

**FEDERAL DEPOSIT INSURANCE CORPORATION**

**WASHINGTON, D.C.**

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| <b>In the Matter of</b>               | ) | <b>CONSENT ORDER</b>    |
|                                       | ) | <b>AND ORDER TO PAY</b> |
| <b>WORLD'S FOREMOST BANK</b>          | ) |                         |
| <b>SIDNEY, NEBRASKA</b>               | ) | <b>FDIC-10-775b</b>     |
|                                       | ) | <b>FDIC-10-777k</b>     |
| <b>(Insured State Nonmember Bank)</b> | ) |                         |
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The Federal Deposit Insurance Corporation (FDIC) is the appropriate Federal banking agency for World's Foremost Bank, Sidney, Nebraska, (Bank), under Section 3(q) of the Federal Deposit Insurance Act (FDI Act), 12 U.S.C. § 1813(q)(3). The Bank, by and through its duly elected and acting Board of Directors (Board), has executed a "Stipulation and Consent to the Issuance of a Consent Order and Order to Pay" (Stipulation) dated January 31, 2011, that is accepted by the FDIC.

Through its stipulation, the Bank has consented, without admitting or denying any and all charges of unsafe or unsound banking practices or violations of any law, rule or regulation, to the issuance of this Consent Order and Order to Pay (collectively ORDER) by the FDIC.

Having determined that the requirements for issuance of an order under Sections 8(b) and 8(i) of the FDI Act, 12 U.S.C. § 1818(b) and (i), have been satisfied, the FDIC hereby orders the Bank to:

(1) Refrain from the Bank's prior practice of assessing a second over-the-credit-limit fee (OL fee) on the first day of a billing cycle when a cardholder exceeded his

or her credit limit during the prior billing cycle, was assessed an overlimit fee during the prior billing cycle and was overlimit at the end of that billing cycle and through the beginning of the next billing cycle.

(2) Refrain from the Bank's prior practice of contacting a cardholder at the cardholder's place of employment for purposes of collecting a debt after a verbal or written request is made by either the cardholder or the cardholder's employer to cease such contact because the cardholder's employer prohibits such communications.

(3) Refrain from the Bank's prior practice of imposing an overlimit fee if such fee is imposed as a result of applying a cardholder's reduced credit limit to balances that preceded the date of a credit line decrease, or imposing an overlimit fee if such fee is imposed solely as a result of a credit line decrease at the end of the billing cycle without adequate notice.

(4) Refrain from the Bank's prior practice of establishing a minimum periodic payment amount that is insufficient to avoid recurring OL fees.

(5) Refrain from the Bank's prior practice of assessing late fees when periodic payments are due on Sundays or holidays and the payment is posted the following business day.

(6) Refrain from the Bank's prior practice of assessing a penalty interest rate on balances that existed prior to the event that caused the penalty interest rate to be imposed.

(7) Refrain from the Bank's prior practice of implementing an increase in penalty rates without providing adequate notice to cardholders, as required by 12 C.F.R. § 226.9.

(8) Strengthen Management and Board oversight of the Bank's credit card operations, with particular focus on possible unfair and/or deceptive acts or practices by:

(A) maintaining a Compliance Management System designed to ensure compliance with all federal consumer protection laws, including Section 5, and all implementing rules and regulations, regulatory guidelines and statements of policy applicable to the Bank's products and practices;

(B) ensuring Management and Board review of new credit card products, product features, amendments to credit card agreements and any changes to the Bank's practices of assessing fees to cardholders, to ensure that all new products, product features, contractual agreements and fee assessment practices are not unfair and/or deceptive;

(C) expanding the Compliance Committee membership to include the Vice President and Corporate Attorney, and requiring that the Compliance Committee meet on a monthly basis and that it submit quarterly reports on its activity to the Bank's Audit Committee;

(D) providing ongoing training to appropriate bank personnel to, at a minimum, address the violations cited in the Report of Examination as of May 11, 2009. The Compliance Committee shall review the implementation and adequacy of the Bank's training programs on a quarterly basis to ensure that all training programs address any new consumer laws, regulations or rules, regulatory guidelines or statements of policy applicable to the Bank that may have become effective since the previous quarterly review, and report the results of its review to the Board. The report shall be maintained

with the records of Board meetings. The Board shall review and approve the nature and extent of the training provided by the Bank; and

(E) providing oversight of third-party products and services to minimize risk of financial loss, reputational damage, and regulatory action. Such oversight shall include transaction testing to verify proper implementation of system changes, especially those that affect fees charged to cardholders.

#### I. ORDER FOR RESTITUTION

IT IS FURTHER ORDERED, that:

(a) Within sixty (60) days from the issuance of this ORDER, the Bank shall implement the plan for restitution that has been submitted by the Bank and agreed to by the Regional Director of the Kansas City Regional Office (Regional Director), pursuant to which restitution shall be made to cardholders who were harmed as a result of any of the practices outlined in paragraphs (1) through (7) of this ORDER (Restitution Plan).

(b) As more specifically set out in the Restitution Plan, the Bank shall perform a full review of the account history of all credit card accounts and identify every cardholder's account where one or more of the practices discussed in paragraphs (1) through (7) of this ORDER occurred (Eligible Cardholder). The Bank shall, in accordance with the Restitution Plan, determine the amount charged as a result of the practice or practices, and interest accrued on those fees, and apply appropriate credits as payments to each Eligible Cardholder's account, or provide cash refunds where the adjustments result in a credit balance for the account.

(c) As part of the Restitution Plan, the Bank shall submit to the Regional Director, for review and non-objection, the final text of any and all communications to be

made by the Bank to cardholders who will receive refunds in furtherance of compliance with this ORDER.

(d) All of the restitution required in paragraph (b) above shall apply even if an Eligible Cardholder's account was closed, charged off or sold to a third party.

(e) If applying payment of the restitution amount to the account of an Eligible Cardholder results in a credit balance, the Bank shall refund the amount of the resulting credit balance, up to the restitution amount, to such individual in cash by check made payable to that cardholder and sent by United States Postal Service first-class mail, address correction service requested, to the consumer's last address as maintained in the Bank's records. The Bank shall make reasonable attempts to obtain a current address for any cardholder whose notification letter and/or restitution check is returned for any reason, using standard address search methodologies, and shall promptly re-mail all returned letters and/or restitution checks to current addresses, if any. If the restitution check for any cardholder is returned to the Bank after such second mailing by the Bank, the Bank shall retain the restitution amount of such cardholder for a period of one hundred eighty (180) days from the date the restitution check was originally mailed, during which period such amount may be claimed by such cardholder upon appropriate proof of identity. After such time, these monies will be disposed of in accordance with the Restitution Plan.

(f) Within ninety (90) days from the issuance of this ORDER, the Bank shall prepare a detailed written report on cardholder restitution to the Regional Director. The report shall include the total number of cardholders who received refunds, the total

amount of restitution made, and any restitution amounts that remain in process either as a result of being returned to the Bank as undeliverable, or for any other reasons.

(g) The Bank shall retain all records pertaining to the Restitution Plan, including, but not limited to, documentation of the processes and procedures used to determine the cardholders eligible for refunds; the names, contact, and account information of the Eligible Cardholders; any mailing records; and documentation supporting that appropriate restitution was made or sought to be made as required by this ORDER.

(h) The restitution set forth herein and in the Restitution Plan is equitable relief pursuant to Section 8(b)(6) of the FDI Act, 12 U.S.C. § 1818(b)(6), and is remedial in nature.

## II. ORDER TO TAKE OTHER AFFIRMATIVE ACTIONS

IT IS FURTHER ORDERED, that:

(a) Within thirty (30) days from the issuance of the ORDER and permanently thereafter, the Bank shall ensure that all Bank products and practices comply with all consumer laws and regulations, including Section 5 pursuant to the guidance set forth in *Unfair or Deceptive Acts or Practices by State-Chartered Banks*, FIL-26-2004 (March 11, 2004).

(b) Within sixty (60) days from the issuance of this ORDER, the Bank shall retain, at its expense, an independent certified accounting firm (Firm) to determine compliance with the Restitution Plan in accordance with the attestation standards established by the American Institute of Certified Public Accountants for agreed-upon

procedures engagements and provide the reports called for in paragraphs II. (g), (h) and (i) below.

(c) Prior to the engagement of the Firm, and no later than thirty (30) days from the issuance of this ORDER, the Bank shall submit the name and qualifications of the Firm, together with the proposed engagement letter with the Firm and the proposed agreed-upon procedures, to the Regional Director for non-objection.

(d) To be acceptable to the Regional Director, the Firm must be independent and, at a minimum, comply with the Code of Conduct of the Nebraska Board of Public Accountancy and meet the auditor independence requirements of the Securities and Exchange Commission.

(e) The engagement letter between the Bank and the Firm shall grant the FDIC access to the Firm's staff, work-papers, and materials prepared in the course of the Firm's engagement and preparation of the reports required by this ORDER.

(f) Within fifteen (15) days after submission of the Firm's name, the Regional Director shall notify the Bank in writing of the FDIC's objection or non-objection thereto.

(g) The Firm shall issue reports of findings based on the agreed-upon procedures that will include:

- i. the completeness and accuracy of the criteria, data sources, formulas, and calculations established, used and generated to determine the amounts of fees and interest credited as payments to the accounts of Eligible Cardholders and any resulting credit balances to be refunded in cash; and

- ii. whether the Bank's efforts to obtain the current addresses of Eligible Cardholders whose letters and/or restitution checks were initially returned complied with subparagraph I(e) above.
- (h) Within one-hundred and twenty (120) days from the issuance of this ORDER, the Firm shall simultaneously submit to the Bank and the Regional Director, an initial report evaluating compliance with the Restitution Plan pursuant to the agreed-upon procedures.
- (i) Within one-hundred and eighty (180) days from the issuance of this ORDER, the Firm shall submit a copy of its final report evaluating compliance with the Restitution Plan pursuant to the agreed-upon procedures to the Bank and the Regional Director. Such report shall include a confirmation that all credits as payments to the accounts of Eligible Cardholders required to be made pursuant to this ORDER have been accurately calculated and made, and that all cash refunds required to be paid to Eligible Cardholders have either been paid or returned to the Bank after a second mailing has been made.
- (j) Within ninety (90) days from the issuance of this ORDER, and every 90 days thereafter, the Bank shall provide a written progress report to the Regional Director detailing the form and manner of all actions taken to secure compliance with this ORDER and the results of such actions. The Regional Director will notify the Bank in writing when it is released from providing further progress reports.

### III. ORDER TO PAY

IT IS FURTHER ORDERED, that by reason of the alleged violations of law and/or regulations, and after taking into account the ORDER, the appropriateness of the

penalty with respect to the financial resources and good faith of the Bank, the gravity of the conduct by the Bank, the history of previous conduct by the Bank, the promptness of the Bank in responding to the alleged violations of law and/or regulations with appropriate remedial and corrective actions and such other matters as justice may require, pursuant to Section 8(i)(2) of the FDI Act, 12 U.S.C. § 1818(i)(2), a civil money penalty of \$250,000 is assessed against the Bank. The Bank itself shall pay such amount to the Treasury of the United States, and is prohibited from seeking or accepting indemnification for such payment from any third party.

#### IV. NOTIFICATION TO SHAREHOLDER

Following the effective date of this ORDER, the Bank shall send to its sole shareholder a copy of this ORDER: (1) in conjunction with the Bank's next shareholder communication; or (2) in conjunction with its notice or proxy statement preceding the Bank's next shareholder meeting.

#### V. MISCELLANEOUS PROVISIONS

(a) Except for an action under Section 8(i) of the FDI Act, 12 U.S.C. § 1818(i), to enforce compliance with this ORDER by the FDIC, the FDIC shall not commence any action under 12 U.S.C. § 1818, Section 5, or any other statute or regulation, against the Bank or any of its current or former directors, officers, employees, owners and/or agents, or any of the Bank's affiliates, their successors or assigns, or any of their respective directors, officers, employees, owners and/or agents (Bank Parties), arising out of or relating in any manner to the subject matter of this ORDER.

(b) The provisions of this ORDER shall not bar, estop or otherwise prevent the FDIC, or any other federal or state agency or department from taking any action against any of the Bank Parties, for violations of any laws or regulations, including federal and state consumer protection laws, or engaging in unsafe or unsound banking practices except those practices identified in the ORDER.

(c) The provisions of this ORDER shall be binding on the Bank, and all Bank Parties.

This ORDER will become effective upon its issuance by the FDIC. The provisions of this ORDER shall remain effective and enforceable except to the extent that, and until such time as, any provisions of this ORDER shall have been modified, terminated, suspended, or set aside by the FDIC.

Pursuant to delegated authority.

Dated at Washington, D.C. this 3<sup>rd</sup> day of March, 2011.

/s/  
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Sylvia H. Plunkett  
Senior Deputy Director  
Division of Depositor and  
Consumer Protection