

UNITED STATES OF AMERICA
Before The
OFFICE OF THRIFT SUPERVISION

In the Matter of)
) Order No.: SF-98-002
)
FIRST GLOBAL BANK,)
) Date: March 17, 1998
) FEDERAL SAVINGS BANK,)
)
) Los Angeles, California)
)
_____)

STIPULATION AND CONSENT TO THE ISSUANCE OF AN
ORDER TO CEASE AND DESIST AND FOR AFFIRMATIVE RELIEF

WHEREAS, the Office of Thrift Supervision ("OTS"), based upon information derived from the exercise of its regulatory responsibilities, is of the opinion that grounds exist to initiate an administrative cease and desist proceeding against First Global Bank, Federal Savings Bank, Los Angeles, California, OTS No. 7848, (the "Institution") pursuant to 12 U.S.C. § 1818(b),¹ and

WHEREAS, the Institution desires to cooperate with the OTS and to avoid the time and expense of such administrative proceeding, and

WHEREAS, without admitting or denying that such grounds exist or the truth of OTS's Findings of Fact or opinions and conclusions in paragraph 2, but admitting OTS has Jurisdiction as

¹ All references to the United States Code ("U.S.C.") are as amended, unless otherwise indicated.

set forth in paragraph 1 below, the Institution hereby stipulates and agrees to the following:

1. Jurisdiction.

(a) the Institution is a "savings association" within the meaning of 12 U.S.C. § 1813(b), and 12 U.S.C. § 1462(4). Accordingly, it is an "insured depository institution" as that term is defined in 12 U.S.C. § 1813(c).

(b) Pursuant to 12 U.S.C. § 1813(q), the Director of the OTS is the "appropriate Federal Banking agency" to maintain an administrative cease and desist proceeding against the Institution. Therefore, the Institution is subject to the jurisdiction of the OTS to initiate and maintain a cease and desist proceeding against it pursuant to 12 U.S.C. § 1818(b). The Director of the OTS has delegated to the Regional Director of the West Region of the OTS or his/her designee ("Regional Director") the authority to issue cease and desist orders where the institution has consented to the issuance of the order.

2. OTS Findings of Fact. The OTS finds that the Institution did not comply with:

- (a) the Equal Credit Opportunity Act;
- (b) Regulation B;
- (c) the Fair Housing Act;
- (d) OTS nondiscrimination regulations;
- (e) the Bank Secrecy Act; and
- (f) 12 C.F.R. § 563.180.

3. Consent. The Institution consents to the issuance by the OTS of the accompanying Consent Order to Cease and Desist and for Affirmative Relief ("Order"). It further agrees to comply with the terms of the Order upon issuance and stipulates that the Order complies with all requirements of law.

4. Finality. The Order is issued under 12 U.S.C. § 1818(b). Upon its issuance by the Regional Director or his/her designee for the West Region, OTS, it shall be a final order, effective and fully enforceable by the OTS under the provisions of 12 U.S.C. § 1818(i).

5. Waivers. The Institution 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);

(b) the right to an administrative hearing of the OTS's charges against it as provided by 12 U.S.C. § 1818(b);

(c) the right to seek judicial review of the Order, including, without limitation, any such right provided by 12 U.S.C. § 1818(h), or otherwise to challenge the validity of the Order;

(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 Order, whether arising under common law, the Equal Access to Justice Act, 5 U.S.C. § 504, or 28 U.S.C. § 2412; and

(e) the right to assert this proceeding, its consent to the issuance of the Order, the payment of any monies or the provision of any other financial relief as contemplated by the Order as the basis for a claim of double jeopardy in any pending or future proceeding brought by the United States Department of Justice or any other governmental entity.

6. Other Governmental Actions Not Affected. The Institution acknowledges and agrees that the consent to the issuance of the Order is for the purpose of resolving the OTS findings in the Report of Examination for the compliance examination commencing March 3, 1997 and does not release, discharge, compromise, settle, dismiss, resolve, or in any way affect any actions, charges or other proceeding, civil or criminal, that may be or has been brought by the OTS or another governmental entity.

7. Miscellaneous. (a) The construction and validity of this Stipulation and the Order shall be governed by the laws of the United States of America;

(b) The terms and provisions of this Stipulation and the Order shall be binding upon, and inure to the benefit of, the parties hereto and their successors in interest. Nothing in this Stipulation and the Order, express or implied, shall give to any person or entity, other than the parties hereto, and their

successors in interests, any benefit or any legal or equitable right, remedy or claim under this Stipulation and the Order:

(c) The headings in this Stipulation are for convenience only and shall not affect the construction hereof;

(d) The terms of this Stipulation and the Order represent the final written agreement of the parties with respect to the subject matters hereof, and constitute the sole agreement of the parties with respect to such subject matters; and

(e) This Stipulation shall be effective upon execution on behalf of the OTS and the Order shall remain in effect until terminated, modified, or suspended in whole or in part in writing by the OTS, acting through its Director, Regional Director or other authorized representative.

7. Signature of Directors. Each Director signing this Stipulation attests that he/she voted in favor of a resolution authorizing the execution of the Stipulation consenting to the Order.

WHEREFORE, the Institution, by a majority of its directors, execute this Stipulation and Consent to the issuance of an Order to Cease and Desist For Affirmative Relief, intending to be legally bound hereby.

FIRST GLOBAL BANK, **FEDERAL** SAVINGS BANK
Accepted by a majority of its directors:

OFFICE OF THRIFT SUPERVISION

By: *Chang*
Director

[Signature]
Director

[Signature]
Director

[Signature]
Director

[Signature]
Director

Director

Director

Director

[Signature]

Charles A. Deardorff
Regional Director
West Region

Dated: March 17, 1998

(first global c&d stip ss/07)

7848

UNITED STATES OF AMERICA
Before The
OFFICE OF THRIFT SUPERVISION

_____)	
In the Matter of)	Order No.: <u>SF-98-002</u>
)	
FIRST GLOBAL BANK,)	Date: <u>March 17, 1998</u>
FEDERAL SAVINGS BANK,)	
Los Angeles, California)	
_____)	

ORDER TO CEASE AND DESIST AND FOR AFFIRMATIVE RELIEF

WHEREAS, First Global Bank, Federal Savings Bank, Los Angeles, California, OTS No. 7848 (the "Institution"), by and through its Board of Directors ("Board"), has executed a Stipulation and Consent to the Issuance of an Order to Cease and Desist and for Affirmative Relief ("Stipulation"); and

WHEREAS, the Institution, in the Stipulation, has consented and agreed to the issuance of this Order to Cease and Desist and for Affirmative Relief ("Order") pursuant to 12 U.S.C. § 1818(b);' and

WHEREAS, the Director of the Office of Thrift Supervision ("OTS") has delegated to the Regional Directors of the OTS the authority to issue orders to cease and desist on behalf of the OTS where the Institution has consented to the issuance of the Order.

'All references to the United States Code ("U.S.C.") are as amended, unless otherwise indicated

**FIRST GLOBAL BANK, F.S.B.
Order to Cease and Desist**

NOW THEREFORE, IT IS ORDERED THAT the Institution, its directors, officers, employees, agents, service corporations, and subsidiaries shall comply with all provisions of:

1. the Equal Credit Opportunity Act, 15 U.S.C. §§ 1691-1691f ("ECOA");
2. Regulation B, 12 C.F.R. Part 202;
3. the Fair Housing Act, 24 U.S.C. §§ 3601-3619 and 3631 ("FHA");
4. OTS nondiscrimination regulations, 12 C.F.R. §§ 528.1-528.7 and 529.1-529.5;
5. the Bank Secrecy Act, 12 U.S.C. § 1829b and 31 U.S.C. §§ 5311-5330, and implementing regulations, 31 C.F.R. § 103.21-103.39 and 12 C.F.R. § 563.177; and
6. OTS regulation 12 C.F.R. § 563.180.

IT IS FURTHER ORDERED THAT:

CORRECTIVE PROVISIONS

7. Bank Secrecy Act ("BSA") Program. The Institution shall develop a program to prevent money laundering ("BSA Program") and within sixty (60) days of the Effective Date of this Order, submit the BSA Program to the Assistant Regional Director for Compliance ("Compliance ARD").
8. Fair Lending Program. The Institution shall develop a comprehensive program to ensure ongoing and effective compliance

with nondiscrimination laws, regulations and requirements ("Fair Lending Program"). Within sixty (60) days of the Effective Date of this Order, the Institution shall submit the Fair Lending Program to the Compliance **ARD** for review and comment. At a minimum, under the Fair Lending Program, the Institution shall:

- (i) Engage loan brokers or loan officers who will solicit business throughout the Institution's community without regard to race or national origin;
- (ii) Establish an outreach program that includes
 - a) liaisons to work with community groups representing all segments of the Institution's community to identify and address credit needs; and
 - b) calls to real estate agents, brokers, and others representing all segments of the Institution's community to apprise them of products offered and otherwise encourage the submission of loan applications;
- (iii) Review the Institution's loan policies and procedure, and modify them as appropriate to comply with requirements of ECOA, FHA, Regulation **B**, **OTS** nondiscrimination regulations, and this Order;
- (iv) Create a marketing program, including print and other advertising media, designed to bring in customers representing all segments of the Institution's community;

- (v) Modify the Institution's significant external and internal **signage** to be at least bilingual -- with one of the languages being English;
- (vi) Provide regular training (at least annually) to all members of management, lending personnel, and customer contact employees on cultural diversity and sensitivity, handling inquiries from potential customers, and the requirements of ECOA, Regulation **B, FHA**, OTS non-discrimination regulations, and this Order:
- (vii) Develop a program to ensure that personnel are equipped to respond to inquiries in English from customers and prospective customers;
- (viii) Develop a customer assistance program that ensures that everyone who inquires about a loan(s) receives, at a minimum, an explanation of the Institution's loan programs and application process, including how to prepare a credit application; the name and number of a trained loan officer to call if assistance is needed in completing an application; a loan application; a statement that the Institution wants to ensure that every loan application is processed in full compliance with ECOA and **FHA** guidelines; and information (including the OTS Consumer Affairs telephone number) about who to Call if additional assistance is needed:

- (ix) Develop procedures for personnel to follow regarding all inquiries for loans to ensure they solicit information necessary to allow for a fair evaluation of all applications and always solicit information in the same manner. The procedures shall include, among other things, that personnel complete a checklist developed by the Institution and record the name, telephone number and address of each person who inquires about loans and the **type(s)** of loan(s) sought. The procedures shall also require that a senior loan officer, with detailed knowledge of the Institution's underwriting process and the requirements of the ECOA, **FHA**, OTS nondiscrimination regulations and Regulation **B**, call people who inquire about loans, but who do not submit loan applications. The senior officer shall ensure that each call was handled in conformance with applicable laws, regulations, and this Order:
- (x) Appoint an individual to review the loan processing and underwriting for each application and certify by signature that the application was handled in conformance with this Order and the Institution's guidelines and that he/she *concurs* with, or has elected to change (for reasons noted), the initial decision;

- (xi) Establish day-to-day internal controls and periodic self-assessment and compliance audits;
- (xii) Correct deficiencies as they arise and are identified in periodic self-assessment and compliance audits; and
- (xiii) Establish regular reports to the Board regarding the status of the Institution's compliance with the Order and other compliance requirements.

9. OTS Review of Fair Lending and BSA Programs.

- (i) The Compliance ARD shall review the Fair Lending and BSA Programs submitted in accordance with this Order. Within thirty (30) days of receiving notice of completion of the Compliance ARD's review of any Program, the Institution shall implement it;
- (ii) If the Compliance ARD objects to any aspect of a Program, the Compliance ARD shall notify the Institution in writing of the specific objections. Within fifteen (15) days of receipt of the ARD's notification, the Institution shall submit a revision of the Program to the Compliance ARD;
- (iii) Once a Program is submitted pursuant to this Order and all objections from the Compliance ARD, if any, have been satisfactorily resolved, the Institution may not amend, suspend, or revoke the Program without prior written nonobjection from the Compliance ARD; and

(iv) The Institution shall adhere to the Fair Lending and BSA Programs to be developed and implemented in accordance with this Order.

10. Board Composition. The Board shall use its best efforts to maintain a Board of at least five (5) directors, of which at least a majority shall be people who are not employees of the Institution ("independent directors"). The prospective directors must have prior experience in a regulated industry, preferably in the financial institutions industry. No director may be added to the Board without the prior written nonobjection of the Assistant Regional Director, Supervision ("ARD").

11. Board Committees. Beginning no later than thirty (30) days after the Effective Date of this Order, at least one independent director shall sit on each formal committee of the Institution, including the internal asset review, asset liability management, and loan committees.

12. Management Changes and Benefits. The Institution may not hire, or otherwise retain, anyone as a member of senior management (or allow anyone to act in this capacity), or replace a member of senior management without the prior written nonobjection of the ARD.

13. "Troubled Institution" Designation. The Institution shall continue to be a "troubled institution" for purposes of additional restrictions and requirements imposed by OTS rules and regulations, bulletins, memoranda, and statements, **except** provided that the Institution is in compliance **with paragraph 14,**

the Institution shall not be subject to a growth restriction pursuant to OTS Bulletin RB 3b.

14. Well-Capitalized Category. The Institution shall maintain the following capital levels: a) total risk-based capital ratio of 10.0 percent or greater; b) Tier 1 risk-based capital ratio of 6.0 percent of greater; and c) leverage ratio of 5.0 percent or greater.

15. Records.

- (i) Employees completing training as part of the Fair Lending Program shall sign statements describing in detail the training they completed and times they attended the training. The Institution shall retain these signed statements and copies of all training materials.
- (ii) The Institution shall keep a detailed log of all calls to real estate agents, loan brokers, and potential customers, including the name and telephone number of each person called, name of person calling, date and time of call, and substance of the call.
- (iii) The Institution shall maintain all loan application checklists, loan applications, any other information submitted or generated in regard to a loan inquiry, and all records necessary to demonstrate compliance with this Order.

- (iv) The Board shall comply with 12 C.F.R. § 552.11 (regarding books and records) and shall maintain complete and accurate minutes for all formal committee meetings. The minutes of the formal committee meetings shall identify who was present, and at a minimum, state the information that the committee reviewed, describe the deliberations of the various members reaching decisions, and identify how each member voted.

BOARD OF DIRECTORS

16. Director Responsibility. Notwithstanding the requirements of this Order that the Board submit various matters to the OTS or its representatives for the purpose of receiving approval, nonobjection, or notice of acceptability, such regulatory oversight does not lessen or supplant each individual member's continuing fiduciary duty. The Board shall have the ultimate responsibility for overseeing the safe and sound operation of the Institution at all times, including compliance with the decisions of OTS representatives as required by this Order.

17. Compliance with Order.

- (i) The Board and officers of the Institution shall cause the Institution to comply with the terms of this Order and shall take all **actions** necessary or

- appropriate thereafter to cause the Institution to continue to carry out the provisions of this Order;
- (ii) On a quarterly basis, the Board shall obtain and review pertinent information (including reports of management) and pass a resolution (the "Compliance Resolution") specifying in detail: a) the provisions of the Order with which the Institution was in full compliance during the immediately preceding calendar quarter and those with which it was not in compliance; b) the basis for the Board's determination on each provision for which the Board determined the Institution had achieved full compliance; c) an explanation for each instance the Institution failed to comply with any provision; and d) the actions the Board and management will take to ensure the Institution fully complies with this Order. The Compliance Resolutions should also identify all notices of exemption or non-objection, if any, issued by the OTS that were outstanding as of the date of its adoption;
- (iii) The minutes of each meeting of the Board at which a Compliance Resolution is adopted shall set forth the following information: a) the identity of each director voting in favor of the Compliance Resolution; b) the identity of each director **voting** in opposition to its adoption or abstaining from

- voting thereon; and c) the reasoning of each director opposing or abstaining;
- (iv) No later than the 30th calendar day of the month following the end of a quarter, beginning with the end of the first quarter following the Effective Date of this Order, the Institution shall provide to the ARD and Compliance ARD certified true copies of the Compliance Resolution(s). By virtue of the Institution's submission of a certified true copy of a Compliance Resolution, each Director of the Board, except those whose disagreement is noted and specified in meeting minutes, shall be deemed to have certified to the accuracy of the statements set forth in the Compliance Resolution; and
- (v) The Board shall promptly respond to any request from the OTS for documents that the OTS reasonably requests to demonstrate compliance with this Order.

MISCELLANEOUS

18. Definitions. All technical words or terms used in this Order for which meanings are not specified or otherwise provided by the provisions of this Order shall, insofar as applicable, have meanings as defined in Chapter V of Title 12 of the Code of Federal Regulations, Home Owners' Loan Act ("HOLA"), Federal Deposit Insurance Act ("FDIA") or OTS Memoranda. Any such

technical words or terms used in this Order and undefined in the Code of Federal Regulations, **HOLA**, FDIA, or OTS Memoranda shall have meanings that are in accordance with the best custom and usage in the savings and loan industry.

19. Successor Statutes, Regulations, Guidance, Amendments.

Reference in this Order to provisions of statutes, regulations, and OTS Memoranda shall be deemed to include references to all amendments to such provisions as have been made as of the Effective Date of this Order and references to successor provisions as they become applicable.

20. Effective Date. This Order is and shall become effective on the date it is issued (the "Effective Date"), as shown in the caption hereof. The Stipulation and the Order shall remain in effect until terminated, modified, or suspended, in writing by the OTS, acting through an authorized representative. Upon the completion of two (2) Successive Compliance Examinations by the OTS of the Institution, the Institution may petition the OTS, in writing for termination, modification, or suspension in whole or in part of the Order. The OTS in its sole discretion shall decide the Institution's petition and notify the Institution in writing of its decision and the specific reasons therefore. The Regional Director, or his or her designee, in his or her sole discretion, may, by written notice, suspend or waive (temporarily or permanently) any or all provisions of this Order. Notwithstanding the above, the Order will terminate upon the consummation of any merger between the Institution and another

financial institution if the Institution is not the surviving entity and OTS and all agencies with legal authority to object to the merger have approved the merger. OTS, however, does not waive the rights in regard to any violations of the Order that occurred prior to the date of termination of the Order.

21. Notices. Except as otherwise provided herein, any request, demand, authorization, direction, notice, consent, waiver, or other document (collectively, "Notices") provided or permitted by this Order to be made upon, given or furnished to, delivered to, or filed with the OTS or the Institution shall be in writing and mailed, first class or overnight courier, or by means of electronic transmission, or physically delivered, and addressed as follows:

To the **ARD:**

Michael W. Buting
Office of Thrift Supervision
West Regional Office
18300 Von Karman, Suite 800
Irvine, CA 92612-1057

To the Institution:

Board of **Directors**
First Global Bank, F.S.B.
3109 West Olympic Blvd.
Los Angeles, CA 90006

To the Compliance ARD:

Edwin L. Chow
Office of Thrift Supervision
West Regional Office
One Montgomery St., Suite 400
San Francisco, CA 94104

Any Notice shall be deemed duly given when received by the addressee thereof. Any party of this Order may from time to time change its address for receiving Notices by giving written notice thereof to the other party in the manner set forth above.

22. Time Limits. Time limitations for compliance with the terms of this **Order** run from the Effective Date, unless otherwise noted.

23. Other Specified Enforcement Documents. The Order supersedes the April 12, 1995 Supervisory Agreement ("Supervisory Agreement") between OTS and the Institution and the October 18, 1991 OTS letter ("OTS Letter") to the Institution which, among other things, sets forth certain corrective actions to be taken. OTS, however, does not waive its rights in regard to any violations of the Supervisory Agreement or OTS Letter that occurred prior to the Effective Date of this Order.

24. Effect of Headings. The headings herein are for convenience only and shall not affect the construction hereof.

25. Separability Clause. **In** case any provision in this 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 OTS in its sole discretion determines otherwise.

26. No Violations Authorized; OTS Not Restricted.

Nothing in this Order or the Stipulation 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 the OTS from taking any action(s) that it believes are appropriate in fulfilling the responsibilities placed upon it

by law, including, without limitation, any type of supervisory or enforcement action.

27. Incorporation.

The Stipulation is made a part hereof and is incorporated herein by this reference.

OFFICE OF THRIFT SUPERVISION

By:



Charles A. Deardorff
Regional Director
West Region

(first global c&d2 ord ss/07)

FIRST GLOBAL BANK, F.S.B.
Order to Cease and Desist

1

5