

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

In the Matter of:)	
)	
Quontic Bank)	AA-ENF-2022-25
New York, New York)	
)	

CONSENT ORDER

WHEREAS, the Office of the Comptroller of the Currency (“OCC”) has supervisory authority over Quontic Bank, New York, New York (“Bank”);

WHEREAS, the OCC determined that the Bank engaged in unsafe or unsound banking practices related to its Board and management oversight and funds management practices, and the Bank entered into a Formal Agreement with the OCC dated October 29, 2018 ("2018 Agreement");

WHEREAS, the OCC intends to initiate cease and desist proceedings against the Bank pursuant to 12 U.S.C. § 1818(b), through the issuance of a Notice of Charges, for engaging in unsafe or unsound practices, violations of law, rule or regulation, and a violation of the 2018 Agreement;

WHEREAS, the Bank neither admits nor denies any such practices or violations;

WHEREAS, in the interest of cooperation and to avoid additional costs associated with administrative and judicial proceedings with respect to the above matter, the Bank, by and through its duly elected and acting Board of Directors (“Board”), consents to the issuance of this Consent Order (“Order”), by the OCC through the duly authorized representative of the Comptroller of the Currency (“Comptroller”); and

WHEREAS, this Order is intended to replace and supersede the 2018 Agreement;

NOW, THEREFORE, pursuant to the authority vested in the OCC by Section 8(b) of the Federal Deposit Insurance Act, as amended, 12 U.S.C. § 1818(b), the OCC hereby orders that:

ARTICLE I

JURISDICTION

(1) The Bank is a Federal savings association within the meaning of 12 U.S.C. § 1813(q)(1)(C), and is chartered and examined by the OCC. *See* 12 U.S.C. §§ 1461 *et seq.*, 5412(b)(2)(B).

(2) The OCC is the “appropriate Federal banking agency” as that term is defined in 12 U.S.C. § 1813(q) and is therefore authorized to initiate and maintain this cease and desist action against the Bank pursuant to 12 U.S.C. § 1818(b).

ARTICLE II

COMPTROLLER’S FINDINGS

The Comptroller finds, and the Bank neither admits nor denies, the following:

(1) The Bank’s Board and management have failed to address certain regulatory concerns outlined in the 2018 Agreement.

(2) The Bank has engaged in unsafe or unsound practices, including those related to strategic planning and implementation, management and board oversight, audit, risk management, and mortgage banking activities.

(3) The Bank has engaged in violations of law, rule, or regulation, as a result of the Bank’s inadequate risk management practices.

(4) The Bank has begun addressing the identified corrective actions.

ARTICLE III

COMPLIANCE COMMITTEE

(1) By October 31, 2022, the Board shall appoint a Compliance Committee of at least three (3) members of which a majority shall be directors who are not employees or officers of the Bank or any of its subsidiaries or affiliates. The Board shall submit in writing to the Director for Special Supervision (“Director”) the names of the members of the Compliance Committee within fifteen (15) days of their appointment. In the event of a change of the membership, the Board shall submit in writing to the Director within fifteen (15) days the name of any new or resigning committee member. The Compliance Committee shall monitor and oversee the Bank’s compliance with the provisions of this Order. The Compliance Committee shall meet at least monthly and maintain minutes of its meetings.

(2) By December 12, 2022, and thereafter within fifteen (15) days after the end of each month, the Compliance Committee shall submit to the Board a written progress report setting forth in detail:

- (a) a description of the corrective actions needed to achieve compliance with each Article of this Order;
- (b) the specific corrective actions undertaken to comply with each Article of this Order; and
- (c) the results and status of these corrective actions.

(3) Upon receiving each written progress report, the Board shall forward a copy of the report, with any additional comments by the Board, to the Director within fifteen (15) days of the first Board meeting following the Board’s receipt of such report.

ARTICLE IV

BOARD SUPERVISION AND MANAGEMENT

(1) By November 30, 2022, the Board shall ensure that the Bank has effective and qualified management in place for all senior executive officer positions to carry out the Board's policies, take the necessary steps to implement corporate governance and decision-making processes to address previously identified deficiencies and to timely address deficiencies described in future supervisory or regulatory communications, and take the necessary steps to ensure compliance with applicable laws, rules, and regulations and compliance with this Order. For the purposes of this Order, “deficiencies” includes unsafe or unsound policies, procedures, practices, and controls, as well as violations of laws, regulations, final agency orders, conditions imposed in writing, or written agreements.

(2) By November 30, 2022, the Board shall ensure the following:

- (a) the Bank maintains policies and procedures designed to ensure that the Board provides proper oversight of the affairs of the Bank and Bank management;
- (b) the Bank has senior executive officers willing and able to perform present and anticipated duties, factoring in each senior executive officer's performance, experience, and qualifications as compared to their position description, duties and responsibilities, with particular emphasis on their actual and proposed responsibilities to execute the Strategic Plan required by Article V of this Order, achieve and maintain the minimum capital ratios required by Article VI of this Order, and address previously identified deficiencies;

- (c) roles and responsibilities of Bank management are clearly defined and adhered to in order to ensure an appropriate risk management framework;
- (d) the identification of future senior executive management staffing requirements of each area of the Bank;
- (e) clear lines of responsibility and authority exist for each member of senior executive management;
- (f) a management succession plan is in place to promote adequate staffing and continuity of capable management;
- (g) Bank management and personnel have sufficient training and authority to execute their duties and responsibilities under this Order;
- (h) the Bank has an adequate process to evaluate, at least annually, the Bank's internal operations; staffing; Board and management oversight; information systems, policies, and procedures; and other risk management systems, with strategies and associated timelines to address any deficiencies;
- (i) the Bank has a performance appraisal process, including annual performance appraisals, job descriptions, and consideration of quantitative and qualitative factors, including performance relative to policy compliance, documentation standards, and other applicable measures, for all officers and staff;
- (j) the Bank has a sufficient process to ensure that management appropriately responds to any audit, compliance, and/or regulatory findings with written action plans that contain corrective actions, appropriate deadlines for

taking corrective action, and Board follow-up and documentation demonstrating each matter was resolved satisfactorily;

- (k) the Board receives and reviews sufficient information from management regarding the operation of the Bank and compliance with this Order to enable the Directors to provide oversight and fulfill their fiduciary duties and other responsibilities as required by law and in accordance with safe and sound practices (refer to the “Corporate and Risk Governance” booklet of the *Comptroller's Handbook* for guidance); and
- (l) minutes of meetings of the Board and its committees fully document the review and discussion of material action items, actions taken, and follow up items to be addressed at subsequent meetings, especially as those items and actions relate to identified deficiencies or compliance with applicable laws, rules, regulations, or this Order.

(3) By February 15, 2023, and annually thereafter, the Board shall ensure that an annual written performance appraisal is performed and prepared for all Bank senior executive officers. The Board shall ensure that each written performance appraisal is completed by sufficiently qualified and independent Board members. Each annual written performance appraisal shall evaluate the performance of each senior executive officer according to the position's description and responsibilities. Each annual written performance appraisal also must evaluate the following:

- (a) compliance with objectives established by the Board;
- (b) compliance with Board-approved policies and procedures;
- (c) compliance with Board-approved strategic and capital plans;

- (d) compliance with laws, regulations, and the Order; and
- (e) appropriateness of compensation and benefits in accordance with Safety and Soundness standards in 12 C.F.R. Part 30, Appendix A, Section III.

(4) The Board shall adopt and Bank management, subject to Board review and ongoing monitoring, shall immediately implement and thereafter ensure adherence to a Board Supervision and Management Program that addresses the requirements of this Article. The Board shall review the effectiveness of the Board Supervision and Management Program at least annually, and more frequently if necessary or if required by the OCC in writing, and amend the Board Supervision and Management Program as needed or directed by the OCC. The Board shall forward a copy of the adopted Board Supervision and Management Program, and any subsequent amendments thereto, to the Director within fifteen (15) days of adoption.

(5) By December 30, 2022, the Board shall ensure the Bank develops and the Board shall adopt an updated and revised comprehensive, written internal audit program that incorporates standards of safety and soundness that are commensurate with the Bank's size, complexity, scope of activities, and risk profile and that adequately assesses controls and operations to allow the Board and management to understand the sufficiency of the Bank's internal controls system ("Internal Audit Program"). Upon adoption, Bank management, subject to Board review and ongoing monitoring, shall immediately implement and adhere to the revised Internal Audit Program and any amendments or revisions thereto. The Board shall review the effectiveness of the Internal Audit Program at least annually, and more frequently if necessary or if required by the OCC in writing, and amend the Internal Audit Program as needed or directed by the OCC.

ARTICLE V

STRATEGIC PLAN

(1) By November 30, 2022, the Board shall submit to the Director for review and prior written determination of no supervisory objection an acceptable revised written strategic plan for the Bank, covering at least a three-year period (“Strategic Plan”). The Strategic Plan shall establish short- and long-term objectives for the Bank’s overall risk profile, including measures to establish safe and sound lending strategies, consideration of liquidity, capital adequacy, earnings, and risk management, along with strategies to implement and 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) the strategic goals and objectives to be accomplished, including key financial indicators and risk tolerances;
- (c) an assessment of the Bank’s strengths, weaknesses, opportunities, and threats that impact its strategic goals and objectives;
- (d) an evaluation of the Bank's internal operations, staffing requirements, board and management information systems, policies, and procedures for their adequacy and contribution to the accomplishment of the strategic goals and objectives developed under paragraph (1)(b) of this Article;
- (e) a realistic and comprehensive budget that corresponds to the Strategic Plan’s goals and objectives;
- (f) an action plan to improve and sustain the Bank’s earnings and accomplish identified strategic goals and objectives;

- (g) 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, including both quantitative and qualitative analysis to support such projections;
- (h) a detailed description and assessment of major capital expenditures required to achieve the goals and objectives of the Strategic Plan;
- (i) an identification and prioritization of initiatives and opportunities, including timeframes consistent with the requirements of this Order;
- (j) a description of the Bank's target market(s) and competitive factors in its identified target market(s), and a description of controls systems to mitigate risks in the Bank's target market(s);
- (k) an identification and assessment of the present and planned product lines (assets and liabilities), including an evaluation of the risks associated with the Bank's current products and secondary market reliance;
- (l) an identification of appropriate risk management systems to identify, measure, monitor, and control risks within present and planned product lines;
- (m) stress testing metrics to quantify the impact of changing economic conditions on asset quality, earnings, and capital, commensurate with the size, complexity, and risk profile of the Bank;
- (n) concentration limits commensurate with the Bank's strategic goals and objectives and risk profile;
- (o) assigned roles, responsibilities, and accountability for the strategic

planning; and

- (p) a description of systems and metrics designed to monitor the Bank's progress in meeting the Strategic Plan's goals and objectives.

(2) Within fifteen (15) days following receipt of the Director's written determination of no supervisory objection to the revised Strategic Plan or to any subsequent amendment to the Strategic Plan, the Board shall adopt and Bank management, subject to Board review and ongoing monitoring, shall immediately implement and thereafter ensure adherence to the Strategic Plan. The Board shall review the effectiveness of the Strategic Plan at least annually, but no later than January 31 of each year, and more frequently if necessary or if required by the OCC in writing, and amend the Strategic Plan as needed or directed by the OCC. Any amendment to the Strategic Plan must be submitted to the Director for review and prior written determination of no supervisory objection.

(3) Until the Strategic Plan required under this Article has been submitted by the Bank for the Director's review, has received a written determination of no supervisory objection from the Director, and has been adopted by the Board, the Bank shall not significantly deviate from the products, services, asset composition and size, funding sources, structure, operations, policies, procedures, and markets of the Bank that existed immediately before the effective date of this Order without first obtaining the Director's prior written determination of no supervisory objection to such significant deviation.

(4) The Bank may not initiate any action that significantly deviates from a Strategic Plan (that has received written determination of no supervisory objection from the Director and has been adopted by the Board) without a prior written determination of no supervisory objection from the Director.

(5) Any request by the Bank for prior written determination of no supervisory objection to a significant deviation described in paragraphs (3) or (4) of this Article shall be submitted in writing to the Director at least thirty (30) days in advance of the proposed significant deviation. Such written request by the Bank shall include an assessment of the effects of such proposed change on the Bank's condition including an assessment of the risks and benefits of the product or service to the Bank; a profitability analysis that includes growth projections and interest rate risk and liquidity considerations; and an evaluation of the adequacy of the Bank's organizational structure, staffing, management information systems, internal controls, and written policies and procedures to identify, measure, monitor, and control the risks associated with the proposed change. Refer to the guidance set forth in OCC Bulletin 2017-43, "New, Modified, or Expanded Bank Products and Services: Risk Management Principles."

(6) For the purposes of this Article, changes that may constitute a significant deviation include, but are not limited to, a change in the Bank's marketing strategies, products and services, marketing partners, underwriting practices and standards, credit administration, account management, collection strategies or operations, fee structure or pricing, accounting processes and practices, or funding strategy, any of which, alone or in the aggregate, may have a material effect on the Bank's operations or financial performance; or any other changes in personnel, operations, or external factors that may have a material effect on the Bank's operations or financial performance.

(7) At least quarterly, a written evaluation of the Bank's performance against the Strategic Plan shall be prepared by Bank management and submitted to the Board. Within fifteen (15) days after submission of the evaluation, the Board shall review the evaluation and determine the corrective actions the Board will require Bank management to take to address any identified

shortcomings. The Board’s review of the evaluation and discussion of any required corrective actions to address any identified shortcomings shall be documented in the Board’s meeting minutes. The Board shall forward a copy of these quarterly written evaluations and Board meeting minutes to the Director within fifteen (15) days of the Board’s meeting.

ARTICLE VI

CAPITAL PLAN AND CAPITAL MINIMUMS

(1) The Bank shall achieve by October 31, 2022, and thereafter maintain the following capital ratios as defined in and as calculated in accordance with 12 C.F.R. Part 3:

- (a) a total capital ratio at least equal to thirteen percent (13%); and
- (b) a leverage ratio greater than nine percent (9%).

(2) Notwithstanding any election to use the community bank leverage ratio (“CBLR”) framework under 12 C.F.R. § 3.12, the Bank is subject to the minimum capital levels prescribed in paragraph (1) of this Article pursuant to the OCC’s authority to impose affirmative corrective actions pursuant to 12 U.S.C. § 1818(b)(6). Within thirty (30) days after the end of each quarter, the Bank shall provide the Director with a complete and accurate Schedule RC-R to the Consolidated Reports of Condition and Income in accordance with the instructions for banks that have not made the CBLR election. The Bank shall also provide OCC personnel with prompt and unrestricted access to the Bank’s books and records, including, but not limited to, the Bank’s Schedule RC-R workpapers.

(3) The requirement in this Order to meet and maintain a specific capital level for any capital measure 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. § 6.4.¹

¹ The Bank may not solicit, accept, renew, or roll over any brokered deposit (as defined in 12 C.F.R. § 337.6(a)(2)) except in compliance with the applicable restrictions of 12 U.S.C. § 1831f and 12 C.F.R. § 337.6.

(4) By November 30, 2022, the Board shall adopt an effective internal capital planning process to assess the Bank’s capital adequacy in relation to its overall risks and to ensure maintenance of appropriate capital levels, which shall in no event be less than the requirements of paragraph (1) of this Article. Thereafter, management shall implement, and the Board shall verify, no less than annually, adherence to the capital planning process. The capital planning process shall be consistent with safe and sound practices and ensure the integrity, objectivity, and consistency of the process through adequate governance. Refer to the “Capital and Dividends” booklet of the *Comptroller’s Handbook*. The Board shall document the initial capital planning process and thereafter review and document the capital planning process at least annually or more frequently if necessary or if required by the OCC in writing.

(5) By November 30, 2022, the Board shall submit to the Director for review and prior written determination of no supervisory objection an acceptable written capital plan for the Bank, consistent with the Strategic Plan required by Article V, covering at least a three-year period (“Capital Plan”). Refer to “Capital and Dividends” booklet of the *Comptroller’s Handbook*.

- (6) The Bank’s Capital Plan shall, at a minimum:
- (a) include specific plans for the achievement and maintenance of adequate capital, which shall 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 material risks and strategic direction consistent with the Strategic Plan required by Article V;
 - (d) identify and establish a strategy to maintain capital 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 which shall be consistent with the Strategic Plan required by Article V; 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 on the Bank's capital.

(7) The Bank may declare or pay a dividend or make a capital distribution only:

- (a) when the Bank is in compliance with its Board-approved Capital Plan and would remain in compliance with such Capital Plan immediately following the declaration or payment of any dividend or capital distribution;
- (b) when the dividend or capital distribution would comply with 12 U.S.C. § 1831o(d)(1) and 12 C.F.R. §§ 3.11(a)(4) and 5.55; and
- (c) following the Director's prior written determination of no supervisory objection to the dividend or capital distribution.

(8) Within fifteen (15) days following receipt of the Director's written determination of no supervisory objection to the Bank's Capital Plan or to any subsequent amendment to the Capital Plan, the Board shall adopt and Bank management, subject to Board review and ongoing monitoring, shall immediately implement and thereafter ensure adherence to the Capital Plan. The Board shall review the effectiveness of the Capital Plan at least annually, but no later than January 31 of each year, starting with 2024, and more frequently if necessary or if required by the OCC in writing, and amend the Capital Plan as needed or directed by the OCC. Any

amendment to the Capital Plan must be submitted to the Director for review and prior written determination of no supervisory objection.

(9) 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 Capital Plan, as well as management's written explanation of significant differences between the actual and projected balance sheet, income statement, and expense accounts, including a description of any extraordinary and/or nonrecurring items. This review shall include a description of the actions the Board and management will take to address any deficiencies. Additionally, at least quarterly, management shall prepare, and the Board shall review, a written evaluation of the Bank's performance against the Capital Plan, which shall include a description of the actions the Board and management will take to address any deficiencies. The Board's monthly reviews and the management's quarterly written evaluations shall be documented in the Board meeting minutes. The Board shall retain a copy of these monthly reviews and Board meeting minutes and shall forward a copy of these quarterly written evaluations and Board meeting minutes to the Director within fifteen (15) days of the Board's meeting.

(10) If the Bank fails to achieve and maintain the capital ratios required by paragraph (1) of this Article, or fails to submit a Capital Plan as required by paragraph (5) 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 purposes of this Order. Following written notification from the Director that the Bank is deemed undercapitalized for purpose 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 paragraph (1) of this Article, and any other action deemed necessary by the OCC to address the Bank’s capital deficiency or the safety and soundness of its operations.

ARTICLE VII

LIQUIDITY RISK MANAGEMENT

(1) By December 30, 2022, the Board shall submit to the Director for review and prior written determination of no supervisory objection an updated and revised acceptable written Liquidity Risk Management Program (“Liquidity Program”) for the Bank. This updated Liquidity Program shall provide for the identification, measurement, monitoring, and control of the Bank’s liquidity risk exposure, and shall emphasize the importance of cash flow projections, diversified funding sources, a cushion of highly liquid assets, and a formal, well-developed contingency funding plan as primary tools for measuring and managing liquidity risk. Refer to the “Liquidity” booklet of the *Comptroller’s Handbook*. In addition to the general requirements set forth above, the Liquidity Program shall, at a minimum:

- (a) identify appropriate strategies, policies, procedures, and limits to manage liquidity risk, commensurate with the Bank’s complexity and business activities;
- (b) assess, on an ongoing basis, the Bank’s current and projected funding needs, including the development of cash flow projections under both expected and adverse conditions;
- (c) ensure that sufficient funds or access to funds exist to meet those needs under both expected and adverse conditions;

- (d) assess the risks related to brokered deposit restrictions, large deposit withdrawals, the potential for lower mortgage loan originations, and market volatility and lower demand for Held for Sale loan products;
- (e) detail action plans to identify and obtain sources of liquidity to meet projected shortfalls from existing sources under both expected and adverse conditions; and
- (f) include a Contingency Funding Plan that incorporates, at a minimum, a quantitative projection and evaluation of expected funding needs and funding capacity based on realistic assessments of the behaviors of funding providers during stress events, inclusive of a scenario in which the Bank is not well-capitalized; a definition of a liquidity crisis for the Bank; an identification of early warning liquidity triggers; and provision for management processes, reporting, and internal as well as external communication throughout the stress event.

(2) Within fifteen (15) days following receipt of the Director's written determination of no supervisory objection to the Liquidity Program, the Board shall adopt and Bank management, subject to Board review and ongoing monitoring, shall immediately implement and adhere to the Liquidity Program and any amendments or revisions thereto.

(3) Within 15 days of the beginning of each calendar month, Bank management shall prepare, and the Asset Liability Committee shall review, a report identifying current liquidity requirements and sources and uses for the month and projecting liquidity requirements and sources and uses for the upcoming one-year period ("Periodic Liquidity Report") to enable the Asset Liability Committee to recognize longer-term liquidity needs. Copies of the most recent

Periodic Liquidity Report, and any Asset Liability Committee comments, shall be forwarded to Director within fifteen (15) days of the beginning of each calendar quarter.

(4) The Board shall review and update the Liquidity Program, at least annually, no later than January 31 of each year, starting with 2024, and more frequently if necessary or if required by the Director in writing. The Bank shall submit the revised Liquidity Program to the Director. The Board shall adopt and Bank management, subject to Board review and ongoing monitoring, shall immediately implement and adhere to the revised Liquidity Program and any amendments or revisions thereto.

ARTICLE VIII

MORTGAGE BANKING RISK MANAGEMENT

(1) By November 30, 2022, the Bank shall submit to the Director for review and prior written determination of no supervisory objection an acceptable written program designed to ensure the risks inherent with the Bank's mortgage lending and secondary market mortgage operations are managed and controlled and are consistent with the Bank's size, complexity, risk profile, and safe and sound banking practices ("Mortgage Lending Program"). Refer to the "Mortgage Banking" booklet of the *Comptroller's Handbook* for guidance. For purposes of this Article, "mortgage lending" includes, but is not limited to, loan originations, purchases and sales of loans, servicing or subservicing of loans, and acting as a mortgage broker or agent. The Mortgage Lending Program shall be adequate to ensure compliance with all applicable laws, rules, and regulations, and shall include, at a minimum:

- (a) comprehensive mortgage lending policies and procedures, including both pre-funding and post-funding policies and procedures;
- (b) underwriting standards for the origination of residential mortgages that

- assess a borrower's creditworthiness, overall financial condition, and ability to service the debt, exception processing requirements, pricing criteria, geographic lending area, collateral type, use of brokers, and any other applicable credit criteria and risk parameters;
- (c) appraisal review process that operates independent of the loan approval process and that clearly reflect the responsibilities of the underwriter;
 - (d) compensation practices that consider quantitative and qualitative factors, including performance relative to policy compliance, documentation standards, accuracy in risk rating and nonaccrual determinations, and other applicable risk management matters, for total compensation and any incentive programs applicable to loan officers;
 - (e) acceptable levels or ranges of risk tolerance and concentration limits for held for investment loans for key policy criteria, including but not limited to: credit scores, debt-to-income, loan-to-value, cash down payment, loan type, loan purpose, and investors;
 - (f) adequate and accurate risk rating practices and account management practices;
 - (g) procedures and systems for identifying and monitoring compliance with the Bank's lending policies and laws, rules, and regulations pertaining to the Bank's mortgage lending function;
 - (h) procedures to track and assess various risks, including but not limited to: recourse risk, repurchase reserve, and control program results;
 - (i) policies and procedures for managing third-party relationships and

outsourced operational functions related to mortgage lending such as loan origination, account management, collections, and data input;

- (j) effective and sustainable pre-funding quality control and post-funding quality assurance processes designed to evaluate the effectiveness of the Bank's mortgage lending operations and ensure the mortgage lending operations comply with applicable laws, rules, and regulations and Bank's policies and procedures. The program shall be independent of the production function and shall, at a minimum: identify the parties that will perform the pre-funding and post-funding review(s); specify the frequency of such review(s); specify how testing samples will be selected; specify a minimum percentage of all new mortgage originations to be tested; require third-party service agreements accurately reflect the parameters of the reviews; include procedures for the review of testing results by Bank management and the Board; and include procedures to ensure the Bank management institute appropriate actions in response to testing results;
- (k) internal audit and risk assessment processes for reviewing and testing mortgage lending operations to ensure compliance with Bank policies and procedures, and all applicable laws, rules and regulations;
- (l) a comprehensive management information system ("MIS") that includes, at a minimum:
 - (i) requiring accurate and timely reports to be completed and presented to the Bank's Board, detailing the findings from the reviews performed pursuant to subparagraphs (j) and (k);

- (ii) providing accurate, up-to-date information on all areas of mortgage lending operations, including secondary market portfolio activities;
 - (iii) identifying and evaluating operating results to support the preparation of accurate financial statements;
 - (iv) facilitating monitoring of primary sources of risk; and
 - (v) establishing and maintaining systems for monitoring compliance with laws, regulations, and third-party requirements; and
- (m) a comprehensive training program, commensurate with job duties for all appropriate personnel to ensure compliance with all applicable laws, rules, and regulations. The training program should include, at a minimum:
- (i) training for personnel within thirty (30) days of employment; and
 - (ii) ongoing training at least annually or upon significant changes to applicable laws and regulations.

(2) Within fifteen (15) days following receipt of the Director's written determination of no supervisory objection to the Mortgage Lending Program or to any subsequent amendment to the Mortgage Lending Program, the Board shall adopt and Bank management, subject to Board review and ongoing monitoring, shall immediately implement and thereafter ensure adherence to the Mortgage Lending Program. The Board shall review the effectiveness of the Program at least annually, and more frequently if necessary or if required by the OCC in writing, and amend the Mortgage Lending Program as needed or directed by the OCC. Any amendment to the Mortgage Lending Program must be submitted to the Director for review and prior written determination of no supervisory objection.

ARTICLE IX

THIRD-PARTY BROKER OVERSIGHT

(1) By November 30, 2022, the Bank shall submit to the Director for review and prior written determination of no supervisory objection an acceptable written program to effectively assess and manage the risks posed by the Bank's third-party mortgage broker relationships, including any related wholesale relationships ("Third-Party Broker Oversight Program"). Refer to OCC Bulletin 2013-29, "Third-Party Relationships" for related safe and sound principles. The Third-Party Broker Oversight Program shall be commensurate with the level of risk and complexity of the Bank's third-party relationships and shall, at a minimum, address the following:

- (a) clear roles and responsibilities for overseeing and managing third-party mortgage broker relationships;
- (b) documentation and reporting that facilitates Board and management oversight, accountability, monitoring, and risk management associated with mortgage broker third-party relationships, including formal MIS to track both quantitative and qualitative elements of broker referrals as well as consideration of quality assurance and quality control findings specific to mortgage broker applications;
- (c) plans that outline the Bank's strategy for third-party mortgage broker relationships, identify the inherent risks of the activities performed by the third-party mortgage brokers, and detail how the Bank selects, assesses, and oversees third-party mortgage brokers;
- (d) proper due diligence in selecting third-party mortgage brokers;

- (e) written contracts that outline the rights and responsibilities of all parties;
- (f) ongoing monitoring of third-party mortgage broker activities and performance;
- (g) contingency plans for terminating third-party mortgage broker relationships in an effective manner; and
- (h) independent reviews that allow Bank management to assess whether the Bank's risk management process aligns with its strategy and effectively manages risks associated with third-party mortgage broker relationships.

(2) Within fifteen (15) days following receipt of the Director's written determination of no supervisory objection to the Third-Party Broker Oversight Program or any subsequent amendment to the Third-Party Broker Oversight Program, the Board shall adopt and Bank management, subject to Board review and ongoing monitoring, shall immediately implement and thereafter ensure adherence to the Third-Party Broker Oversight Program. The Board shall review the effectiveness of the Third-Party Broker Oversight Program at least annually, and more frequently if necessary or if required by the OCC in writing, and amend the Third-Party Broker Oversight Program as needed or directed by the OCC. Any amendment to the Third-Party Broker Oversight Program must be submitted to the Director for review and prior written determination of no supervisory objection.

ARTICLE X

ACCURATE BOOKS AND RECORDS

(1) By November 30, 2022, the Board shall adopt a written program to ensure that the Bank's books and records are maintained in a complete and accurate condition ("Books and Records Program"), including requirements that:

- (a) 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 written communication from the OCC;
- (b) the Bank timely files complete and accurate Consolidated Reports of Condition and Income ("Call Reports") in accordance with the Federal Financial Institutions Examination Council's "Instructions for Preparation of Consolidated Reports of Condition and Income," and submits a copy of all adjustments to Call Reports to the Director upon re-filing any Call Report;
- (c) the Bank's books and records are sufficiently detailed to collect and accurately report data regarding the Bank's mortgage lending operations, including data regarding the markets in which the Bank is lending, for purposes of complying with applicable laws; and
- (d) the Bank maintains appropriate policies and procedures that address, at a minimum:
 - (i) any inaccuracies and deficiencies in the Bank's books and records, including any deficiencies identified in subparagraph (a) above;
 - (ii) the manner in which Bank personnel will be held accountable to ensure compliance with the requirements of this Article;
 - (iii) development and ongoing evaluation of MIS that comprehensively

and accurately quantifies and manages risks; and

- (iv) the accuracy and completeness of Board minutes, including committee and executive sessions.

(2) Upon adoption of the Books and Records Program, Bank management, subject to Board review and ongoing monitoring, shall immediately implement and thereafter ensure adherence to the Books and Records Program and any amendments thereto. The Board shall review the effectiveness of the Books and Records Program at least annually, and more frequently if necessary or if required by the OCC in writing, and amend the Books and Records Program as needed or directed by the OCC.

(3) The Bank shall provide OCC personnel with prompt and unrestricted access to the Bank's documents, books and records, as required pursuant to 12 U.S.C. § 481. All Bank agents and representatives shall also provide OCC personnel with prompt and complete access to the documents, books, and records of the Bank.

(4) The Board shall forward a copy of the adopted Books and Records Program, and any subsequent amendments thereto, to the Director within fifteen (15) days of adoption.

(5) The Bank shall maintain a copy of all written policies, procedures, and programs developed as a result of this Order, and all reports from auditors, consultants, contractors, and loan review in a readily accessible manner for review by the OCC.

ARTICLE XI

GENERAL BOARD RESPONSIBILITIES

(1) The Board shall ensure that the Bank has timely adopted and implemented all corrective actions required by this Order, and shall verify that the Bank adheres to the corrective actions and they are effective in addressing the Bank's deficiencies that resulted in this Order.

(2) In each instance in which this Order imposes responsibilities upon the Board, it is intended to mean that the Board shall:

- (a) authorize, direct, and adopt corrective actions on behalf of the Bank as may be necessary to perform the obligations and undertakings imposed on the Board by this Order;
- (b) ensure the Bank has sufficient processes, management, personnel, control systems, and corporate and risk governance to implement and adhere to all provisions of this Order;
- (c) require that Bank management and personnel have sufficient training and authority to execute their duties and responsibilities pertaining to or resulting from this Order;
- (d) hold Bank management and personnel accountable for executing their duties and responsibilities pertaining to or resulting from this Order;
- (e) require appropriate, adequate, and timely reporting to the Board by Bank management of corrective actions directed by the Board to be taken under the terms of this Order; and
- (f) address any noncompliance with corrective actions in a timely and appropriate manner.

ARTICLE XII

WAIVERS

- (1) The Bank, by executing and consenting to this Order, waives:
 - (a) any and all rights to the issuance of a Notice of Charges pursuant to 12 U.S.C. § 1818;

- (b) any and all procedural rights available in connection with the issuance of this Order;
- (c) any and all rights to a hearing and a final agency decision pursuant to 12 U.S.C. § 1818 and 12 C.F.R. Part 109;
- (d) any and all rights to seek any type of administrative or judicial review of this Order;
- (e) any and all claims for fees, costs, or expenses against the OCC, or any of its officers, employees, or agents related in any way to this enforcement matter or this Order, whether arising under common law or under 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;
- (f) any and all rights to assert these proceedings, the consent to and/or the issuance of this Order, as the basis for a claim of double jeopardy in any pending or future proceedings brought by the United States Department of Justice or any other governmental entity; and
- (g) any and all rights to challenge or contest the validity of this Order.

ARTICLE XIII

OTHER PROVISIONS

(1) As a result of this Order, pursuant to 12 C.F.R. § 5.51(c)(7)(ii), the Bank is in “troubled condition,” and is not an “eligible savings association” for purposes of 12 C.F.R. § 5.3, unless otherwise informed in writing by the OCC.

(2) This Order supersedes all prior OCC communications issued pursuant to 12 C.F.R. §§ 5.3 and 5.51(c)(7)(ii).

ARTICLE XIV

CLOSING

(1) This Order is a settlement of the cease and desist proceedings against the Bank contemplated by the OCC, based on the unsafe or unsound practices, violations of law, and a violation of the 2018 Agreement as described in the Comptroller's Findings set forth in Article II of this Order. The OCC releases and discharges the Bank from all potential liability for a cease and desist order that has been or might have been asserted by the OCC based on the practices and violations described in Article II of this Order, to the extent known to the OCC as of the effective date of this Order. Nothing in this Order, however, shall prevent the OCC from:

- (a) instituting enforcement actions other than a cease and desist order against the Bank based on the Comptroller's Findings set forth in Article II of this Order;
- (b) instituting enforcement actions against the Bank based on any other findings;
- (c) instituting enforcement actions against institution-affiliated parties (as defined by 12 U.S.C. § 1813(u)) based on the Comptroller's Findings set forth in Article II of this Order, or any other findings; or
- (d) utilizing the Comptroller's Findings set forth in Article II of this Order in future enforcement actions against the Bank or its institution-affiliated parties to establish a pattern or the continuation of a pattern.

(2) Nothing in this Order is a release, discharge, compromise, settlement, dismissal, or resolution of any actions, or in any way affects any actions that may be or have been brought by any other representative of the United States or an agency thereof, including, without

limitation, the United States Department of Justice.

- (3) This Order is:
 - (a) a “cease-and-desist order issued upon consent” within the meaning of 12 U.S.C. § 1818(b);
 - (b) a “cease-and-desist order which has become final” within the meaning of 12 U.S.C. § 1818(e);
 - (c) an “order issued with the consent of the depository institution” within the meaning of 12 U.S.C. § 1818(h)(2);
 - (d) an “effective and outstanding . . . order” within the meaning of 12 U.S.C. § 1818(i)(1); and
 - (e) a “final order” within the meaning of 12 U.S.C. § 1818(i)(2) and (u).

(4) This Order is effective upon its issuance by the OCC, through the Comptroller’s duly authorized representative. Except as otherwise expressly provided herein, all references to “days” in this Order shall mean calendar days and the computation of any period of time imposed by this Order shall not include the date of the act or event that commences the period of time.

(5) The provisions of this Order shall remain effective except to the extent that, and until such time as, such provisions are amended, suspended, waived, or terminated in writing by the OCC, through the Comptroller’s duly authorized representative. If the Bank seeks an extension, amendment, suspension, waiver, or termination of any provision of this Order, the Board or a Board-designee shall submit a written request to the Director asking for the desired relief. Any request submitted pursuant to this paragraph shall include a statement setting forth in detail the circumstances that warrant the desired relief or prevent the Bank from complying with

the relevant provision(s) of the Order, and shall be accompanied by relevant supporting documentation. The OCC's decision concerning a request submitted pursuant to this paragraph, which will be communicated to the Board in writing, is final and not subject to further review.

(6) The Bank will not be deemed to be in compliance with this Order until it has adopted, implemented, and adhered to all of the corrective actions set forth in each Article of this Order; the corrective actions are effective in addressing the Bank's deficiencies; and the OCC has verified and validated the corrective actions. An assessment of the effectiveness of the corrective actions requires sufficient passage of time for the Bank to demonstrate the sustained effectiveness of the corrective actions.

(7) This Order is not a contract binding on the United States, the United States Treasury Department, the OCC, or any officer, employee, or agent of the OCC and neither the Bank nor the OCC intends this Order to be a contract.

(8) Each citation, issuance, or guidance referenced in this Order includes any subsequent citation, issuance, or guidance that replaces, supersedes, amends, or revises the referenced cited citation, issuance, or guidance.

(9) No separate promise or inducement of any kind has been made by the OCC, or by its officers, employees, or agents, to cause or induce the Bank to consent to the issuance of this Order.

(10) All reports, plans, or programs submitted to the OCC pursuant to this Order shall be forwarded through the OCC's secure portal with an email notification to the Director.

(11) 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.

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

//s// Digitally Signed, Dated: 2022.10.05

Julie A. Thieman
Director for Special Supervision
Office of the Comptroller of the Currency

Date

IN TESTIMONY WHEREOF, the undersigned, as the duly elected and acting Board of Directors of Quontic Bank have hereunto set their signatures on behalf of the Bank.

/s/

10/4/2022

George Lazaridis

Date

/s/

Evan Metalios

10/4/2022

Date

/s/

Michael Piracci

10/4/2022

Date

/s/

Daniel Rowe

10/4/2022

Date

/s/

Michael Wirth

10/4/2022

Date