

95083

SUPERVISORY AGREEMENT

This Supervisory Agreement ("Agreement") is made and is effective this 5th day of October, 1992 ("effective date"), by and between Ashe Federal Savings and Loan Association, West Jefferson, North Carolina, OTS No. 6555, for itself and its wholly owned service corporations and subsidiaries ("Ashe Federal" or "Institution") and the Office of Thrift Supervision ("OTS"), acting through its Southeast Regional Director or his designee ("Regional Director").

WHEREAS, the Director of the OTS is responsible for the examination, safe and sound operation, and regulation of savings associations pursuant to Section 3 of the Home Owners' Loan Act of 1933 ("HOLA"), 12 U.S.C.A. Section 1463(a)(1) (West Supp. 1992); and

WHEREAS, Ashe Federal is a "savings association" within the meaning of Section 3 of the Federal Deposit Insurance Act ("FDIA"); 12 U.S.C.A. Section 1813(b) (West 1989 & Supp. 1992), and of Section 2 of the HOLA, 12 U.S.C.A. Section 1462; and

WHEREAS, the OTS is of the opinion that grounds exist to initiate administrative proceedings against Ashe Federal pursuant to Section 8(b) of the FDIA, 12 U.S.C.A. Section 1818(b) (West 1989 & Supp. 1992); and

WHEREAS, Ashe Federal, in the interest of regulatory compliance and cooperation is willing to enter into this Agreement to avoid the initiation of such administrative proceedings on the matters covered by this Agreement; and

WHEREAS, the OTS is willing to forebear from the initiation of such administrative proceedings against Ashe Federal to require the actions specifically covered by this Agreement for so long as the Institution is in compliance with the provisions of this Agreement; and

WHEREAS, it is understood by the parties that execution of this Agreement does not preclude the OTS from taking further supervisory or enforcement measures on matters not specifically covered by this Agreement that the OTS considers appropriate under the circumstances.

WCV

NOW, THEREFORE, in consideration of the above-stated forbearance, it is agreed between the parties hereto as follows:

PRECEDING AGREEMENTS

1. The provisions of the Mutual Undertaking dated January 23, 1992 between the OTS and Ashe Federal are incorporated in this Supervisory Agreement as set forth below and, therefore, the Mutual Undertaking is hereby terminated.

COLLECTION POLICY

2. The Institution shall immediately implement and thereafter adhere to the comprehensive collection policy adopted by the board of directors (the "Board") on December 16, 1991. In order to ensure the proper implementation of the collection policy, the Board shall require monthly reports from management on each loan that is 120 days or more delinquent. These reports should contain, at a minimum, the loan number, the name of the borrower, the outstanding principal balance, the number of months delinquent, the current status of the collection efforts, including the individual who has been assigned responsibility for collection, and an explanation for any deviation from the Board approved collection policy. The Institution shall provide the Regional Director with a copy of this report within 20 days following every quarter.

ASSET CLASSIFICATION POLICY

3. The Institution shall continue to comply with its written policies and procedures for the appropriate classification of its assets in accordance with 12 C.F.R. Sections 563.160 and 571.26.

GENERAL VALUATION ALLOWANCES

4. The Institution shall continue to adhere to its written policies and procedures for the establishment and maintenance of a prudent level of general valuation allowances ("GVAs"), in compliance with the requirements of 12 C.F.R. Section 563.160(d) and the guidance provided in 12 C.F.R. Section 571.26 and Section 261 of the Thrift Activities Handbook. Such written policies and procedures will specifically identify the methodology utilized in determining the appropriate level of GVAs, and will provide for at least a quarterly review of the adequacy of the Institution's GVAs by the Board.

LOAN UNDERWRITING

5. Within 45 days after the effective date of this Agreement, the Institution shall amend, adopt, implement, and thereafter adhere to written policies and procedures for loan underwriting and monitoring. Such policies and procedures shall specifically address and correct the deficiencies noted on pages 4, 5 and 9 of the May 18, 1992 Report of Examination ("Examination"). Such written policies and procedures shall require that the Institution perform appropriate and proper loan underwriting and maintain documentation pursuant to 12 C.F.R. Section 563.170 to facilitate and document safe and prudent lending decisions. The Institution shall submit a copy of the loan underwriting policy, along with a certified Board resolution evidencing its adoption, to the Regional Director for review and approval.

APPRAISAL POLICY AND PROCEDURES

6. Within 45 days after the effective date of this Agreement, the Institution shall amend, adopt, implement, and thereafter adhere to a written appraisal policy. Such appraisal policy shall specifically address and correct the deficiencies noted on page 5 of the Examination and comply with 12 C.F.R. Part 564. All applicable appraisal reports are to comply with the specific documentation requirements of 12 C.F.R. Section 563.170(c)(1)(iv) and 12 C.F.R. Part 564. Such appraisal reports shall be obtained, reviewed, and analyzed prior to loan approval, and documentation of such review and analysis shall be maintained in the loan file. The Institution shall submit a copy of the appraisal policy, along with a certified Board resolution evidencing its adoption, to the Regional Director for review and approval.

LOANS TO AFFILIATED PERSONS

7. The Institution shall continue to comply with Section 22(h) of the Federal Reserve Act, as implemented by Federal Reserve System Regulation O, 12 C.F.R. Section 563.43, and all other pertinent regulations involving transactions with affiliated persons.

INTEREST RATE RISK POLICY

8. The Institution shall continue to comply with its written policies and procedures for the management of its interest rate risk.

INTERNAL CONTROLS

9. Within 45 days after the effective date of this Agreement, the Institution shall develop, adopt, implement, and thereafter adhere to written internal control policies and procedures. Such policies shall specifically address and correct the deficiencies noted on page 6 of the Examination. The Institution shall submit a copy of the internal control policy, along with a certified Board resolution evidencing its adoption, to the Regional Director for review and approval.

EMERGENCY DISASTER PLAN

10. The Institution shall continue to comply with its written emergency disaster plan.

INVESTMENT POLICY

11. The Institution shall continue to adhere to its written policies and procedures for its investments to ensure compliance with the guidelines set forth in 12 C.F.R. Section 571.19.

CONSTRUCTION LOAN DISBURSEMENT PROCEDURES

12. Within 45 days after the effective date of this Agreement, the Institution shall develop, adopt, implement, and thereafter adhere to written construction loan policies and procedures. Such policies shall specifically address and correct the deficiencies noted on page 10 of the Examination. The Institution shall provide the Regional Director a certified Board resolution stating that appropriate corrective action was taken and that such written policies have been adopted and implemented.

Ashe Federal Savings and Loan Association
West Jefferson, North Carolina OTS No. 6555
Supervisory Agreement (October 1992)
Page 5 of 6

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, and 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. For purposes of this Agreement, references to regulations, bulletins, memoranda, and publications shall include any successor regulations, bulletins, memoranda, and publications.

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.A. Section 1818(b)(1).

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.

This Agreement shall remain in effect until terminated, modified, or suspended by the OTS, acting through the Regional Director. The Regional Director may suspend, in his sole discretion, any or all provisions of this Agreement.

DIRECTORS' WAIVER OF NOTICE

I hereby waive notice of the meeting of the Board of Directors of Ashe Federal Savings and Loan Association, West Jefferson, North Carolina, OTS No. 6555, at 12:30, September 29, 1992 1990, held at West Jefferson, North Carolina, at which the Board of Directors considered and adopted the attached resolution concerning a Supervisory Agreement between Ashe Federal Savings and Loan Association and the Office of Thrift Supervision.

<u>151</u>	<u>9/29/92</u>
<u>151</u>	<u>9-29-92</u>
<u>151</u>	<u>9-19-92</u>
<u>(Name)</u>	<u>(Date)</u>

CERTIFIED COPY OF
RESOLUTION OF BOARD OF DIRECTORS

I, the undersigned, being the duly qualified Secretary of Ashe Federal Savings and Loan Association, West Jefferson, North Carolina, OTS No. 6555, ("Institution"), 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 on September 29, 1992, and 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, the officers and directors of the Institution have been advised that the Office of Thrift Supervision ("OTS") is of the opinion that the grounds exist to initiate administrative proceedings against Ashe Federal Savings and Loan Association pursuant to Section 8(b) of the Federal Deposit Insurance Act, 12 U.S.C 1818(b); and

WHEREAS, said officers and directors have been informed that the OTS will forbear from the initiation of such administrative proceedings in connection with the matters referred to in the attached Supervisory Agreement ("Agreement") if the Agreement is executed by the Institution and if its terms are thereafter complied with by the Institution; and

WHEREAS, the directors of the Institution have read and considered the proposed Agreement attached to the minutes of the meeting of the Board of Directors held on September 29, 1992, 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 and the provisions of which are incorporated herein by reference, be and is hereby approved by the Board of Directors 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 WHEREOF, I have hereto subscribed my name and affixed the seal of Ashe Federal Savings and Loan Association this 29th day of ~~October~~, 1992,

Secretary
Secretary *151*