

FEDERAL DEPOSIT INSURANCE CORPORATION  
WASHINGTON, D.C.

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In the Matter of	)	
	)	CONSENT ORDER
BANK OF FRANKEWING	)	
FRANKEWING, TENNESSEE	)	FDIC-24-0043b
	)	
(Insured State Nonmember Bank)	)	
_____	)	

The Federal Deposit Insurance Corporation (“FDIC”) is the appropriate Federal banking agency for BANK OF FRANKEWING, FRANKEWING, TENNESSEE (“Bank”), under 12 U.S.C. § 1813(q).

The Bank, by and through its duly elected and acting Board of Directors (“Board”), has executed a STIPULATION TO THE ISSUANCE OF A CONSENT ORDER (“STIPULATION”) with counsel for the FDIC dated October 9, 2024, whereby, solely for the purpose of this proceeding and without admitting or denying the alleged charges of unsafe or unsound banking practices and violations of law and/or regulations, the Bank consented to the issuance of a CONSENT ORDER (“ORDER”) by the FDIC.

The FDIC considered the matter and determined that it had reason to believe that the Bank had engaged in unsafe or unsound banking practices and had violated laws and/or regulations. Having determined that the requirements for issuance of an order under 12 U.S.C. § 1818(b) have been satisfied, the FDIC hereby orders that:

## CONCENTRATIONS REDUCTION PLAN

1. (a) Within sixty (60) days from the effective date of this ORDER, the Bank shall formulate and submit to the Regional Director for non-objection a written plan to reduce each of the individual and closely related loan concentrations of credit (“Concentrations Reduction Plan”) identified in the November 27, 2023 Visitation Report to not more than 15 percent of the Bank’s total Tier I Capital. The Concentrations Reduction Plan shall prohibit any additional advances that would increase the concentrations or create new concentrations and shall include, but not be limited to:

- (1) Dollar levels to which the Bank shall reduce the lending concentration; and
- (2) Provisions for the submission of monthly written progress reports to the Bank’s board of directors for review and notation in minutes of the meetings of the Bank’s board of directors.

(b) For purposes of the plan, “reduce” means to:

- (1) Charge-off;
- (2) Collect; or
- (3) Increase Tier I Capital.

(c) After the Regional Director responds to the Concentrations Reduction Plan, the Bank’s board of directors shall adopt the plan, as amended or modified by the Regional Director. The Concentrations Reduction Plan shall be implemented immediately to the extent that the provisions of the plan are not already in effect at the Bank.

## LOAN REVIEW PROGRAM

2. Within ninety (90) days from the effective date of this ORDER, the Board shall establish a program for independent loan review that will provide for a periodic review of the Bank's loan portfolio and the identification and categorization of problem credits ("Loan Review Program"). At a minimum, the Loan Review Program shall provide for:

- (a) responsibility for conducting loan reviews;
- (b) Frequency and scope of loan reviews;
- (c) prompt identification of loans with credit weaknesses that warrant the special attention of management, including the name of the borrower, loan type, amount of the loan, reason why the loan warrants special attention; and assessment of the degree of risk, including a risk rating, that the loan will not be fully repaid according to its terms;
- (d) prompt identification of all outstanding balances and commitments attributable to each obligor identified under the requirements of subparagraph (i), including outstanding balances and commitments attributable to related interests of such obligors, including the obligor of record, relationship to the primary obligor identified under subparagraph (i), and an assessment of the risk exposure from the aggregate relationship;
- (e) identification of trends affecting the quality of the loan portfolio and potential problem areas;
- (f) assessment of the overall quality of the loan portfolio;
- (g) identification of credit and collateral documentation exceptions;

- (h) identification and status of violations of laws, rules, or regulations with respect to the lending function;
- (i) identification of loans that are not in conformance with the Bank's Loan Policy;
- (j) identification of loans to directors, officers, principal shareholders, and their related interests; and
- (k) a mechanism for reporting periodically, but in no event less than quarterly, the information developed in (a) through (j) above to the Board. The Loan Review Program shall be submitted to the Regional Director for non-objection. Within 30 days from receipt of non-objection from the Regional Director, the Board shall approve the Loan Review Program, which approval shall be recorded in the minutes of the Board meeting. Thereafter, the Bank shall implement and fully comply with the Loan Review Program.

### **WATCH LIST REPORTING AND RISK RATING**

3. Within ninety (90) days from the effective date of this Order, the Board shall establish criteria and procedures for the Bank's Watch List within the Bank's Loan Policy.
  - (a) The Board shall establish risk rating rules to apply to each loan. Within the risk rating rules, the Board shall specify when the Bank shall upgrade or downgrade a loan within specific categories or risk levels.
  - (b) The Board shall define the criteria of what levels or risk ratings shall be included in the Watch List and reasons why the levels are included.

- (c) The Watch List shall be presented to the Board for review at least monthly with review noted in the minutes.

#### **UPDATED POLICY/ PROCEDURES**

4. Within sixty (60) days from the effective date of this ORDER, the Board shall revise the Bank's Loan Policy to provide effective guidance and control for placing and removing loans from nonaccrual status. The Bank shall maintain a list of all loans placed on nonaccrual, which shall be updated monthly and provided to the board of directors. Such policy and its implementation shall be in a form and manner acceptable to the Regional Director at the initial review and at subsequent examinations and/or visitations.

#### **ALLOWANCE FOR CREDIT LOSSES**

5. (a) Within ninety (90) days from the effective date of this ORDER, the Bank shall develop and submit for review as described in subparagraph (d), a comprehensive policy and methodology for determining the Allowance for Credit Losses ("ACL Policy"). The ACL Policy shall provide for a review of the Allowance for Credit Losses at least once each calendar quarter. Said review shall be completed not later than fifteen (15) days subsequent to the end of each calendar quarter in order that the results of the review conducted by the Board may be properly reported in the quarterly Consolidated Reports of Condition and Income.

- (b) Such reviews shall include, at a minimum:
- (1) the Bank's loan loss experience;
  - (2) an estimate of the potential loss exposure in the portfolio; and
  - (3) trends of delinquent and nonaccrual loans and prevailing and prospective economic conditions.

(c) The minutes of the Board meetings at which such reviews are undertaken shall provide sufficient details of the reviews to support the resulting recommended adjustment in the ACL. The Board shall document in the minutes the basis for any determination not to require provisions for loan losses in accordance with subparagraphs (a) and (b).

(d) The ACL Policy shall be submitted to the Regional Director for non-objection. Within thirty (30) days from receipt of non-objection from the Regional Director, the Board shall approve the ACL Policy, which approval shall be recorded in the minutes of the Board meeting. Thereafter, the Bank shall implement and fully comply with the ACL Policy.

(e) A deficiency in the ACL shall be remedied in the calendar quarter in which it is discovered by a charge to current operating earnings prior to any Tier 1 Capital determinations required by this ORDER and prior to the Bank's submission of its Call Report. The Bank shall thereafter maintain an appropriate ACL.

(f) The analysis supporting the determination of the adequacy of the ACL shall be submitted to the Regional Director. These submissions shall be made at such times as the Bank files the progress reports required by this ORDER or sooner upon the written request of the Regional Director. If the Regional Director determines that the Bank's ACL is inadequate, the Bank shall increase its ACL and amend its Call Reports accordingly.

#### **MANAGEMENT SUCCESSION PLAN**

6. Within ninety (90) days from the effective date of this ORDER, the Bank shall develop and adopt an acceptable management succession plan ("Succession Plan") that will provide for the orderly transfer of duties and responsibilities of senior management of the Bank. The adequacy of the Succession Plan shall be reviewed by the Regional Director based on

subsequent examinations and/or visitations of the Bank. At a minimum, the Succession Plan shall:

- (a) Identify key positions to include the President, Chief Executive Officer, Chief Lending Officer, Chief Financial Officer, Mortgage Manager, and Information Technology Manager;
- (b) Identify the current employee fulfilling the key position and the individual next in the line of succession or how the Bank intends to temporarily fill a position if one is vacated;
- (c) Outline the continuous training of individuals with the qualifications and abilities to manage the Bank if members of current senior management are unable to fulfil the duties of their positions.

#### **BUDGET/PROFIT PLAN**

7. (a) Within ninety (90) days from the effective date of this ORDER, the Bank shall formulate and submit to the Regional Director for non-objection a written profit plan and a realistic, comprehensive budget for all categories of income and expense for calendar year 2025. The plan required by this paragraph shall contain formal goals and strategies, be consistent with sound banking practices, reduce discretionary expenses, improve the Bank's overall earnings and net interest income, and shall contain a description of the operating assumptions that form the basis for major projected income and expense components.

- (b) The written profit plan shall address, at a minimum:
  - (1) An analysis of the Bank's pricing structure; and
  - (2) A recommendation for reducing the Bank's cost of funds.
- (c) Within thirty (30) days from the end of each calendar quarter following

completion of the profit plan and budget required by this paragraph, the Bank's board of directors shall evaluate the Bank's actual performance in relation to the written profit plan and budget, record the results of the evaluation, and note any actions taken by the Bank in the minutes of the board of directors' meeting when such evaluation is undertaken.

(d) A written profit plan and budget shall be prepared for each calendar year for which this ORDER is in effect and shall be submitted to the Regional Director for non-objection within 30 days after the beginning of each calendar year. Within 30 days after receipt of the Regional Director's non-objection, the Bank shall approve the written profit plan and budget, which approval shall be recorded in the minutes of a board of directors' meeting. Thereafter, the Bank shall implement and follow the plan.

### **CAPITAL**

8. (a) During the life of this ORDER, the Bank shall maintain a leverage ratio of no less than 9.5 percent, as those terms are defined in Part 324 of the FDIC Rules and Regulations, 12 C.F.R. Part 324.

(b) The level of Tier 1 Capital to be maintained during the life of this ORDER pursuant to paragraph 8(a) shall incorporate a fully funded Allowance for Credit Losses, the adequacy of which shall be satisfactory to the Regional Director as determined at subsequent examinations and/or visitations.

9. Within ninety (90) days from the effective date of this ORDER, the Bank shall submit to the Regional Director a written capital plan. Such capital plan shall detail the steps that the Bank shall take to achieve and maintain the capital requirements set forth in this ORDER. In developing the capital plan, the Bank shall take into consideration:

- (a) The volume of the Bank's adversely classified assets;
- (b) The nature and level of the Bank's asset concentrations;
- (c) The adequacy of the Bank's ACL;
- (d) The anticipated level of retained earnings;
- (e) Anticipated and contingent liquidity needs; and
- (f) The source and timing of additional funds to fulfill future capital needs.

10. In addition, the capital plan must include a contingency plan in the event that the Bank has failed to:

- (a) Maintain the minimum capital ratios required by this paragraph;
- (b) Submit an acceptable capital plan as required by this paragraph; or
- (c) Implement or adhere to a capital plan to which the Regional Director has taken no written objection pursuant to this paragraph.
- (d) The contingency plan shall include a plan to sell or merge the Bank. The Bank shall implement the contingency plan upon written notice from the Regional Director.

#### **DIVIDEND RESTRICTION**

11. As of the effective date of this ORDER, the Bank shall not declare or pay any cash dividend without the prior written consent of the Regional Director.

#### **CORRECTION OF VIOLATIONS**

12. Within one hundred twenty (120) days after the effective date of this ORDER, the Bank shall eliminate and/or correct all violations of law and regulation noted in the November 27, 2023 Visitation Report. The Bank shall implement procedures to ensure future compliance

with all applicable laws and regulations.

**DISCLOSURE TO SHAREHOLDERS**

13. Within thirty (30) days from the effective date of this ORDER, the Bank shall send a copy of this ORDER to its parent holding company. The description shall fully describe this ORDER in all material respects.

**BINDING EFFECT**

14. The provisions of this ORDER shall not bar, estop, or otherwise prevent the FDIC or any other federal agency or department from taking any other action against the Bank or any of the Bank's current or former institution-affiliated parties, as that term is defined in Section 3(u) of the FDI Act, 12 U.S.C. § 1813(u).

This ORDER shall be effective on the date of issuance.

The provisions of this ORDER shall be binding upon the Bank, its institution-affiliated parties, and any successors and assigns thereof.

The provisions of this ORDER shall remain effective and enforceable except to the extent that and until such time as any provision has been modified, terminated, suspended, or set aside by the Regional Director.

Issued Pursuant to Delegated Authority.

Dated this 9th day of October, 2024.

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/s/  
J. Mark Love  
Deputy Regional Director  
Division of Risk Management Supervision  
Federal Deposit Insurance Corporation