

UNITED STATES OF AMERICA
Before The
OFFICE OF THRIFT SUPERVISION

In the Matter of)
HENRY O. LOESCH)
A Former Director)
of First Federal Savings)
Bank, Hempstead, Texas)
and)
First Savings Association,)
Brenham, Texas)

Resolution No. DAL-91-226

Dated: December 11, 1991

STIPULATION AND CONSENT TO ISSUANCE
OF ORDER TO CEASE AND DESIST

The Office of Thrift Supervision ("OTS"), by and through its Regional Director for the Midwest Regional Office in Dallas, Texas ("Regional Director"), and Henry O. Loesch ("Loesch"), a former Director of First Federal Savings Bank, Hempstead, Texas, ("First Federal"), and First Savings Association, Brenham, Texas ("First Savings") agree as follows:

1. CONSIDERATION.

The OTS, based upon information reported to it, is of the opinion that grounds exist to initiate an administrative cease-and-desist proceeding against Loesch pursuant to Section 8(b) of the Federal Deposit Insurance Act ("FDIA") 12 U.S.C. § 1818(b) (1988 & Supp. I 1989), as amended by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, Pub. L. No. 101-73, 103 Stat. 183 ("FIRREA"). Loesch desires to cooperate with the OTS and to avoid the time and expense of such administrative litigation and, without admitting or denying that such grounds exist, hereby stipulates and agrees to the following terms in consideration of the forbearance by the OTS from initiating such adminis-

trative cease-and-desist litigation against Loesch.

2. JURISDICTION.

- (a) First Federal and First Savings at all times relevant to the allegations set forth herein were each deemed a "savings association" within the meaning of Section 3(b) of the FDIA as amended by FIRREA (to be codified at 12 U.S.C. § 1818(b) and Section 2(4) of the Home Owners' Loan Act of 1933, 12 U.S.C. § 1462(4) (Supp. I 1989). Accordingly, each is an "insured depository institution" as that term is defined in Section 3(c) of the FDIA, as amended by FIRREA (to be codified at 12 U.S.C. § 1813(c)).
- (b) Pursuant to Section 3(q) of the FDIA, as amended by FIRREA (to be codified at 12 U.S.C. § 1813(q)), the Director of OTS is the "appropriate Federal Banking agency" to maintain an enforcement proceeding against such savings associations.
- (c) Loesch was at all times relevant to the allegations set forth herein an institution-affiliated party of First Federal and First Savings under Section 3(u) of the FDIA, as amended by FIRREA (to be codified at 12 U.S.C. § 1813(u)) in that he served as a director of First Federal from May 26, 1988 to September 14, 1990, and as a director of First Savings from May 26, 1988 to September, 1989.

The OTS alleges that contrary to safe and sound practices Loesch, as a member of the board of directors of First Federal failed to establish adequate internal controls at First Federal, the failure of which led to:

- (i) the assistance payments made by the Federal Savings and Loan Insurance Corporation to First Federal in the amount of \$106,134 being entered into the books of First Savings and accordingly, First Savings had the benefit of such payments for its own accounts; and
 - (ii) a receivable in the amount of \$535,627 being established in the books of First Federal which receivable represented an audit adjustment to reflect that a mortgage-backed security transferred from First Savings to First Federal, as required by the assistance agreement, was the wrong mortgage-backed security, resulting in the shortage of \$535,627 to First Federal.
- (d) Therefore, the OTS believes that Loesch is subject to the authority of the OTS to initiate and maintain a cease-and-desist proceeding against him pursuant to Section 8(b) of the FDIA, 12 U.S.C. § 1818(b) (1988 & Supp. I 1989).

3. CONSENT.

Loesch consents to the issuance by the OTS of the Order. He further agrees to comply with the terms of the Order upon issuance and stipulates that the Order complies with all requirements of law.

4. FINALITY.

The Order is issued under Section 8(b) of the FDIA, 12 U.S.C. § 1818(b) (1988 & Supp. I 1989). Upon its issuance by the Regional Director, it shall be a final order, effective and fully enforceable by the OTS under the provisions of Section 8(i) of the FDIA, 12 U.S.C. § 1818(i) (1988 & Supp. I 1989).

5. WAIVERS.

Loesch waives his right to a notice of charges and the administrative hearing provided by Section 8(b) of the FDIA, 12 U.S.C. § 1818(b) (1988 & Supp. I 1989), and further waives any right to seek judicial review of the Order, including any such right provided by Section 8(h) of the FDIA, 12 U.S.C. § 1818(h) (1988 & Supp. I 1989), or otherwise to challenge the validity of the Order.

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Hempstead, Texas, and)
First Savings Bank,)
Brenham, Texas)

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ORDER TO CEASE AND DESIST

WHEREAS, Henry O. Loesch ("Loesch") has executed a Stipulation and Consent to Issuance of Order to Cease and Desist, which is incorporated herein by reference ("Stipulation") and is accepted and approved by the Office of Thrift Supervision ("OTS"), acting through its Regional Director for the Midwest Region ("Regional Director") in Dallas, Texas, and

WHEREAS, Loesch in the Stipulation, has consented and agreed to the issuance of this Order to Cease and Desist ("Order") pursuant to Section 8(b) of the Federal Deposit Insurance Act ("FDIA") 12 U.S.C. § 1818(b) (1988 & Supp. I 1989) as amended by the Financial Institutions Reform, Recovery and Enforcement Act of 1989, Pub. L. No. 101-73, 103 Stat. 183 ("FIRREA").

NOW THEREFORE, IT IS ORDERED that:

1. Loesch shall cease and desist from any unsafe or unsound practice as an institution-affiliated party within the meaning of Section 3(u) of the FDIA, as amended by FIRREA, (to be codified at 12 U.S.C. § 1818(u)).
2. Loesch shall cease and desist from further participation, in any manner, in the conduct of the affairs of First Federal Savings

Bank, Hempstead, Texas ("First Federal") and First Savings Bank, Brenham, Texas ("First Savings").

3. Without the prior written approval of the Regional Director and, if appropriate, another Federal financial institutions regulatory agency, Loesch may not hold any office in, serve as a director for, or participate in any manner in the conduct of the affairs of any institution(s) or other entity as set forth in Section 8(e)(7)(A) of the FDIA, 12 U.S.C. § 1818(e)(7)(A) (1988 & Supp. I 1989), hereinafter referred to as a "Covered Institution". Pursuant to Section 8(e)(6) of the FDIA, 12 U.S.C. § 1818(e)(6) (1988 & Supp. I 1989), conduct prohibited by this Order includes, inter alia, the solicitation, transfer or exercise of any voting rights with respect to any securities issued by any insured depository institution.
4. If approval is obtained from the Regional Director or, where appropriate, another Federal financial institutions regulatory agency, Loesch, upon becoming a director, officer, or controlling person of a Federally insured depository institution, or any holding company thereof, shall obtain advice of competent counsel on his duties and responsibilities, both initially upon accepting such a position and when particular issues arise that may cause Loesch to be uncertain about his responsibilities.
5. Nothing in this Order, however, prohibits Loesch from any of the following activities, even though such activities may involve or relate to a Covered Institution:

- a. being a customer, depositor, or borrower of a Covered Institution;
- b. owning stock, but less than a controlling interest as defined in Section 7(j) of the FDIA, as amended by FIRREA (to be codified at 12 U.S.C. § 1817(j)) and 12 C.F.R. § 574.4, in a Covered Institution;

Provided, however, that such activities may not be performed in a manner that would make Loesch an "institution-affiliated party" as that term is defined at Section 3(u) of the FDIA, as amended by FIRREA (to be codified at 12 U.S.C. § 1813(u)).

OFFICE OF THRIFT SUPERVISION

/S/

By: _____

Billy C. Wood
Regional Director
Midwest Region
Dallas, Texas