

UNITED STATES OF AMERICA
Before the
OFFICE OF THRIFT SUPERVISION

In the Matter of	)	
	)	
	)	Order No. NE 09-24
SUNNYSIDE FS&LA	)	
OF IRVINGTON	)	Date: August 21, 2009
Irvington, New York	)	
OTS Docket No. 02397	)	
	)	

AMENDED ORDER TO CEASE AND DESIST

WHEREAS, Sunnyside S&LA of Irvington, Irvington, New York, OTS Docket Number 02397 (Association) by and through its Board of Directors (Board) has executed a Stipulation and Consent to Issuance of Amended Order to Cease and Desist (Stipulation); and

WHEREAS, the Association, by executing the Stipulation, has consented and agreed to the issuance of this Amended Order to Cease and Desist (Amended Order) by the Office of Thrift Supervision (OTS) pursuant to 12 U.S.C. § 1818(b); and

WHEREAS, pursuant to delegated authority, the OTS Regional Director for the Northeast Region (Regional Director), is authorized to issue amended Orders to Cease and Desist where a savings association has consented to the issuance of an amended order.

NOW, THEREFORE, IT IS ORDERED that:

Amendment of Existing Order.

This Amended Order amends OTS Order No. NE 07-12, previously issued by the OTS against the Association on September 14, 2007, and which remains in full force and effect. As set forth in this Amended Order, OTS Order No. NE 07-12 is amended by the replacement of existing Paragraphs 1, 2 and 3 through Paragraph 3(c)(i), with new Paragraphs 1, 2 and 3 through

new Paragraph 3(c)(i), the deletion of existing Paragraphs 4(c) and 6 and the addition of Paragraphs 11, 12, 13 and 14.

OTS Order No. NE 07-12 is amended by the replacement of existing Paragraph 1 with new Paragraph 1:

Compliance With Laws and Regulations.

1. The Association and its directors, officers, employees, and agents shall cease and desist from any action (alone or with one or more others) for or toward causing, bringing about, participating in, counseling or the aiding and abetting of any violation of:

(a) 12 C.F.R. § 563.177 (requiring effective Anti-Money Laundering (AML) and Bank Secrecy Act (BSA) Compliance Program);

(b) 12 C.F.R. § 563.180(d) (requiring submission of Suspicious Activity Reports);
and

(c) 12 C.F.R. § 564.4 (minimum appraisal standards).

OTS Order No. NE 07-12 is further amended by the replacement of existing Paragraph 2 with the following new Paragraph 2:

Revise AML/BSA & Office of Foreign Assets Control (OFAC) Compliance Program.

2. (a) By September 30, 2009, the Association shall revise, adopt, implement and maintain an AML/BSA Compliance Program to comply with the Currency and Foreign Transactions Reporting Act, as amended by the USA Patriot Act and other laws (BSA), 31 U.S.C. §§ 5311 et seq., and the related regulations issued and/or administered by the U.S. Department of the Treasury's Financial Crimes Enforcement Network (FinCEN), 31 C.F.R. §§ 103.11 et seq., and the related BSA regulations issued by OTS, 12 C.F.R. § 563.177 (collectively the BSA Laws and Regulations), the FinCEN regulations governing suspicious activity reports

(SARs) set forth at 31 C.F.R. § 103.18, the OTS SAR regulations set forth at 12 C.F.R. § 563.180 (the SAR Regulations), and the OFAC regulations set forth at 31 C.F.R. Part 500 (the OFAC Regulations); that is based upon an assessment of the Association's BSA and AML risks (AML/BSA Compliance Program). The revised AML/BSA Compliance Program must be approved by the Association's Board by September 30, 2009, be reflected in and attached as an exhibit to the minutes of the meeting at which the Board's approval is given. The AML/BSA Compliance Program shall include and provide for the following:

(b) BSA Independent Testing. The Association shall conduct and complete independent testing by June 30th of each calendar year in accordance with the guidance in the Federal Financial Institutions Examination Counsel (FFIEC) *Bank Secrecy Act/Anti-Money Laundering Examination Manual*. The Association shall provide a written report of the BSA Independent Testing results to the Board.

(c) By August 31, 2009, the Board shall review, approve and oversee the Association's implementation of a plan to resolve and correct violations, weaknesses and deficiencies identified in the OTS Report of Examination dated March 2, 2009 (ROE) related to compliance with BSA and OFAC requirements. At a minimum, this plan shall:

(i) describe each identified violation, weakness and/or deficiency and present a schedule identifying all steps necessary to correct it, together with projected deadlines for the accomplishment of each step and the date on which the corrective action will be completed,

(ii) identify the member of management responsible for ensuring that the corrective action is taken, and

(iii) provide that each weakness or deficiency shall be addressed or corrected by no later than September 30, 2009.

(d) By August 31, 2009, the Association shall upgrade the software used to aggregate cash and wire transactions so that it provides for analysis of longer time periods that are sufficient to detect suspicious activity and enables the Association to run customized queries concerning suspicious or unusual activities.

(e) Look-Back Review of Past Transactions. By September 30, 2009, the Association shall conduct a look-back review of wire and deposit activity from January 1, 2008 through June 30, 2009 and determine whether there is evidence of suspicious activity that is required to be reported in a SAR pursuant to 12 C.F.R. § 563.180(d) (Look-Back Review). The procedures used and findings made during the Look-Back Review shall be submitted to the OTS in writing by October 15, 2009. Within thirty (30) days after identifying suspicious activity for which it determines that a SAR should have been filed, the Association shall complete the filing of the SAR and shall submit such SAR to FinCEN.

(f) AML/BSA Training Program. The Association must provide AML/BSA training on an annual basis for all Association personnel whose duties require knowledge of BSA and must maintain written documentation of such training.

OTS Order No. NE 07-12 is further amended by the replacement of existing Paragraph 3 through Paragraph 3(c)(i) with the following new Paragraph 3 through Paragraph 3(c)(i):

Amendment of Business Plan.

3. (a) By August 31, 2009, the Association shall revise and submit to the Regional Director for review and written notice of non-objection its business plan and budget for the third and fourth quarters of 2009 and the years 2010, 2011 and 2012 (Business Plan). Within fifteen (15) days

after receipt of the Regional Director's comments, the Board shall make any changes, if any, to the Business Plan required by the Regional Director. Thereafter, the Board shall adopt and the Association shall implement and comply with the Business Plan. Within five (5) days of the Board meeting at which the Business Plan was adopted, the Association shall provide a copy of the Business Plan to the Regional Director.

(b) At a minimum, the Business Plan shall address:

(i) The Board's general business philosophy, strategic goals, and objectives for the three-year period, and the means by which the Association will achieve those strategic goals and objectives;

(ii) Reductions in assets by December 31, 2009 that are sufficient to bring total assets to the level projected in the business plan that was in effect on June 1, 2009;

(iii) A detailed description of all new activities, and the risks attendant to such activities which the Association intends to engage in during the term of the Business Plan. The Business Plan should include a timeframe for implementation of the action plans for any new activities, designed to ensure that they are conducted prudently and in a safe and sound manner; and

(iv) Consistent profitability on a core-operating basis, as defined by the UTPR, during the term of the Business Plan. The Business Plan should establish definitive quarterly¹ targets for maintaining core profitability (stated in terms of core income before provisions)² throughout the Business Plan period.

¹ The periods to which the targets relate shall coincide with the periods covered by the Association's Thrift Financial Reports (TFR).

² "Core income before provisions" shall be calculated as follows, using the numbered TFR lines indicated: $((SO11+SO18-SO21+SO410+SO411+SO420)-(SO51-SO570-SO560)-SO560)/SI870 \times 4$.

(c) The Association shall prepare an amended Budget corresponding to the Business Plan's goals and objectives, and shall devise a system to monitor its performance in comparison to the Budget. That system shall include:

(i) Quarterly projected (a) Balance Sheets, (b) Income Statements, and (c) a Regulatory Capital Schedule for the third and fourth quarters of 2009 and each quarter of the three-year period from 2010 through 2012. These projections shall be prepared in a manner consistent with the TFR so that projected items may be conveniently compared with actual performance. In particular, the projections shall be prepared in the format and according to the instructions contained in Section 625 of the OTS Applications Handbook, and shall include the following:

- A. Form 1 – Balance Sheet
- B. Form 2 – Income Statement
- C. Form 4 – Table of Regulatory Capital Levels
- D. Form 5 – Table of Loan Origination Levels
- E. Form 6 – Interest Rate Assumptions for New Production;

OTS Order No. NE 07-12 is further amended by the deletion of existing Paragraph 4(c).

OTS Order No. NE 07-12 is further amended by the deletion of existing Paragraph 6.

OTS Order No. NE 07-12 is further amended by the addition of the following Paragraph

11:

Correction of Lending Activity Deficiencies.

11. By August 31, 2009, the Board shall review, approve and oversee the Association's implementation of a plan to correct, weaknesses and deficiencies identified in the ROE related to lending activity including: (i) an inadequate Internal Loan Review (ILR) function, (ii) collection

and monitoring of financial data on loans secured by income-producing properties, and (iii) inadequate appraiser review (required by 12 C.F.R. § 564.8(c)(3)). At a minimum, this plan shall:

(a) describe each identified weakness and/or deficiency and present a schedule identifying all steps necessary to correct it, together with projected deadlines for the accomplishment of each step and the date on which the corrective action will be completed,

(b) identify the member of management responsible for ensuring that the corrective action is taken, and

(c) provide that each weakness or deficiency shall be corrected by no later than September 30, 2009.

OTS Order No. NE 07-12 is further amended by the addition of the following Paragraph 12:

Identification and Reporting of Allowance for Loan and Lease Losses.

12. By August 31, 2009, the Board shall review, approve and oversee the Association's implementation of a revised Allowance for Loan and Lease Losses Policy (Revised ALLL Policy) that details revisions to the Association's processes for identifying and reporting ALLL.

At a minimum, the Revised ALLL Policy shall: (i) conform to the requirements of generally accepted accounting principles and pertinent regulatory requirements and guidance³ and be appropriate for the size of the Association and the complexity of its loan and lease portfolios; and (ii) address weaknesses in the methodology and processes identified in the ROE.

³ See (i) 12 C.F.R. § 560.160, (ii) Interagency Policy Statement on the Allowance for Loan and Lease Losses and Questions and Answers on Accounting for Loan and Lease Losses issued on December 13, 2006 pursuant to OTS CEO Memorandum 250 (2006 Policy Statement) and (iii) Interagency Policy Statement on the Allowance for Loan and Lease Losses Methodologies and Documentation for Banks and Savings Institutions, dated July 2, 2001 (66 Fed. Reg. 35629, published on July 6, 2001).

OTS Order No. NE 07-12 is further amended by the addition of the following Paragraph 13:

Restrictions on Deposits.

13. Effective immediately, the Association shall not accept or renew: (i) any brokered deposits as defined in 12 C.F.R. § 337.6(a)(2) or (ii) any deposit on which the Association would pay an interest rate in excess of the national rate plus seventy-five (75) basis points, as published by the FDIC (see 12 C.F.R. § 337.6(b)(2)(ii)(B)), without the prior written nonobjection of the Regional Director.

OTS Order No. NE 07-12 is further amended by the addition of the following Paragraph 14:

Submissions and Notices.

14. (a) All submissions, including any reports, to the OTS that are required by or contemplated by this Order shall be submitted within the specified timeframes.

(b) Except as otherwise provided herein, all submissions, requests, communications, consents or other documents relating to this Order shall be in writing and sent by first class U.S. mail (or by reputable overnight carrier, electronic facsimile transmission or hand delivery by messenger) addressed as follows:

(i) To the OTS:

<u>Original to:</u> Michael E. Finn Regional Director Office of Thrift Supervision Harborside Financial Center, Plaza Five Suite 1600 Jersey City, New Jersey 07311	<u>Copy to:</u> Thomas S. Angstadt Assistant Director Office of Thrift Supervision Harborside Financial Center, Plaza Five Suite 1600 Jersey City, New Jersey 07311
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(ii) To the Association:

Sunnyside FS&LA of Irvington
Timothy D. Sullivan
President and Chief Executive Officer
56 Main Street
P.O. Box 108
Irvington, NY 10533

Effective Date of Amended Order, Incorporation of Stipulation.

This Amended Order is effective on the Effective Date as shown on the first page. The Stipulation is made a part hereof and is incorporated herein by this reference.

IT IS SO ORDERED.

OFFICE OF THRIFT SUPERVISION

By: /S/
Michael E. Finn
Regional Director, Northeast Region

Date: See Effective Date on page 1

UNITED STATES OF AMERICA
Before the
OFFICE OF THRIFT SUPERVISION

In the Matter of	)	
	)	
	)	Order No.: NE 09-24
SUNNYSIDE FS&LA	)	
OF IRVINGTON	)	Effective Date: August 21, 2009
Irvington, New York	)	
OTS Docket No. 02397	)	
	)	

STIPULATION AND CONSENT TO ISSUANCE OF
AMENDED ORDER TO CEASE AND DESIST

WHEREAS, the Office of Thrift Supervision (OTS), acting by and through its Regional Director for the Northeast Region (Regional Director), and based upon information derived from the exercise of its regulatory and supervisory responsibilities, has informed Sunnyside FS&LA of Irvington, Irvington, New York, OTS Docket No. 02397 (Association) that the OTS is of the opinion that grounds exist to initiate an administrative proceeding against the Association pursuant to 12 U.S.C. § 1818(b);

WHEREAS, the Regional Director, pursuant to delegated authority, is authorized to issue Orders to Cease and Desist where a savings association has consented to the issuance of an order;

WHEREAS, the OTS, acting by and through its Regional Director, issued an Order to Cease and Desist (OTS Order No. NE 07-12) against the Association pursuant to 12 USC § 1818(b) that became effective on September 14, 2007;

WHEREAS, the Regional Director, pursuant to delegated authority, is authorized to issue amended Orders to Cease and Desist where a savings association has consented to the issuance of that amended Order; and

WHEREAS, the Association desires to cooperate with the OTS to avoid the time and expense of such administrative cease and desist proceeding by entering into this Stipulation and Consent to Issuance of Amended Order to Cease and Desist (Stipulation) and, without admitting or denying that such grounds exist, but only admitting the statements and conclusions in Paragraphs 1 and 2 below concerning Jurisdiction, hereby stipulates and agrees to the following terms:

Jurisdiction.

1. The Association is a "savings association" within the meaning of 12 U.S.C. § 1813(b), and 12 U.S.C. § 1462(4). Accordingly, the Association is an "insured depository institution" as that term is defined in 12 U.S.C. § 1813(c).
2. Pursuant to 12 U.S.C. § 1813(q), the Director of the OTS is the "appropriate Federal banking agency" with jurisdiction to maintain administrative enforcement proceedings against savings associations. Therefore, the Association is subject to the authority of the OTS to initiate and maintain administrative cease-and-desist proceedings against it pursuant to 12 U.S.C. § 1818(b).

OTS Findings of Fact.

3. Based on its March 2, 2009 examination of the Association, the OTS finds that the Association has engaged in unsafe or unsound banking practices and has violated various laws and regulations, including:

(a) 12 C.F.R. § 563.177 (requiring effective Anti-Money Laundering (AML) and Bank Secrecy Act (BSA) Compliance Program); and

(b) 12 C.F.R. § 563.180(d) (requiring submission of Suspicious Activity Reports).

Consent.

4. The Association consents to the issuance by the OTS of the accompanying Amended Order to Cease and Desist (Amended Order). The Association further agrees to comply with the

terms of the Amended Order upon the Effective Date of the Amended Order and stipulates that the Amended Order complies with all requirements of law.

Finality.

5. The Amended Order is issued by the OTS under 12 U.S.C. § 1818(b). Upon the Effective Date, the Amended Order shall be a final order, effective and fully enforceable by the OTS under the provisions of 12 U.S.C. § 1818(i).

Waivers.

6. The Association waives the following:

- (a) the right to be served with a written notice of the OTS's charges against it as provided by 12 U.S.C. § 1818(b) and 12 C.F.R. Part 509;
- (b) the right to an administrative hearing of the OTS's charges as provided by 12 U.S.C. § 1818(b) and 12 C.F.R. Part 509;
- (c) the right to seek judicial review of the Amended Order, including, without limitation, any such right provided by 12 U.S.C. § 1818(h), or otherwise to challenge the validity of the Amended Order; and
- (d) any and all claims against the OTS, including its employees and agents, and any other governmental entity for the award of fees, costs, or expenses related to this OTS enforcement matter and/or the Amended Order, whether arising under common law, federal statutes, or otherwise.

OTS Authority Not Affected.

7. Nothing in this Stipulation or accompanying Amended Order shall inhibit, estop, bar, or otherwise prevent the OTS from taking any other action affecting the Association if at any time the OTS deems it appropriate to do so to fulfill the responsibilities placed upon the OTS by law.

Other Governmental Actions Not Affected.

8. The Association acknowledges and agrees that its consent to the issuance of the Amended Order is solely for the purpose of resolving the matters addressed herein, consistent with Paragraph 7 above, and does not otherwise release, discharge, compromise, settle, dismiss, resolve, or in any way affect any actions, charges against, or liability of the Association that arise pursuant to this action or otherwise, and that may be or have been brought by any governmental entity other than the OTS.

Miscellaneous.

9. The laws of the United States of America shall govern the construction and validity of this Stipulation and of the Amended Order.

10. If any provision of this Stipulation and/or the Amended Order 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 or her sole discretion determines otherwise.

11. All references to the OTS in this Stipulation and the Amended Order shall also mean any of the OTS's predecessors, successors, and assigns.

12. The section and paragraph headings in this Stipulation and the Amended Order are for convenience only and shall not affect the interpretation of this Stipulation or the Amended Order.

13. The terms of this Stipulation and of the Amended Order represent the final agreement of the parties with respect to the subject matters thereof, and constitute the sole agreement of the parties with respect to such subject matters.

14. The Stipulation and Amended Order shall remain in effect until terminated, modified, or suspended in writing by the OTS, acting through its Regional Director or other authorized representative.

Signature of Directors.

15. Each Director signing this Stipulation attests that he or she voted in favor of a Board Stipulation and Consent of Sunnyside FS&LA of Irvington – Page 4

Resolution authorizing the consent of the Association to the issuance of the Amended Order and the execution of the Stipulation. This Stipulation may be executed in counterparts by the directors after approval of execution of the Stipulation at a duly called board meeting.

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WHEREFORE, the Association, by its directors, executes this Stipulation.

Accepted by:

**SUNNYSIDE FS&LA
OF IRVINGTON**
Irvington, New York

OFFICE OF THRIFT SUPERVISION

By: /S/
Timothy D. Sullivan
President and Chief Executive Officer

By: /S/
Michael E. Finn
Regional Director

Date: See Effective Date on page 1

 /S/
William Boeckelman, Director

 /S/
Hope A. Dolcetti, Director

 /S/
Jon D. Edwards, Director

 /S/
Deborah J. Elliot, Director

 /S/
Louis G. Ricci III, Director

 /S/
James R. Roy, Director

 /S/
Timothy D. Sullivan, Director