(e)(2).

ARTICLE III

BOARD TO ENSURE COMPETENT MANAGEMENT

(1) The Board shall ensure that the Bank has competent management in place on a full-time basis in all executive position to: (a) manage the day-to-day operations of the Bank in a safe and sound manner; (b) carry out the Board’s policies; (c) ensure compliance with this Directive; and (d) ensure compliance with all applicable laws, rules, and regulations.

ARTICLE IV

PRESERVATION OF BOOKS AND RECORDS

(1) The Board shall ensure that all of the Bank's documents, books, and records are accurately maintained and preserved on the premises of the Bank and shall ensure that no Bank documents, books, or records are destroyed, altered, or removed from the Bank's premises until further written notice from the Director of Special Supervision ("Director"). However, such documents, books, and records may be altered and amended in the course of ordinary Bank business to accurately and timely record routine banking transactions, including but not limited to: taking and withdrawal of deposits and receiving loan payments.

(2) For purposes of this Article, "documents, books, and records" shall have the broadest possible meaning reasonably imaginable and shall include, without limitation, paper and electronic records of all kinds, reports, notes, calendars, phone logs, electronic mail, voice mail, financial instruments, and tapes.

(3) The Bank shall provide OCC personnel with prompt and unrestricted access to the documents, books, records, directors, officers, and staff of the Bank. The Board also shall ensure all agents and representatives of the Bank provide OCC personnel with prompt and complete access to the documents, books, and records of the Bank.

(4) The Bank shall provide full and complete details of the purpose of the transactions by and between the Bank and any of its customers and by and between the Bank and any of its Directors, officers, and staff, to OCC personnel upon inquiry.

(5) Effective immediately, the Bank and Board, directors, officers, and staff shall cease and desist from any action that directly or indirectly conceals transactions from the OCC, hinders or

obstructs the OCC examination process, or constitutes the making of false entries or statements on any of the Bank's documents, books, or records.

ARTICLE V

COMPLIANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

(1) Effective immediately, the Board shall ensure the Bank's books and records are maintained in compliance with Generally Accepted Accounting Principles ("GAAP") and are consistent with safe and sound banking practices including, but not limited to, ensuring all assets are accounted for in accordance with GAAP and appropriate adjustments are made as required by any Reports of Examination.

ARTICLE VI

CREDIT AND LENDING ADMINISTRATION PRACTICES

(1) Effective immediately, the Bank shall not make, extend, renew, modify, or commit to make, extend, renew, or modify any loan or extension of credit, as defined in 12 C.F.R. § 32.2(q), including substitution of a new borrower on an existing loan or extension of credit, without the prior written approval of the Board and the prior written determination of no supervisory objection of the Director.

ARTICLE VII

LIMITATIONS ON NEW CONTRACTS

(1) Effective immediately, the Bank shall not enter into any new contracts, or engage any vendors or other third-parties for any services with prior written determination of no supervisory objection of the Director.

ARTICLE VIII

SEVERANCE PAYMENTS

(1) The Board shall ensure that the Bank does not make any severance payments unless, with respect to each such payment, the Bank has complied with the requirements of 12 C.F.R. Part 359.

ARTICLE IX

OTHER ACTIONS REQUIRED

(1) Immediately upon issuance of this Directive, the Bank shall not do any of the following without the prior written approval of the Board and prior written determination of no supervisory objection of the Director:

(a) enter into any material transaction, including any investment, expansion, acquisition, or other similar action;

(b) engage in the sale or transfer of any Bank asset or pool of assets exceeding a fair market value of twenty-five thousand dollars (\$25,000). Any asset sale or transfer less than \$25,000 should be reported to the Director immediately after the sale;

(c) transfer any asset to a current or former institution-affiliated party, as defined by 12 U.S.C. § 1813(u), a current or former institution-affiliated party's related interests, including any family member, or to an affiliate, as defined by 12 U.S.C. § 371c, or to its holding company or other affiliated party or person;

(d) amend the Bank's charter or bylaws, except to the extent necessary to carry out any other requirement of law, regulation, or order;

(e) increase compensation or make other payments, including bonuses, to the Bank's employees, agents, or independent contractors;

- (f) make any change in accounting methods;
- (g) enter into any new product or service, or undertake a significant expansion of any existing product or service; and
- (h) engage in any transaction for the transfer of funds, the extension of credit, the acceptance or transference of risk, and/or the conferring of another type of benefit, directly or indirectly, involving any Bank affiliates, as defined in 12 U.S.C. § 371c, or current or former Bank directors, shareholders, senior executive officers, or their respective family members.

(2) The Bank shall cooperate fully with the efforts of the Federal Deposit Insurance Corporation (“FDIC”) to avoid a loss or otherwise minimize exposure to the Deposit Insurance Fund. Such cooperation includes, but is not limited to, responding to requests for information, providing full access to personnel, agents, and service providers, accommodating on-site visits, and permitting the FDIC to provide otherwise confidential information to third parties to facilitate the liquidation or other resolution of the Bank in anticipation of the possible appointment of the FDIC as conservator, receiver, or other legal custodian.

ARTICLE X

CLOSING

(1) This Directive is enforceable under 12 U.S.C. § 1818(i). Each provision of this Directive shall be binding upon the Bank, its current or former directors, officers, employees, agents, successors, assigns, and other persons participating in the affairs of the Bank.

(2) Although the Bank is required to submit certain proposed actions and programs for the review and 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 books and records.

(3) In each instance in this Directive in which the Board or a Board committee is required to ensure adherence to and undertake to perform certain obligations of the Bank, including the obligation to implement plans, policies or other actions, it is intended to mean that the Board or Board committee shall:

(a) 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 Directive;

(b) require the timely reporting by Bank management of such actions directed by the Board to be taken under the terms of this Directive;

(c) follow-up on any non-compliance with such actions in a timely and appropriate manner; and

(d) require corrective action be taken in a timely manner on any non-compliance with such actions.

(4) The provisions of this Directive are effective upon issuance of this Directive 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 Directive shall have been amended, suspended, waived, or terminated in writing by the Director.

(5) 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 laws of the United States of America to undertake any action affecting the Bank, or any institution-affiliated party of the Bank, nothing in this Directive shall in any way inhibit, estop, bar, or otherwise prevent the Comptroller from so doing.

(6) The Bank may submit a request for modification or recession of this Directive to the OCC upon a change in circumstance pursuant to 12 C.F.R. § 6.24. During review of any such request, this Directive shall remain in effect.

IT IS SO ORDERED, this 7th day of December, 2017.

/s/
Julie A. Thieman
Director for Special Supervision