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SUPERVISORY AGREEMENT

THIS SUPERVISORY AGREEMENT ("Agreement") is made and effective this day of AUGUST 6, 1991, ("Agreement Date") by and between Home Federal Savings Bank, Detroit, Michigan (OTS Docket No. 5171) ("Institution"), and the Office of Thrift Supervision ("OTS"). This Agreement has been duly authorized, executed, and delivered, and constitutes, in accordance with its terms, a valid and binding obligation of the Institution. It is understood and agreed that this Agreement is a "written agreement" entered into with the OTS within the meaning of 12 U.S.C. Sections 1818 (b) and (i)(2), as amended.

WHEREAS, the OTS is of the opinion that the Institution has not complied with certain of the regulations to which the Institution is subject in conducting the business of the Institution, and has engaged in practices in conducting the business of the Institution, thereby providing grounds for the initiation of formal enforcement action against the Institution by the OTS; and

WHEREAS, the OTS is willing to forebear at this time the initiation of proceedings pursuant to 12 U.S.C. 1818(b) against the Institution for its failure to comply with certain statutes and/or regulations and its unsafe and unsound practices as set forth in the Institution's Report of Examination dated November 26, 1990 (the "Examination"); and

WHEREAS, in the interest of regulatory compliance and cooperation, the Institution is willing to enter into this Agreement to avoid the initiation of proceedings pursuant to 12 U.S.C. 1818(b):

NOW, THEREFORE, in consideration of the above-stated forbearance by the OTS from the initiation of proceedings pursuant to 12 U.S.C. 1818(b) against the Institution, it is agreed between the parties hereto as follows:

A. Policies, Procedures and Reports

1. The Board shall submit to OTS within 90 (ninety) days of the date of this Agreement, revised loan policies pertaining to construction, consumer, land contracts, and commercial real estate lending. The revised policies will include the recommended changes contained in the November 26, 1990 Report of Examination. The Deputy Regional Director shall have final authority to accept these policies or request that additional language or concerns be included and approved by the Board of Directors.
2. The Board shall revise procedures for classifying loans and establishing general valuation allowances ("GVAs") and submit them to the Deputy Regional Director for approval. These procedures and

policies shall be submitted to OTS within ninety (90) days of the date of this Agreement. The Board shall ensure compliance with the procedures and policies, as approved by the Deputy Regional Director. Any amendments must receive prior approval of the Deputy Regional Director.

3. The Board shall reduce the level of classified assets through reasonable measures. The Board shall submit to OTS, on a quarterly basis, a list of all classified assets, inclusive of balances, delinquency status, net realizable value calculations as applicable, plans to resolve or bring current each loan, and a discussion concerning the progress to reduce the overall level of classified assets. This list of classified assets shall be due to OTS on the same dates as the Thrift Financial Report Variance Reports, as described in section B. 1. of this Agreement.
4. In addition to any reports or policies contained in this Agreement, the Deputy Regional Director may request, at his/her discretion, any such reports or policies, that in his/her sole judgment, may be necessary to adequately enforce or monitor this Agreement. The Board shall provide such reports as requested by the Deputy Regional Director.
5. The Board shall develop written accounting procedures that, at a minimum, establish guidelines for reconciling accounts, preparing the Thrift Financial Reports, and for charging off unreconciled cash accounts. These procedures shall be submitted to the OTS for approval within ninety (90) days of the date of this Agreement. The Board shall ensure compliance with the procedures, as approved by the Deputy Regional Director.

B. Business Plan and Budget

1. The Institution shall develop a business plan and corresponding budgets covering the following periods which shall be submitted on or before the date set forth below:

<u>Requirement</u>	<u>Due Date</u>
Business plan with operating budget for the six month period ending December 31, 1991.	September 1, 1991
Updated business plan with operating budget for the year ended December 31, 1992.	November 1, 1991

Updated business plan with
operating budget for the year
ended December 31, 1993.

November 1, 1992

Subsequent years.

November 1, of each
subsequent year

The business plans shall address management's strategy for returning the Institution to profitability, reducing the level of operating expenses, and maintaining capital at no less than minimum regulatory requirements.

The budgets will include a projection of the balance sheet and income statements. Procedures shall be established to monitor the Institution's actual results against these projections and to provide for appropriate adjustments to the budgets and plans.

The business plan and budget must be submitted to the OTS for approval. Any major changes to the business plan or budget will require the prior written approval of the Deputy Regional Director.

Management shall submit quarterly variance reports to the OTS at its Indianapolis Office indicating the difference between budgeted forecasts and actual results. These variance reports will be provided to OTS on or before the dates set forth below:

<u>Thrift Financial Report (Quarterly)</u> <u>Due Date</u>	<u>Variance Report</u> <u>Due Date</u>
March 31	May 15
June 30	August 15
September 30	November 15
December 31	February 15

C. Plans for Management Succession and Board Expansion

1. The Board of Directors of the Institution (the "Board") shall develop written job descriptions for President Wilburn R. Phillips and Chairman and Treasurer Helen Coleman within ninety (90) days of the date of this Agreement.
2. The Board shall prepare a plan of management succession that will provide for qualified manager(s) to succeed Wilburn Phillips. The plan of succession will note timeframes for a candidate search, hiring, and training period. The new manager(s) shall be skilled in accounting and financial management and shall be employed no later than January 1, 1993. The Board shall develop and submit this plan of management succession within 90 days of the date of this Agreement.

3. The Board shall submit the name of the succession candidate to the Deputy Regional Director prior to any final hiring commitment for his/her approval. The Board shall also submit with this request for approval, a copy of the individual's application, resume, two years' federal tax returns, and any other information requested by the Deputy Regional Director.
4. The Board shall submit within 90 days of the date of this Agreement a plan that will increase the number of outside directors to no less than seven members. The plan will require the Board to have placed the additional members on its Board by no later than 180 days following the date of this Agreement. The Board shall submit the names of any candidates to the Deputy Regional Director for his/her prior approval. The Board shall submit with this request for approval, the candidate's resume and a credit report, and documentation supporting his/her qualifications for directorship of a financial institution.

D. Commercial Loans

1. Without the prior written approval of the Deputy Regional Director, the Institution, and any subsidiary or affiliate of the Institution, shall not make, invest in, purchase, commit to make, or purchase any additional loans, letters of credit, or loan participations for, commercial, corporate, business or agricultural purposes except for those loans fully secured by real estate.
2. The Institution shall provide, within ninety (90) days of the date of this Agreement, a list of any legally binding commitments to extend credit which was in effect, consummated and enforceable prior to the date of this Agreement. The Institution shall also provide an opinion from the Institution's legal counsel stating the enforceability and validity of any legally binding commitment to extend credit which was in effect, consummated and enforceable prior to the date of this Agreement.
3. Nothing contained herein shall be construed to prohibit the Institution from extending credit or making loans to individuals for consumer, personal and household purposes.

E. Overdrafts

Without the prior written approval of the Deputy Regional Director, the Institution shall not allow the payment of an overdraft on an account which is a commercial account.

F. Condominium Loans in Grand Blanc, Michigan

Effective with the date of this agreement, the Institution will cease granting loans secured by rental condominiums in Grand Blanc, Michigan, unless management can demonstrate to the Deputy Regional Director the feasibility of the project.

Feasibility must be demonstrated through appraisal reports prepared for the Institution by a qualified income property appraiser and that conform to industry standards. The demonstration of feasibility will also include documentation indicating that the condominium units securing the Institution's loans are achieving sufficient income to support 120% of the required principal and interest payments as well as the required payment for real estate taxes, hazard insurance and utilities.

G. Loans to One Borrower

1. The Institution and its subsidiaries or affiliates shall not make, invest in, purchase, refinance, extend or otherwise modify or commit to make, invest in, purchase, refinance, extend or otherwise modify any loans in violation of 12 C.F.R. Section 563.93.
2. The Board shall immediately establish and maintain records of loans and extensions of credit for each multiple borrower to prevent loans in violation of 12 C.F.R. Section 563.93.

H. Board Minutes and Board Certification

The Board of Directors shall, at each regular meeting, formally resolve that, to the best of its knowledge and belief, and based on a prudent review of management reports, during the previous calendar month the Institution complied with each condition of this Agreement, except as otherwise stated. The resolution shall specify in detail how, if at all, full compliance was found not to exist. The resolution further shall set forth any exception to any conditions of this Agreement approved by the Deputy Regional Director.

Within twenty (20) days of each regular Board of Directors meeting, the Institution shall submit to the Deputy Regional Director, a copy of the minutes of each Board of Directors meeting (and minutes of any

committee or subsidiary board of directors meetings), the aforementioned resolution, and the management report(s) of the Institution. These additional reports or policies shall be submitted within thirty (30) days of written notification from the Deputy Regional Director requesting such reports or policies.

I. OTS Review of Agreement

At the one year Anniversary Date, and at each subsequent Anniversary Date, the OTS shall review the need to continue requiring compliance with the terms and conditions of the Agreement. This review by OTS shall be made within 150 days after each respective Anniversary Date, and within such time, OTS shall notify Home of its decision to require continued compliance with the terms and conditions of the Agreement. The decision to continue the terms and conditions of the Agreement shall be the decision of the Deputy Regional Director and shall be made at his/her sole discretion.

J. General Provisions and Definitions

1. As used in this Agreement, the term "subsidiary" or "subsidiaries" includes all service corporations as defined in 12 C.F.R. Section 563.98(b)(10), and subsidiaries of such service corporations.
2. As used in this Agreement, the term "loans" shall mean obligations and extensions or advances of credit, and any reference to a loan or investment includes an interest in such loan or investment.
3. As used in this Agreement, the term "Deputy Regional Director" shall mean the Deputy Regional Director of the Central Region, Indianapolis District Office of the OTS or any other official designated to perform the function by the Regional Director of OTS, or by the Director of OTS or its successor.
4. As used in this Agreement, the term "payment of an overdraft on an account" shall mean to pay an amount upon the order of, or for the benefit of, an account holder in excess of the funds on deposit on account.

5. As used in this Agreement, the term "commercial" shall mean transactions or accounts which are not conducted or held primarily for personal, family or household purposes.
6. As used in this Agreement, the term "Anniversary Date" shall be the yearly recurrence of the Agreement Date.
7. References in this Agreement to provisions of statutes, regulations, and OTS memoranda shall be deemed to include references to successor provisions as they become applicable.
8. 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 Chapter V of Title 12 of the Code of Federal Regulations, HOLA, and Federal Deposit Insurance Corporation Act, as amended ("FDIC"). Any such technical words or terms used in this Agreement and undefined in said Code of Federal Regulations, HOLA, FDIC Act, or OTS Memoranda shall have meanings that accord with the best custom and usage in the savings and loan industry.
9. The terms and provisions of this Agreement shall be binding upon the parties hereto and their successors in interest.
10. Materials required to be sent to the OTS pursuant to this Agreement shall be mailed to: Deputy Regional Director, Office of Thrift Supervision, 8250 Woodfield Crossing Boulevard, Suite 305, Indianapolis, Indiana 46240.
11. This Agreement shall remain in effect until terminated, modified or suspended by the OTS, acting through the Deputy Regional Director or his/her designee.

IN WITNESS WHEREOF, the OTS acting through the Deputy Regional Director or his/her designee, and the Institution, by its duly elected directors, have executed this Agreement on the date first written above. 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.

SUPERVISORY AGREEMENT (CONTINUED)

HOME FEDERAL SAVINGS BANK
Detroit, Michigan

OFFICE OF THRIFT SUPERVISION

By ISI
Wilbyrn R. Phillips, Director

By: ISI
Jill A. Drake
Deputy Regional Director
Indianapolis District

ISI
Helen Coleman, Director

ISI
James A. Carter, Director

ISI
Louis Johnson, Director

ISI
Jack Martin, Director