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Comptroller of the Currency  
Administrator of National Banks

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Northeastern District  
1114 Avenue of the Americas, Suite 3900  
New York, NY 10036-7780

Licensing Unit  
Voice (212) 790-4055  
Fax (212) 790-4098

March 25, 2004

**Conditional Approval #630**  
**April 2004**

Mr. James S. Furash  
President  
Treasury Bank, National Association  
1199 North Fairfax Street, Suite 500  
Alexandria, Virginia 22314

Re: Increase in Capital via a Material Noncash Contribution to Surplus  
OCC Control No.: 2004 NE 12 0068 Charter No.: 24141

Dear Mr. Furash:

The Comptroller of the Currency (OCC) has granted preliminary conditional approval for Treasury Bank, National Association, Alexandria, Virginia, to increase its capital surplus by up to \$250 million, as outlined in your letter of February 27, 2004. The capital contribution will be provided by the bank's parent, Effinity Financial Corporation, which will contribute home equity loans having a fair value of up to \$250 million.

The preliminary conditional approval is subject to the following conditions "imposed in writing by the agency in connection with the granting of any application or other request" within the meaning of 12 U.S.C. § 1818 and, as such, are enforceable under 12 U.S.C. § 1818.

- 1) No loan shall be to a borrower with a FICO score lower than 660.
- 2) No loan contributed to the bank shall be delinquent.
- 3) The bank should submit to the Supervisory Office, within 15 days of the date of this letter, the results of the aggregate portfolio valuation performed by an independent, qualified firm, which substantiates the fair market value of the portfolio to be contributed. The bank shall immediately correct any deficiency, to the Supervisory Office's satisfaction.

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- 4) Immediately following the capital contribution, the bank will retain a qualified independent accounting firm to verify that the loans were transferred using the value methodology represented in your application and, within 10 days of receipt of the report, submit the results to the Assistant Deputy Comptroller of OCC's Maryland/DC Supervisory Office ("SO"). The bank shall promptly correct, to the SO's satisfaction, any deficiencies noted.

The following requirement must also be satisfied:

- 1) Management should certify to this Office, with proper documentation, that the portfolio complies with the bank's underwriting standards and policies and that the characteristics of the portfolio are consistent with the representations made by the bank, including that each borrower's minimum FICO score shall be no lower than 660.

This conditional approval is granted based on a thorough review of all information available, including the representations and commitments made in the application and by the bank's representatives. Specifically, we relied on certain representations made in the bank's application, including management's commitments that: 1) all contributed loans will have the same characteristics, or better, as those identified in the filing, 2) all contributed loans with a loan to value ("LTV") exceeding 90% will have mortgage insurance, and, 3) all contributed loans will be contributed at the lower of cost or market value and be subject to independent verification.

Your February 27, 2004 letter contains a request with respect to the existing loan pool. We understand that management requests OCC's approval to substitute loans of at least the same type and the same quality or better, as outlined in your correspondence, in order to maintain a total loan pool of up to \$250 million, prior to the capital contribution. We have no objection to management's plan, provided that any loan substitutions also comply with all the above requirements.

Pursuant to 12 USC 57, receiving a material non-cash contribution to capital surplus requires the approval by shareholders owning a majority of the bank's capital stock. In addition, 12 USC 21a requires approval by the shareholders to amend the bank's Articles of Association, if appropriate.

Please notify the OCC after you have completed the change and complied with legal requirements. Upon receipt of your notification, OCC will authorize the increase in capital, provided you have satisfied all the pre-contribution requirements and it is legal.

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This conditional approval and the activities and communications by OCC employees in connection with the filing, do not constitute a contract, express or implied, or any other obligation binding upon the OCC, the U.S., any agency or entity of the U.S., or any officer or employee of the U.S, and do not affect the ability of the OCC to exercise its supervisory, regulatory and examination authorities under applicable law and regulations. The foregoing may not be waived or modified by any employee or agent of the OCC or the U.S.

The change in capital should be completed within one year of the date of this letter. If you have any questions, please contact Kerry Rice, Licensing Analyst at (212) 790-4055.

Sincerely,

*/s/ Anthony P. DosSantos*

Anthony P. Dossantos  
Licensing Manager