

SUPERVISORY AGREEMENT

This Agreement ("Agreement") is made and is effective this 17<sup>th</sup> day of March 1992 ("Effective Date"), by and between Security Federal Savings and Loan Association of Cleveland, (OTS No. 1783), Mayfield Heights, Ohio ("Security" or "Institution"), for itself 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)(1) and (i)(2).

**WHEREAS**, the OTS is of the opinion based on the results of the Regular Compliance Report of Examination dated July 22, 1991, that grounds exist for the initiation of proceedings against Security by the OTS pursuant to 12 U.S.C. Section 1818(b); and

**WHEREAS**, the OTS is willing to forbear at this time from the initiation of proceedings pursuant to 12 U.S.C. Section 1818(b) on the matters covered by this Agreement, for so long as the Institution is in compliance with the provisions of this Agreement; and

**WHEREAS**, in the interest of regulatory compliance and cooperation, Security, by its Board of Directors ("Board"), without admitting that grounds for proceeding pursuant to 12 U.S.C. Section 1818(b) exist, is willing to enter into this Agreement to avoid the initiation of such proceedings;

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

Statutes and Regulations

1. Security shall correct violations cited in this section and in the Report of Examination dated July 22, 1991, and shall not knowingly initiate any action which would result in a violation of, or the aiding and abetting of any violation of 12 C.F.R. Sections 528.2a(b), 528.4, 528.6, 203.5(d), 226.5b(d), 226.16(a), 226.26(b), 563.177(a), 24 C.F.R. Section 3500.7(d)(1), 31 C.F.R. Sections 103.22(a)(1), 103.27(d), 103.28 and 103.29(a).

2. Within 90 days from the effective date of this agreement Security shall revise, and review annually thereafter, mortgage loan and consumer loan underwriting standards to clearly state the requirements for loans so as to avoid ambiguous terms and generalities and to facilitate nondiscriminatory lending on an equal opportunity basis. Security shall also adopt policies and procedures to avoid disparate treatment and to facilitate nondiscrimination in lending on an equal opportunity basis and adopt adequate training for employees to implement such policies and procedures.

3. Within 90 days from the effective date of this agreement, the Board shall adopt policies, and management shall implement procedures and a system of internal controls to affirm the proper completion, maintenance

and periodic review for completeness and accuracy of the loan application register (LAR). This should include training of employees, gathering of required government monitoring information, and periodic summation and analysis of the LAR information to determine the disposition and geographic distribution of applications, loans granted and effectiveness in reaching protected segments within the delineated community.

4. Within 90 days from the effective date of this agreement the Board shall adopt policies and management shall implement procedures to confirm that advertising copy for other than savings is reviewed before publication for compliance with various advertising rules and regulations (including OTS Nondiscrimination Regulations and Regulation Z) by persons having competent knowledge of such rules and regulations and to review the effectiveness of such advertising in reaching protected groups.

5. Within 90 days from the date of this agreement Security shall establish policies and procedures to train and periodically retrain all levels of association personnel in the requirements of the Bank Secrecy Act (BSA) and the association's BSA program including the board of directors, senior management and the BSA Officer. Such training should include development of internal review procedures to identify reportable transactions, review CTRs for completeness and accuracy before filing, standardize methods of verifying customer identity, maintenance of a centralized exemption list and related supporting information, and preparation and maintenance of a monetary instruments log the form and content of which meets regulatory requirements.

6. Within 90 days from the effective date of this agreement Security shall establish procedures and internal controls relating to compliance

with regulations implementing the Home Mortgage Disclosure Act regarding display of posters at offices evidencing availability of the number and amount of mortgage loans originated or purchased by the institution.

7. Within 90 days from the effective date of this agreement Security shall establish procedures, internal controls and employee training regarding compliance with the Real Estate Settlement Procedures Act with respect to delivery, form and content of good faith estimates to the borrower and disclosure of specified language in bold type that the borrower should inquire about other amounts which may be payable at settlement.

8. Within 90 days from the effective date of this agreement Security shall establish procedures, internal controls and employee training regarding compliance with Regulation Z with respect to: initial disclosures on home equity lines of credit relating to payment terms and disclosures for variable rate plans; timing of disclosures on residential mortgage transactions subject to RESPA; use of APRs in oral quotations of interest rates; and advertising of terms actually available.

9. Within 90 days from the effective date of this agreement Security shall: (a) define the duties and responsibilities of the Compliance Officer; (b) fix the responsibility for training personnel and for reviewing the effectiveness of policies and procedures in the Compliance Officer; and (c) develop a reporting mechanism to enable the board of directors to check on the enforcement of policies, procedures and resolution of problems relating to compliance with laws and regulations.

10. Within 90 days from the effective date of this Agreement, Security shall demonstrate an increased commitment to the goals and purposes of the

Community Reinvestment Act (CRA) through implementation of an effective program to assess and to help meet the credit needs of its delineated community. The Board of Directors shall correct the CRA deficiencies disclosed in the July 22, 1991 Regular Compliance Report of Examination. In addition, the Board shall commence active participation in the development, implementation and periodic review of the effectiveness of its CRA program.

#### Closings

11. (a) Although the Board is by this Agreement required to submit certain proposed actions and programs for the review or approval of the Deputy Regional Director or his/her designee, the Board has the ultimate responsibility for proper and sound management of the Institution. In exercising and fulfilling its fiduciary duties, the Board may consider the reports of management, counsel, and other agents and consultants of the Board. Nothing contained herein shall require the Board or any member or agent thereof to take any action or omit to take any action inconsistent with his or her fiduciary duties.

(b) It is expressly and clearly understood that if, at any time, the OTS deems it appropriate in fulfilling the lawful responsibilities placed upon it by the several laws of the United States of America to undertake any lawful action affecting the Institution, nothing in this Agreement shall in any way inhibit, estop, bar, or otherwise prevent the OTS from doing so.

(c) Any time limitations imposed by this Agreement shall begin to run from the effective date of this Agreement. Such time limitations may

be extended by the Deputy Regional Director or his/her designee for good cause upon written application by the Board.

(d) All technical words or terms used in this Agreement, for which meanings are not specified or otherwise provided by the provision of this Agreement, shall, insofar as applicable, have meanings as defined in the rules and regulations adopted by the OTS (including, without limitation, Chapter V of Title 12 Code of Federal Regulation). Any such technical words or terms used in this Agreement and undefined in said rules and regulations shall have meanings that accord with the best custom and usage in the thrift industry.

(e) 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.

(f) It is understood that the execution of this Agreement shall not be construed as an approval of any application or notices that are contemplated by the Institution.

(g) Any report or other document required by this Agreement to be submitted to the OTS shall be filed with the Office of Thrift Supervision, 525 Vine Street, Suite 700, Cincinnati, Ohio 45202, Attn: Assistant Director. All reports and other documents shall be deemed filed when received by the OTS.

(h) In the event any provision of this Agreement shall be declared invalid, illegal, or unenforceable; the validity, legality, and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

(i) 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.

(j) This Agreement shall remain in effect until terminated, modified, or suspended by the OTS, acting through the Regional Director or his designee.

IN WITNESS WHEREOF, the OTS, acting through its Regional Director and Security, by its board of directors, have executed this Agreement on the date first above written.

THE OFFICE OF THRIFT SUPERVISION  
Cincinnati, Ohio

SECURITY FEDERAL SAVINGS AND  
LOAN ASSOCIATION OF CLEVELAND  
Mayfield Heights, Ohio

By: 157  
Stuart M. Brafman  
Regional Director

By: 151  
Director

By: \_\_\_\_\_  
Director