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SUPERVISORY AGREEMENT

This Supervisory Agreement ("Agreement") is made and is effective this 12th day of Sept., 1991, by and between Elk County Savings and Loan Association (OTS No. 06789), hereinafter referred to as "Elk County" or "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 Elk County. It is understood and agreed that this Agreement is a "written agreement" entered into with the OTS, as that term is used in 12 U.S.C. 1818(b).

WHEREAS, the OTS is of the opinion that Elk County has not complied with certain laws and regulations to which Elk County is subject, thereby providing grounds for the initiation of formal enforcement proceedings against Elk County by the OTS; and

WHEREAS, the OTS is willing to forbear at this time from the initiation of such proceedings against Elk County for the violations of law described in the Institution's May 22, 1991 Compliance Report of Examination (CROE), so long as Elk County is in compliance with the provisions of the Agreement; and

WHEREAS, in the interest of regulatory compliance and cooperation, Elk County is willing to enter into the Agreement to avoid the initiation of such formal enforcement proceedings:

NOW, THEREFORE, in consideration of the above-stated forbearance by the OTS from the initiation of formal enforcement proceedings against Elk County it is agreed between the parties hereto as follows:

1. Within ninety days of the effective date of this Agreement, Elk Countys' Board shall appoint a "Compliance Officer" and develop, adopt and file with the Regional Deputy Director ("RDD") a Compliance Program ("Program") which would address those areas detailed on page 5 of the CROE.
2. Within sixty days of the effective date of this Agreement, the Institution shall revise their residential loan underwriting standards to correct the deficiencies cited in the CROE on page 6. The Institution shall, at least annually, review the standards, and business practices implementing them, to ensure equal opportunity in lending, as required by Federal Regulation 528.2a(b).

Furthermore, the Institution shall incorporate an Equal Opportunity in Lending Policy Statement in the standards expressing support of, and compliance with nondiscriminatory practices in lending and other services, appraisal, underwriting, and the taking of applications, as set forth in Federal Regulations 528.2, 528.2a, 528.3, and 571.24.

3. In conjunction with provision #2, the Institution shall, within thirty days of the effective date of this Agreement, develop policies to ensure notification to applicants of action taken on their applications, disclosure of the principal reasons for denying an application or taking other adverse action, retention of records of credit applications, and collection of

information about the applicant's race and other personal characteristics in applications for certain dwelling-related loans, as required by Regulation B (the Equal Credit Opportunity Act).

4. Within sixty days of the effective date of this Agreement, the institution shall develop procedures to ensure that truth-in-lending disclosure statements are subjected to a second-party review and that deficiencies in disclosures for construction/permanent mortgage loans detailed on page 9 of the CROE are corrected.
5. Within thirty days of the effective date of this Agreement, the Institution shall develop the necessary system of internal controls, policies, procedures, and auditing standards to ensure compliance with Federal Regulation 563.177 and Treasury Regulations Relating to The Bank Secrecy Act. This will include the following:
 - a. The establishment and maintenance of a policy and program to assess and monitor compliance with the requirements of the Bank Secrecy Act and the Treasury regulations implementing the Act, which meets the specific requirements of Federal Regulation 563.177(b).
 - b. The board appointment of a Bank Secrecy Act Compliance Officer to be responsible for day-to-day monitoring of compliance with the Act as required by Federal regulation 563.177(c)(3).
 - c. The development of procedures to ensure the correct completion of Currency Transaction Report forms, with special attention directed to the identification requirements set forth in Treasury Regulation 103.28.

- d. A record of each exemption granted under Treasury Regulation 103.22(f), with the reason for the exemption recorded in a centralized list. The record shall include the specific items required by Treasury Regulation 103.22(f).
 - e. An employee education program to ensure that operating personnel are aware of the current requirements of the regulation and to ensure that they are sufficiently knowledgeable concerning the recordkeeping and reporting requirements to ensure compliance as required by Federal Regulation 563.177(c)(4).
 - f. Assurance that, in conjunction with their annual audit, the independent auditor will study and test the institution's procedures for compliance with the provisions and conformance to any changes or amendments to the Currency and Foreign Transactions Reporting Act and that a special report is issued as described in AICPA Statement on Auditing Standards No. 30, Reporting on Internal Accounting Control.
6. Within thirty days of the effective date of this Agreement, the Institution shall develop policies and procedures relative to compliance with the Bank Protection Act and federal regulations promulgated thereto, which establish minimum security standards and which address weaknesses found on page 12 of the CROE. This includes but is not limited to:
- a. The board of directors appointment of a security officer, as required by Federal Regulation 568.4(a).
 - b. The development of a security program which meets the requirements of Federal Regulation 568.4(a).
 - c. The establishment and documentation of employee training and retraining as required by Federal Regulation 568.4(b)(9).

7. The Institution shall within 60 days of the effective date of this agreement revise its CRA statement in order to include:
- a. A map depicting the delineated community as required by Federal Regulation 563e.3(a). In addition, the Institution shall at least annually review the delineation of the local community.
 - b. A list of specific types of credit within certain categories that the Institution is willing to extend within the local community, as required by Federal Regulation 563e.4(b)(2).
 - c. The Institution shall provide, in the public lobby of each office, the public notice set forth Federal Regulation 563e.6.
8. The Institution shall within 60 days institute procedures and policies to ensure that the additional regulatory violations identified in the Violations Summary section of the CROE, (pages 22 and 23) do not recur.

The adequacy of and compliance with the various policies and procedures required to be developed by Elk County under this Agreement, as well as overall compliance with this Agreement, shall be determined by the RDD in conjunction with the next examination of Elk County.

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, Home Owners' Loan Act of 1933 ("HOLA"), and Federal Deposit Insurance Act ("FDIA"), as amended by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 ("FIRREA"). Any such technical words or terms used in this Agreement and undefined in said Code of Federal Regulations,

HOLA, FDIA, or OTS Compliance Activities Handbook shall have meanings that are in accordance with the best custom and usage in the savings and loan industry.

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

Upon a written request by Elk County which demonstrates just cause, the time frames for the submission of policies and procedures and other required documents, as prescribed within this Agreement may be extended by the approval of the RDD or his designee.

Nothing contained herein shall prevent the OTS from taking, or its successors in interest from recommending or taking, such further supervisory action as is deemed appropriate under given circumstances, with regard to the foregoing or otherwise.

This Agreement shall remain in effect until terminated as an Agreement by the OTS acting through its RDD. Additionally, the RDD may, in his discretion, suspend any or all of such provisions of the Agreement during the term of the Agreement.

IN WITNESS WHEREOF, the OTS acting through the RDD for the Pittsburgh Office, and Elk County by its duly elected directors, have executed this Agreement on the date first above written.

This Agreement has been duly authorized, executed, and delivered, and constitutes, in accordance with its terms, a valid and binding obligation of Elk County Savings and Loan Association.

