

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

In the Matter of:	)	
	)	
Kentland Federal Savings & Loan Association	)	AA-CE-2023-5
Kentland, Indiana	)	
	)	

**CONSENT ORDER**

**WHEREAS**, the Office of the Comptroller of the Currency (“OCC”) has supervisory authority over Kentland Federal Savings & Loan Association, Kentland, Indiana (“Bank”);

**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, including those relating to strategic and capital planning; liquidity risk management; interest rate risk management; the audit program; and the Bank’s consumer compliance program and for engaging in violations of law, rule, or regulation, including those relating to the Truth in Lending Act, 12 U.S.C. §§ 1601 *et seq.* and its implementing regulations at 12 C.F.R. Part 226 (“Regulation Z”);

**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

**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 an “insured depository institution” as that term is defined in 12 U.S.C. § 1813(c)(2).

(2) 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).

(3) 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 has engaged in unsafe or unsound practices, including those related to its strategic and capital planning; liquidity risk management; interest rate risk management; audit program; and consumer compliance program.

(2) The Bank has engaged in violations of law, rule, or regulation, including those relating to the Truth in Lending Act, 12 U.S.C. §§ 1601 *et seq.*, and Regulation Z, 12 C.F.R. Part 226.

## **ARTICLE III**

### **COMPLIANCE RESPONSIBILITIES**

(1) The Board shall monitor and oversee the Bank's compliance with the provisions of this Order. The Board shall meet at least monthly and maintain minutes of its meetings.

(2) Within forty-five (45) days of the date of this Order, and thereafter within thirty (30) days after the end of each quarter, the Board shall submit to the Assistant Deputy Comptroller ("ADC") 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 the corrective actions.

## **ARTICLE IV**

### **HIGHER CAPITAL MINIMUMS**

(1) The Bank shall maintain a leverage ratio at least equal to ten percent (10%) as defined in and as calculated in accordance with 12 C.F.R. Part 3.

(2) Notwithstanding any existing or future 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 level 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) and must demonstrate compliance with these requirements by completing Schedule RC-R to the Consolidated Reports

of Condition and Income (“Call Reports”) in accordance with the instructions for banks that have not made the CBLR election in addition to Schedule RC-R, CBLR.

(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(b)(1)(i)(E).

## **ARTICLE V**

### **STRATEGIC PLAN**

(1) Within ninety (90) days of the date of this Order, the Board shall submit to the ADC for review and prior written determination of no supervisory objection an acceptable written strategic plan for the Bank, covering at least a three-year period (“Strategic Plan”). The Strategic Plan shall establish objectives for the Bank’s overall risk profile, earnings performance, balance sheet mix, liability structure, and capital and liquidity adequacy, together with strategies and specific timeframes to achieve those objectives, and shall, at a minimum, include:

- (a) the strategic goals and objectives to be accomplished, including key financial indicators and risk tolerances, and realistic strategies to improve the overall condition of the Bank;
- (b) a management succession plan designed to promote continuity of capable management by identifying specific individual(s) capable of assuming management responsibilities in operating the Bank;
- (c) an action plan to improve the Bank’s earnings and accomplish identified strategic goals and objectives;

- (d) a realistic and comprehensive budget that corresponds to the Strategic Plan's goals and objectives. The budget must include, at a minimum, reasonable, supportable, and achievable projections for income and expenses, supported by documented analyses of relevant factors;
- (e) an analysis on whether to sell or merge the Bank; and
- (f) specific plans for the maintenance of adequate capital that may in no event be less than the requirements of Article IV.

(2) If the Strategic Plan under paragraph (1) of this Article includes a proposed sale or merger of the Bank, the written Strategic Plan shall, at a minimum, address the steps and the associated timeline to effect the implementation of that alternative.

(3) Within thirty (30) days following receipt of the ADC's written determination of no supervisory objection to the 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, 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 ADC for review and prior written determination of no supervisory objection.

(4) Until the Strategic Plan required under this Article has been submitted by the Bank for the ADC's review, has received a written determination of no supervisory objection from the ADC, and has been adopted by the Board, the Bank shall not significantly deviate from the products, services, asset composition, funding sources, and operations, of the Bank that

existed immediately before the effective date of this Consent Order without first obtaining the ADC's prior written determination of no supervisory objection to such significant deviation.

(5) 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 ADC and has been adopted by the Board) without a prior written determination of no supervisory objection from the ADC.

(6) Any request by the Bank for prior written determination of no supervisory objection to a significant deviation described in paragraphs (4) or (5) of this Article shall be submitted in writing to the ADC 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 and risk profile.

(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. The written evaluation shall include significant budget variances. The Board shall review the evaluation and determine the corrective actions the Board will require Bank management to take to address any identified shortcomings related to the Strategic Plan, including strategy adjustments and budget revisions. The Board's review of the evaluation and determinations shall be documented in the Board's meeting minutes, which the Board shall submit to the ADC.

(8) If the Bank fails to maintain the capital ratios required by paragraph (1) of Article IV, or fails to submit an acceptable Strategic Plan as required by paragraph (1) of this Article, or fails to implement a Strategic Plan to which the ADC has provided a written determination of no supervisory objection, then the Bank may, in the ADC's sole discretion, be deemed undercapitalized for purposes of this Order. Following written notification from the

ADC 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 Article IV, 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 VI**

### **INTEREST RATE RISK AND LIQUIDITY MANAGEMENT**

(1) Within ninety (90) days of the date of this Order, the Board shall submit to the ADC for review and prior written determination of no supervisory objection an acceptable written interest rate risk (“IRR”) plan.

(2) The IRR plan shall include, at a minimum, the development and implementation of policies and procedures to ensure the Bank appropriately analyzes IRR for any new loan or extension and enhances its policies related to IRR. At a minimum:

- (a) the IRR analysis must ensure the Bank considers, prior to origination, the potential for changes in interest rates to affect the profitability of the new loan or extension and whether the IRR risk for the new loan or extension is appropriate and within Board-approved IRR risk limits; and
- (b) the policy enhancements related to IRR must ensure: the establishment of appropriate, Board-approved, IRR limits; management identifies,

measures, monitors, and controls IRR; and management appropriately addresses IRR exposures that exceed the Board-approved IRR limits.

(3) Within thirty (30) days following receipt of the ADC's written determination of no supervisory objection to the IRR plan or to any subsequent amendment to the IRR plan, the Board shall adopt and Bank management, subject to Board review and ongoing monitoring, shall immediately implement and thereafter ensure adherence to the IRR plan. The Board shall review the effectiveness of the IRR plan at least annually, and more frequently if necessary or if required by the OCC in writing, and amend the IRR plan as needed or directed by the OCC. Any amendment to the IRR plan must be submitted to the ADC for review and prior written determination of no supervisory objection.

(4) Within ninety (90) days of the date of this Order, the Board shall submit to the ADC for review and prior written determination of no supervisory objection an acceptable written Contingency Funding Plan. Refer to the "Safety and Soundness, Liquidity" booklet of the Comptroller's Handbook.

(5) The Contingency Funding Plan shall include, at a minimum:

- (a) an assessment (e.g., a projected sources and uses statement or similar report), on at least a quarterly basis, of the Bank's current and projected funding needs under both expected and adverse conditions and whether the Bank has sufficient funds or access to funds to meet those needs;
- (b) appropriate Board-approved limits to manage liquidity risk, commensurate with the Bank's complexity and business activities;



- (c) the identification, measurement, monitoring, and control of the Bank's liquidity risk exposure and whether that risk exposure is within Board-approved limits for liquidity risk; and
- (d) detailed action plans to identify and obtain sources of liquidity to meet projected shortfalls from existing sources under both expected and adverse conditions.

(6) Within thirty (30) days following receipt of the ADC's written determination of no supervisory objection to the Contingency Funding Plan or to any subsequent amendment to the Contingency Funding Plan, the Board shall adopt and Bank management, subject to Board review and ongoing monitoring, shall immediately implement and thereafter ensure adherence to the Contingency Funding Plan. The Board shall review the effectiveness of the Contingency Funding Plan at least annually, and more frequently if necessary or if required by the OCC in writing, and amend the Contingency Funding Plan as needed or directed by the OCC. Any amendment to the Contingency Funding Plan must be submitted to the ADC for review and prior written determination of no supervisory objection.

## **ARTICLE VII**

### **CONSUMER COMPLIANCE**

(1) Within ninety (90) days of the date of this Order, the Board shall submit to the ADC for review and prior written determination of no supervisory objection acceptable written consumer compliance policies and procedures, including a comprehensive pre-closing review, designed to ensure that the Bank operates in compliance with the Truth in Lending Act and its

implementing regulation, Regulation Z. The written consumer compliance policies and procedures shall, at a minimum:

- (a) ensure the Bank’s disclosures comply with the Truth in Lending Act and Regulation Z;
- (b) ensure an independent review or audit of the Bank’s compliance with the requirements of the Truth in Lending Act and Regulation Z; and
- (c) ensure appropriate training for Bank officers and employees regarding the Truth in Lending Act and Regulation Z.

(2) Within thirty (30) days following receipt of the ADC’s written determination of no supervisory objection to the written consumer compliance policies and procedures or to any subsequent amendment to the written consumer compliance policies and procedures, the Board shall adopt and Bank management, subject to Board review and ongoing monitoring, shall immediately implement and thereafter ensure adherence to the policies and procedures. The Board shall review the effectiveness of the written consumer compliance policies and procedures at least annually. Any amendment to the written consumer compliance policies and procedures must be submitted to the ADC for review and prior written determination of no supervisory objection.

## **ARTICLE VIII**

### **AUDIT**

(1) Within thirty (30) days of the date of this Order, the Board shall submit to the ADC for review and prior written determination of no supervisory objection the name and qualifications of an acceptable auditor to perform an annual audit of the Bank.

(2) Within thirty (30) days following receipt of the ADC's written determination of no supervisory objection to the proposed auditor, the Board shall engage the auditor to perform an annual audit of the Bank. The audit shall commence within ninety (90) days after receiving a written determination of no supervisory objection and at least annually thereafter. Any change in the auditor that will perform the annual audit must be submitted to the ADC for review and prior written determination of no supervisory objection.

(3) The annual audits shall incorporate standards of safety and soundness that are commensurate with the Bank's size, complexity, scope of activities, and risk profile and shall, at a minimum:

- (a) evaluate the reliability, adequacy, and effectiveness of the Bank's internal controls system;
- (b) determine whether the Bank complies with laws and regulations and adheres to its established policies, procedures, and processes;
- (c) conduct risk-based transaction testing of the Bank's quarterly Consolidated Reports of Condition and Income ("Call Reports") and the Bank's general and subsidiary ledgers;
- (d) require all audit reports to be in writing and distributed directly, not through any intervening party, to the Board in a timely manner after audit completion; and
- (e) require audit work papers and documentation that provides a meaningful audit trail and validation for audit findings, conclusions, and recommendations.

(4) The auditor shall have access to any records necessary for the proper conduct of its audit. The OCC shall have access to all reports and work papers of the auditor.

## **ARTICLE IX**

### **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 X**

### **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 XI**

### **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, 5.51(c)(7)(ii).

## **ARTICLE XII**

### **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 and violations of law 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 ADC 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, via email, to the ADC.

(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 his signature on behalf of the Comptroller.

s/

4/10/23

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Allyn R. Adams, Jr.  
Assistant Deputy Comptroller  
Chicago (Downers Grove) Office

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Date

IN TESTIMONY WHEREOF, the undersigned, as the duly elected and acting Board of Directors of Kentland Federal Savings & Loan Association have hereunto set their signatures on behalf of the Bank.

s/

4/10/23

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Michael Hall

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Date

s/

4/10/23

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James A. Sammons

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Date

s/

4/11/23

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James E. Sammons

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Date

s/

4/10/23

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David Smart

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Date

s/

4/10/23

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Steven Stitz

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Date