

FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C.

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| In the Matter of               | ) |               |
|                                | ) | CONSENT ORDER |
| SEATTLE BANK                   | ) |               |
| SEATTLE, WASHINGTON            | ) | FDIC-10-830b  |
|                                | ) |               |
| (INSURED STATE NONMEMBER BANK) | ) |               |
|                                | ) |               |
|                                | ) |               |

The Federal Deposit Insurance Corporation (“FDIC”) is the appropriate Federal banking agency under Section 3(q) of the Federal Deposit Insurance Act (“Act”), 12 U.S.C. § 1813(q), for Seattle Bank, Seattle, Washington (“Bank”).

The Bank, by and through its duly elected and currently acting Board of Directors (“Board”), has executed a Stipulation to the Issuance of a Consent Order (“Stipulation”), dated November 17, 2010, that is accepted by the FDIC. With the Stipulation, the Bank has consented, without admitting or denying any charges of unsafe or unsound banking practices or violations of law and/or regulations, to the issuance of this Consent Order (“Order”) by the FDIC.

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

1. Upon the effective date of this Order, the Bank shall institute mortgage loan pricing controls to prevent discrimination on prohibited bases. The Bank shall:
  - (a) completely eliminate loan officer discretion in pricing mortgage loans; or

(b) establish mortgage loan pricing controls wherein targets for all discretionary fees are established and loan officers must obtain prior approval from management prior to deviating from the established fee targets.

2. Within 30 days from the effective date of this Order, the Bank shall implement procedures for monitoring and analyzing mortgage pricing decisions.

(a) If loan officer pricing discretion is eliminated as described in subparagraph 1(a) above, the Bank shall create a system for reviewing decisions to ensure compliance with rate sheet guidelines. If a system of pricing controls and targets is instituted as described in subparagraph 1(b) above, the Bank shall establish and implement procedures for analyzing all deviations from fee targets on an ongoing basis by loan officer, branch, and the Bank as a whole to ensure that pricing decisions are made on a non-discriminatory basis.

(b) The Bank shall regularly analyze HMDA data for all fair lending risks, including rate spread information.

(c) Bank management shall communicate to Bank personnel the importance of compliance with all lending policies and procedures, including mortgage loan pricing controls.

3. Upon the effective date of this Order, the Board shall increase its oversight of and participation in the Bank's overall Compliance Management System, with a particular focus on the Bank's mortgage loan pricing risk.

(a) The Board shall ensure that sufficient resources are provided to the compliance management and audit functions, and the Board, senior management, and all lenders shall receive additional fair lending training during which mortgage loan pricing procedures shall be thoroughly discussed.

(b) The Board shall demonstrate clear and unequivocal expectations regarding compliance with fair lending laws and regulations, as well as the Bank's compliance policies and procedures.

4. Within 60 days from the effective date of this Order, the Bank shall revise and update its procedures for compliance audits and monitoring to ensure that they include mortgage loan pricing decisions, Seattle Mortgage Company branches and activities, and the elements described below. Audits shall be conducted by qualified personnel with experience in conducting independent audits of compliance programs of banks of a comparable size and complexity.

(a) Audits of the Bank's Compliance Program shall occur at least annually, and at a minimum shall:

- (i) Define a comprehensive scope;
- (ii) Identify the number of transactions to be sampled by category or product type;
- (iii) Identify deficiencies;
- (iv) Provide descriptions of or suggestions for corrective actions and timeframes for correction of any deficiencies; and
- (v) Establish follow-up procedures to verify that corrective actions are implemented and effective.

(b) Audit findings, deficiencies, and recommendations must be documented in a written report and provided to the Audit Committee of the Board within 10 days of completion. In addition, the audit reports should be thoroughly reviewed by the Board and fully documented in the Board's minutes.

(c) Within 30 days of the receipt of the independent auditor's written report, the Board shall take action to address audit findings, correct any deficiencies noted, and implement any recommendations or explain in writing signed by the Board why a particular recommendation has not been implemented.

5. Within 30 days from the effective date of this Order, the Bank shall correct all violations of law and/or regulation, as more fully set forth in the Report of Examination dated July 6, 2009 ("ROE"), and implement procedures to prevent their recurrence. The Bank's actions as required by this paragraph shall be satisfactory to the Regional Director of the FDIC's San Francisco Regional Office ("Regional Director") as determined at subsequent examinations and/or visitations.

6. On or before the 30<sup>th</sup> day after the end of every calendar quarter, the Bank shall furnish written progress reports to the Regional Director which detail the form and manner of any actions taken to secure compliance with the Order and the results thereof. The Bank may discontinue submitting such reports when the corrections required by this Order have been accomplished and the Regional Director has expressly released the Bank in writing from making any further reports.

7. Following the effective date of this Order, the Bank shall send to its shareholder(s) or otherwise furnish a description of this Order in conjunction with the Bank's next shareholder communication and with its notice or proxy statement preceding the Bank's next shareholder meeting. The description shall fully describe this Order in all material respects. The description and accompanying communication, statement, or notice shall be sent to the FDIC, Accounting and Securities Section, 550 17<sup>th</sup> St. NW, Washington, D.C. 20429, at least 20

days prior to dissemination to shareholders. Any changes requested to be made by the FDIC shall be made prior to dissemination of the description, communication, notice, or statement.

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 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 Act, 12 U.S.C. § 1813(u).

This Order will become effective upon its issuance by the FDIC. The provisions of this Order shall be binding on 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 provisions of this Order shall have been modified, terminated, suspended, or set aside by the FDIC.

Pursuant to delegated authority.

Dated at San Francisco, California, this 30<sup>th</sup> day of November, 2010.

/s/  
Frank A. Hartigan  
Deputy Regional Director  
Division of Supervision and Consumer Protection  
San Francisco Region  
Federal Deposit Insurance Corporation