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SUPERVISORY AGREEMENT BETWEEN
THE OFFICE OF THRIFT SUPERVISION
AND
FIRST SECURITY SAVINGS BANK, FSB

THIS SUPERVISORY AGREEMENT ("Agreement") is made and is effective July 23, 1991, by and between First Security Savings Bank, FSB, Bloomfield Hills, Michigan, Docket Number 8412 (hereinafter "Institution"), and the Office of Thrift Supervision ("OTS").

WHEREAS, the OTS is of the opinion that the Institution has violated certain statutes or regulations to which the Institution is subject and has engaged in certain unsafe or unsound practices in conducting the business of the Institution, and that such violations and practices provide grounds for the initiation of cease-and-desist proceedings; and

WHEREAS, the OTS is willing to forbear from the initiation of formal cease-and-desist proceedings on the subjects covered by this Agreement for so long as the Institution is in compliance with the provisions of the Agreement that pertain to such subjects;

NOW, THEREFORE, in consideration of OTS' above-stated forbearance from initiation of final enforcement proceedings against the Institution, it is agreed between the parties as follows:

I. BOARD OF DIRECTORS' RESPONSIBILITIES

A. The Institution's Board of Directors shall provide adequate and timely direction to the Institution's management through the development of comprehensive policies and procedures. The Board of Directors shall focus upon adequately directing management so that the goals contained in these Board-adopted policies and procedures can be satisfactorily met. The Board of Directors shall enforce its policies and procedures by evaluating in writing, on a quarterly basis, management's progress and performance in implementing them, to the satisfaction of the Board of Directors. This evaluation shall include an organizational chart and identification of management's weaknesses along with recommendations for improving any identified weaknesses. This evaluation shall be filed with the Deputy Regional Director of OTS thirty (30) days following the date of this Agreement and thereafter by the fifteenth (15th) day of the month following the end of each calendar quarter.

B. Although the Institution is required by this Agreement to submit certain proposed actions, policies, and procedures for the review or approval of the Deputy Regional Director of the OTS or her designee, the Board of Directors retains the ultimate responsibility for the proper and safe and

sound management of the Institution. Moreover, the Board of Directors shall actively fulfill its fiduciary duty to ensure that the Institution is safely and soundly managed. To this end, the Institution's official minutes (including material documentation of the Board of Directors and its established committees) shall clearly reflect the level of decision making and supervision exercised over the Institution by the Board of Directors.

C. The Institution's Board of Directors shall take all steps necessary to ensure full compliance by the Institution with the provisions of this Agreement and shall monitor and review such compliance on a monthly basis at Board of Directors' meetings. Such review shall be fully reflected in the minutes of Board of Directors' meetings. A written report reviewing the Institution's compliance with this Agreement signed by all directors shall be submitted to the Deputy Regional Director of OTS by the fifteenth (15th) day of each month.

II. PLANS AND POLICIES

The Board shall adopt, amend, maintain and hold management accountable for the implementation of operating policies in the areas set forth in items A through J below.

In such policies, the Board shall expressly state how it will ensure implementation of these policies. Such policies shall be submitted to the Deputy Regional Director of OTS for prior approval within sixty (60) days of the date hereof. Such policies shall, at a minimum, address all issues raised in the November 26, 1990 report of examination, including exhibits and appendices thereto. ~~Any amendments to such policies shall be subject to prior approval of the Deputy Regional Director of OTS.~~

A. Internal Asset Classification Policy. The Board shall adopt an amended internal asset classification policy. The Board shall ensure that this policy is fully implemented and that the Institution's assets are classified appropriately in accordance with its asset classification policy and OTS Regulation 563.160.

B. General Valuation Allowance Policy. The Board shall adopt a general valuation allowance policy. The GVA policy shall, at a minimum, outline the methodology for review of the adequacy of general reserves. The Board shall ensure the policies outline implementation strategies and monitoring requirements in compliance with OTS Regulation 563.160.

C. Interest Rate Risk Management Policy. The Board shall adopt an amended interest rate risk policy in compliance with OTS Regulation 563.176 and Thrift Bulletin 13.

D. Mortgage Banking - Secondary Marketing. The Board shall adopt a comprehensive set of formal written policies and procedures for the mortgage banking and secondary marketing areas.

E. Investment Policy. The Board shall adopt a revised, written investment policy.

F. Futures and Arbitrage Policy. The Board shall adopt an amended arbitrage (futures/hedging) policy. This policy shall comply with OTS Regulations 563.73, 563.174, and 563.175.

G. Loan Underwriting Guidelines. The Board shall adopt a formal set of loan underwriting guidelines, including all requirements of OTS regulations. The Board shall ensure that the policies outline implementation strategies, monitoring, and documentation requirements. The policies shall provide that any exceptions to the policies will be presented to the Board for review and that the Board's deliberations on such exceptions will be documented in its minutes. As a part of its loan underwriting guidelines, the Board shall adopt the following:

1. Amended construction loan policy, and
2. Amended commercial loan policy.

H. Appraisals. The Board shall adopt an amended appraisal policy.

I. Conflicts of Interest. The Board shall adopt a conflict of interest policy. This policy shall comply with relevant provisions of Regulation O, Sections 23A and B of the Federal Reserve Act and 12 CFR 571.7. It shall set forth that appearances of conflict are to be avoided and that special terms are not offered to friends and affiliates.

J. Internal Audit Plan. The Board of Directors shall develop an internal audit plan.

III. BOARD OVERSIGHT

A. Within thirty (30) days of the date hereof, the Board shall adopt a schedule indicating the reports which shall be submitted to the Board and the frequency of review. The schedule shall be submitted to the Deputy Regional Director within forty-five (45) days of the date hereof. This schedule shall provide for the annual renewals of certain operating policies and authorizations, which are listed below:

1. All operating policies of the Institution to include, at a minimum, those policies listed under Section I;
2. Allowable depositories;
3. Check signing, wire transfer, and other cash handling authorizations;

4. Approval of Directors, officers, operating committees, and committee members and applicable terms;
5. Board fees, and payment terms (i.e. only when present);
6. A full report of the financial condition of the Institution and of its progress for the preceding year and outline a program for the succeeding year; and
7. Approval of the independent audit firm, outside attorneys, brokers, correspondents, and other outside firms with which the Institution may do business.

B. Within thirty (30) days of the date hereof, the Board shall adopt an organization chart and position descriptions which defines reporting relationships and position responsibilities. These materials shall be submitted to the Deputy Regional Director within forty-five (45) days of the date thereof.

C. Within thirty (30) days of the date hereof, the Board shall review management staffing to ensure that such staffing is adequate to ensure compliance with regulations and recommendations in the November 26, 1990 Report of Examination. The Board's reports on such matters, including any related actions, shall be submitted to the Deputy Regional Director within forty-five (45) days of the date hereof.

D. Within thirty (30) days of the date hereof, the Board of Directors shall ensure that Silverbell Ltd. Partnership has made full reimbursement to the service corporation for all costs associated with the development project purchased by Silverbell. In particular, interest on a line of credit that was not accrued in the months of February and March 1990 shall be reviewed. The Board shall submit proof to OTS documenting that the Institution's independent auditors instructed the Institution to stop accruing interest on this line of credit. If this cannot be verified, the Board should ensure that Silverbell fully reimburses the service corporation for interest on the line of credit, totaling approximately \$11,000. The Board shall submit applicable information, such as the independent audit opinion or evidence of reimbursement, to OTS by July 31, 1991.

E. Within sixty (60) days of the date hereof, the Institution shall submit the following reports and schedules to the Deputy Regional Directors of OTS:

1. Mortgage banking management reports;
2. The hedging register; and
3. Correlation analysis.

IV. BOARD REPORTS

A. The Board shall ensure that the Board and Committee minutes of the Institution and its subsidiaries are accurate and complete. The minutes shall address, at a minimum: 1) the activities in the service corporation; 2) the rationale for large transactions; and 3) the deliberation and support for salary levels. The Institution shall provide the Deputy Regional Director of OTS copies of the minutes of all Board of Directors, committee, and shareholders meetings by the fifteenth (15th) day of the month following the date of each meeting.

B. The Institution and its subsidiaries shall, upon request, furnish the Deputy Regional Director of OTS with such written reports from the Institution or its subsidiaries that, in OTS' opinion, are necessary to assure the OTS of compliance with the terms of this Agreement.

V. ACCOUNTING RECORDS

The Institution shall maintain accounting and other records that provide a complete record of all transactions involving the Institution and accurately present its current financial condition under Generally Accepted Accounting Principles (except as the regulations promulgated by OTS permit variation therefrom), including adjustments to prior period financial statements, if required. The Institution's records, internal control, and reports to the OTS shall comply with all applicable rules and regulations adopted by the OTS and other applicable law, including, but not limited to, 12 C.F.R. Section 563.170 and 15 U.S.C. Section 78m(b)(1982).

ADDITIONAL TERMS AND CONDITIONS

A. All technical words or terms used in this Agreement for which meanings are not specified or otherwise provided by the provisions of this Agreement, shall, insofar as applicable, have meanings as defined in the pertinent statute or regulations of the OTS, and any such technical words or terms used in this Agreement and undefined in said regulations shall have meanings that accord with the best custom and usage in the savings and loan industry.

B. In this Agreement, the term "Deputy Regional Director" refers to the Office of Thrift Supervision's Deputy Regional Director, Indianapolis Office, Central Region, or his or her successor or designee.

C. The terms and provisions of this Agreement shall be binding upon, and inure to the benefit of, the parties hereto and their successors in interest.

D. This Agreement shall remain in effect until terminated by the OTS, acting through its Deputy Regional Director located at the Indianapolis District of the OTS. The Assistant Director will grant written requests for termination of the Agreement, if, in his/her opinion, the Institution has satisfactorily complied with the terms of this Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement by their duly authorized officer or designated agent. A certified copy of the resolution of the Board of Directors of the Institution authorizing the execution of this Agreement is attached hereto and made a part thereof.

Approved:

FIRST SECURITY SAVINGS BANK, FSB

OFFICE OF THRIFT SUPERVISION

BY:

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Thomas J. Hammond
Chairman of the Board and
Director

BY:

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Jill A. Drake
Deputy Regional Director

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Joan H. Anderson, Director

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Mary Kay McGuire, Director

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Charles Bazzv, Director

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James D. Coleman, Director

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Harry S. Ellman, Director

Robert D. Klym, Director

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John E. Kwiatkowski, Director

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Ronald I. Nichols, Sr., Director

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Mark T. Hammond, Director

CERTIFIED COPY OF
RESOLUTION OF BOARD OF DIRECTORS

I, the undersigned, being the duly qualified Secretary of First Security Savings Bank, FSB, Bloomfield Hills, Michigan, hereby certify that the following is a true copy of a resolution duly adopted by its Board of Directors at a meeting duly called and held July 23, 1991, that at said meeting a quorum was present and voting throughout, and that said resolution has not been rescinded or modified and is now in full force and effect:

RESOLUTION

WHEREAS, said officers and directors have been informed that the Office of Thrift Supervision will forbear from the initiation of formal enforcement proceedings on the subjects covered by the attached Supervisory Agreement ("Agreement") if it is executed by the Institution and if its terms are thereafter carried out by the Institution, and

WHEREAS, the Directors of First Security Savings Bank, FSB, Bloomfield Hills, Michigan ("Institution") have read and considered the proposed Agreement attached to the minutes of the meeting of the Board of Directors held on July 23, 1991, and after due consideration, and in the interest of regulatory compliance and cooperation, have determined to enter into the proposed Agreement:

~~NOW THEREFORE, BE IT RESOLVED~~, that the proposed Agreement, a copy of which is attached hereto, be and is hereby approved by the Board of Directors of the Institution. The president of the Institution is authorized to sign and execute this Agreement on behalf of the Institution. The officers and employees of the Institution are directed and authorized to take all necessary steps to implement immediately the terms of the Agreement.

IN WITNESS THEREOF, I have subscribed my name and affixed the seal of First Security Savings Bank, FSB, Bloomfield Hills, Michigan, this 23rd day of July, 1991.

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Secretary

Mary Kay McGuire