

SUPERVISORY AGREEMENT

This Supervisory Agreement ("Agreement") is made and is effective this <sup>31<sup>st</sup></sup>~~25<sup>th</sup>~~ day of January, 1995 (the "Effective Date"), by and between First Security Federal Savings Bank, Inc., Annandale, Virginia, OTS No. 8569, a Federally chartered, stock savings bank ("First Security" or "Institution"), and the Office of Thrift Supervision ("OTS"), an agency of the United States Department of the Treasury, acting through its Southeast Regional Director or his designee ("Regional Director").

WHEREAS, based on First Security's OTS Compliance Examination of April 4, 1994, ("1994 Compliance Exam"), the OTS is of the opinion that the Institution has violated certain Federal consumer and compliance laws and regulations; and

WHEREAS, on the basis of these violations, the OTS is of the opinion that grounds exist to initiate administrative proceedings against First Security pursuant to Section 8(b) of the Federal Deposit Insurance Act ("FDIA"), 12 U.S.C. § 1818(b)<sup>1</sup>; and

WHEREAS, the Institution is willing to enter into this Agreement, without admitting or denying any violations of laws, regulations, and/or conditions imposed in writing by the OTS, in order to cooperate with the OTS and to evidence its intent to comply with applicable laws, regulations and conditions imposed in writing by the OTS.

NOW THEREFORE, in consideration of the premises stated above, the parties hereto agree as follows:

COMPLIANCE PROGRAM

1. Within 60 days of the Effective Date of this Agreement, the Board of Directors of First Security ("the Board") shall adopt, implement, and submit to the Regional Director for review a comprehensive, written program to ensure the Institution's ongoing compliance with all applicable Federal consumer and compliance laws and regulations ("consumer laws and regulations"). The Board shall make any and all modifications to the program requested by the Regional Director, and shall ensure that the Institution adheres to the compliance program.

2. At a minimum, the program required by Paragraph 1 of this Agreement shall prescribe written self-assessments, on at least a quarterly basis, of the Institution's compliance with consumer laws and regulations. The program shall also provide for a Board-designated Compliance Officer responsible for the development of operating policies and procedures, internal controls, monitoring systems, and training programs to ensure ongoing compliance with consumer laws and regulations.
3. The Compliance Officer designated by the Board in accordance with Paragraph 2 of this Agreement shall prepare and present, on at least a quarterly basis, reports to the Board that set forth the Compliance Officer's findings, conclusions, and recommendations concerning the Institution's current record of compliance with consumer laws and regulations, and its compliance with this Agreement. The Board's review and discussions concerning the reports of the Compliance Officer shall be recorded in the minutes of the meetings at which they occur, and the Board shall take any and all actions necessary to correct all deficiencies reported by the Compliance Officer.
4. The Compliance Officer designated in accordance with Paragraph 2 of this Agreement shall have sufficient authority, responsibility, and autonomy to monitor the operations of the Institution and effect, as needed, corrections to ensure compliance with consumer laws and regulations.

HOME MORTGAGE DISCLOSURE ACT/RECORDKEEPING

5. The Institution shall comply at all times with the applicable provisions of 12 C.F.R. Part 202 pertaining to the content of notices of action taken on applications.
6. The Institution shall comply at all times with the applicable provisions of 12 C.F.R. Part 203 ("Home Mortgage Disclosure").
7. Within 60 days of the Effective Date of this Agreement, the Board shall adopt and implement written policies and procedures to ensure consistency of operation in regard to the collection of information in connection with mortgage loan inquiries and applications and to ensure compliance with the provisions of 12 C.F.R. Part 203. At a minimum, the policies and procedures required by this Paragraph shall include:

- (a) detailed descriptions of the duties and responsibilities of each employee involved in lending operations and in the collection of information in connection with mortgage loan inquiries and applications ("the subject employees"). Such descriptions should address the responsibility to ensure that the Institution performs in compliance with the requirements of 12 C.F.R. Part 203, as well as the responsibility to ensure that inquiries are treated as applications where appropriate pursuant to 12 C.F.R. Part 202 and its implementing regulation, Regulation B);
- (b) provisions for initial and ongoing training of the subject employees concerning the requirements of 12 C.F.R. Part 203 and concerning the definition of an "application" as set forth in Regulation B and amplified in the Federal Reserve Board's Office Staff Commentary on Regulation B. The policies and procedures should also include provisions for the training of the subject employees regarding their duties and responsibilities as described in the policies and procedures adopted by the Board pursuant to this Paragraph. The Institution shall keep a written record of all training sessions, including dates of, attendance at, and content of the sessions; and
- (c) provisions for written, monthly self-assessments, with reports to the Board on at least a monthly basis, concerning the Institution's compliance with the requirements of 12 C.F.R. Part 203.

SUCCESSOR STATUTES, REGULATIONS, GUIDANCE, AMENDMENTS

- 8. Reference in this Agreement to provisions of statutes, regulations, and OTS Memoranda, bulletins and publications shall include references to all amendments to such provisions as have been made as of the effective date of this Agreement and references to successor provisions as they become applicable.

NOTICES

- 9. (a) Except as otherwise provided herein, any request, demand, authorization, direction, notice, consent, waiver or other document provided or permitted by the Agreement to be made upon, given or furnished to, delivered to, or filed with:

- (i) the OTS by the Institution, shall be sufficient for every purpose hereunder if in writing and mailed, first class, postage prepaid or sent via overnight delivery service or physically delivered, in each case addressed to the Regional Director for the Southeast Region, Office of Thrift Supervision, Department of the Treasury, 1475 Peachtree Street, N.E., Atlanta, Georgia 30309 or telecopied to (404)897-1861 and confirmed by first class mail, postage prepaid, overnight delivery service or physically delivered, in each case to the above address.
  - (ii) the Institution by the OTS, shall be sufficient for every purpose hereunder if in writing and mailed, first class, postage prepaid, or sent via overnight delivery service or physically delivered, in each case addressed to the Institution at First Security Federal Savings Bank, Inc., 7620 Little River Turnpike, Annandale, Virginia 22003, or telecopied to (703)941-6885 and confirmed by first class mail, postage prepaid, overnight delivery service or physically delivered, in each case to the above address.
- (b) Notices hereunder shall be effective upon receipt, if by mail, overnight delivery service or telecopy, and upon delivery if by physical delivery. If there is a dispute about the date on which a written notice has been received by a party to this Agreement, there shall be a presumption that the notice was received two Business Days after the date of the postmark on the envelope in which the notice was enclosed.

DURATION, TERMINATION OR SUSPENSION OF ORDER

10. The provisions of this Agreement shall remain in effect until terminated, modified or suspended in writing by the OTS, acting through the Regional Director. The Regional Director in his sole discretion may, by written notice, terminate and/or suspend any or all provisions of this Agreement.

EFFECT OF HEADINGS

11. The section headings used in this Agreement are for convenience of reference only and are not to affect the construction of or be taken into consideration in the interpretation of this Agreement.

SEPARABILITY CLAUSE

12. In the event that any provision of this Agreement is ruled to be invalid, illegal or unenforceable by the decision of any Court of competent jurisdiction, the validity, legality and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby, unless the Regional Director in his sole discretion determines otherwise.

NO VIOLATIONS OF LAW, RULE, REGULATION OR  
POLICY STATEMENT AUTHORIZED; OTS NOT RESTRICTED

13. Nothing in this Agreement shall be construed as:
- (a) allowing the Institution to violate any law, rule, regulation, or policy statement to which it is subject; or
  - (b) restricting, in any way, the OTS from taking any action that it believes is appropriate in fulfilling the responsibilities placed upon it by law.

SUCCESSORS IN INTEREST/BENEFIT

14. 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. Nothing in this Agreement, express or implied, shall give to any person or entity, other than the parties hereto, the Resolution Trust Corporation, and the Federal Deposit Insurance Corporation and their successors hereunder, any benefit or any legal or equitable right, remedy or claim under this Agreement.

DIRECTOR RESPONSIBILITY

15. Although the Board is by this Agreement required to submit certain proposed actions and programs for the review or approval of the Regional Director, the Board

has the ultimate responsibility for proper and sound management of the Institution.

TIME LIMITS

16. Any time limitations imposed by this Agreement shall begin to run from the Effective Date of the Agreement, unless otherwise provided for in the Agreement. Such time limitations may be extended by the Regional Director in his sole discretion upon written application by the Institution.

DEFINITIONS

17. All technical words or terms used in this Agreement for which meanings are not specified or otherwise provided by the provisions of the Agreement shall, insofar as applicable, have meanings as defined in Chapter V of Title 12 of the Code of Federal Regulations. Any such technical words or terms used in this Agreement and undefined in said Code of Federal Regulations shall have meanings that accord with the best custom and usage in the savings and loan industry.

WRITTEN AGREEMENT WITH THE AGENCY

18. 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 agency" as that phrase is used in Section 8(b)(1) of the FDIA, 12 U.S.C. § 1818(b)(1).

IN WITNESS WHEREOF, the OTS, acting through the Regional Director, and the Institution, by a majority of its directors, have executed this Agreement.

First Security Federal Savings Bank, Inc.  
Annandale, Virginia  
OTS No. 8569

By:           /5/            
E. Rector

By:           /5/            
G. Marienthal

By:           /5/            
~~L. Gandal~~

By:           /5/            
R. Gants

By:           /5/            
D.E. Rowe

OFFICE OF THRIFT SUPERVISION

By:           /5/            
Richard M. Riccobono  
Acting Regional Director