

FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C.

AND

STATE OF WISCONSIN

DEPARTMENT OF FINANCIAL INSTITUTIONS

	)	
In the Matter of	)	
	)	CONSENT ORDER
COLUMBIA SAVINGS AND	)	
LOAN ASSOCIATION	)	
MILWAUKEE, WISCONSIN	)	FDIC-14-0140b
	)	
(STATE CHARTERED INSURED	)	
SAVINGS ASSOCIATION	)	
	)	

Columbia Savings and Loan Association, Milwaukee, Wisconsin ("Bank"), having been advised of its right to a NOTICE OF CHARGES AND OF HEARING detailing the unsafe or unsound banking practices and violations of law or regulation alleged to have been committed by the Bank, and of its right to a hearing on the charges under section 8(b) of the Federal Deposit Insurance Act ("Act"), 12 U.S.C. § 1818(b), and under section 220.04(9) of the Wisconsin Statutes, Wis. Stat. § 220.04(9) (2012), regarding hearings before the Wisconsin Department of Financial Institutions ("WDFI"), and having waived those rights, entered into a STIPULATION AND CONSENT TO THE ISSUANCE OF A CONSENT

ORDER ("STIPULATION") with representatives of the Federal Deposit Insurance Corporation ("FDIC") and the WDFI, dated June 9, 2014, whereby, solely for the purpose of this proceeding and without admitting or denying the charges of unsafe or unsound banking practices and violations of law or regulation relating to weaknesses in capital, asset quality, management, earnings, liquidity, and sensitivity to market risk, the Bank consented to the issuance of a CONSENT ORDER ("ORDER") by the FDIC and the WDFI.

The FDIC and the WDFI considered the matter and decided to accept the STIPULATION.

Having also determined that the requirements for issuance of an order under 12 U.S.C. § 1818(b) and section 220.04(9) of the Wisconsin Statutes, Wis. Stat. § 220.04(9)(2012), have been satisfied, the FDIC and the WDFI HEREBY ORDER that the Bank, its institution-affiliated parties, as that term is defined in section 3(u) of the Act, 12 U.S.C. § 1813(u), and its successors and assigns, take affirmative action as follows:

MANAGEMENT

1. (a) Within ninety (90) days from the effective date of this ORDER, the Bank shall retain an outside party or consultant capable of supervising and managing the daily

operations of the Bank, including, but not limited to, overseeing the Bank's (i) capital position, (ii) earnings growth and sustainability, (iii) asset quality, (iv) liquidity position and (v) sensitivity to market risk.

(b) The Bank shall provide the Regional Director of the Chicago Regional Office of the FDIC ("Regional Director") and the WDFI with a copy of the proposed engagement letter or contract with the individual or consultant required pursuant to this paragraph for review and prior approval.

(c) Prior to the addition of any individual to the board of directors or the employment of any individual as a senior executive officer, the Bank shall request and obtain the FDIC's and the WDFI's written approval. For purposes of this ORDER, "senior executive officer" is defined as in section 32 of the Act, 12 U.S.C. § 1831(i), and section 303.101(b) of the FDIC Rules and Regulations, 12 C.F.R. § 303.101(b).

BOARD PARTICIPATION

2. (a) While this ORDER is in effect, the Bank's board of directors shall increase its participation in the affairs of the Bank, assuming full responsibility for the approval of sound policies and objectives, and for the supervision of all of the Bank's activities, consistent with the role and expertise

commonly expected for directors of banks of comparable size. This participation shall include meetings to be held no less frequently than monthly at which, at a minimum, the following areas shall be reviewed and approved: reports of income and expenses; new, overdue, renewal, insider, charged off, and recovered loans; investment activity; adoption or modification of operating policies; individual committee reports; audit reports; internal control reviews including management's responses; reconciliation of general ledger accounts; and compliance with this ORDER. Board minutes shall document these reviews and approvals, including the names of any dissenting directors.

(b) As of the effective date of this ORDER, the Bank shall take all steps necessary to add and retain additional directors commensurate with the Bank's current risk profile, as well as to address the comments contained within the March 11, 2014 Report of Examination of the Bank ("ROE"), including those related to director succession.

(c) Within thirty (30) days from the effective date of this ORDER, the Bank's board of directors shall develop, adopt, and implement a program that will provide for monitoring of the Bank's compliance with this ORDER.

CAPITAL

3. (a) As of the effective date of this ORDER, the Bank shall have and maintain its level of Tier 1 capital as a percentage of its total assets ("capital ratio") at a minimum of nine (9%) percent and its level of qualifying total capital as a percentage of risk-weighted assets ("total risk based capital ratio") at a minimum of thirteen (13%) percent. For purposes of this ORDER, Tier 1 capital, qualifying total capital, total assets, and risk-weighted assets shall be calculated in accordance with Part 325 of the FDIC Rules and Regulations, 12 C.F.R. Part 325.

(b) Should the Bank be unable to reach the required capital levels within the time frames specified in subparagraph (a) above, or be unable to maintain those levels, then within sixty (60) days of receipt of written direction from the Regional Director and the WDFI, the Bank shall develop, adopt, and implement a written plan to sell or merge itself into another federally insured financial institution or to otherwise immediately obtain a sufficient capital investment into the Bank to fully meet the capital requirements of this paragraph. A copy of the plan required by this paragraph shall be submitted to, and determined to be acceptable by, the Regional Director and the WDFI.

PROHIBITION OF ADDITIONAL LOANS TO CLASSIFIED BORROWERS

4. (a) As of the effective date of this ORDER, the Bank shall not extend, directly or indirectly, any additional credit to, or for the benefit of, any borrower who is already obligated in any manner to the Bank on any extension of credit (including any portion thereof) that has been charged off the books of the Bank or classified "Loss" in the ROE, or in any future Reports of Examination and Visitations subsequently issued by the FDIC or the WDFI, so long as such credit remains uncollected.

(b) As of the effective date of this ORDER, the Bank shall not extend, directly or indirectly, any additional credit to, or for the benefit of, any borrower whose loan or other credit has been classified "Substandard" or "Doubtful" in the ROE or in any future Reports of Examination and Visitations issued by the FDIC or the WDFI, and is uncollected unless the Bank's board of directors has adopted, prior to such extension of credit, a detailed written statement giving the reasons why such extension of credit is in the best interest of the Bank. A copy of the statement shall be signed by each Director, and incorporated in the minutes of the applicable board of directors' meeting. A copy of the statement shall be placed in the appropriate loan file.

REDUCTION OF DELINQUENCIES AND CLASSIFIED ASSETS

5. (a) Within sixty (60) days from the effective date of this ORDER, the Bank shall develop, adopt, implement, and adhere to a written plan to reduce the Bank's risk position in each asset in excess of \$100,000 which is delinquent or classified "Substandard" or "Doubtful" or "Special Mention" in the ROE and from any future Reports of Examination and Visitations issued by the FDIC or the WDFI. The plan shall include, but not be limited to, provisions which:

- (i) Prohibit an extension of credit for the payment of interest, unless the Board provides, in writing, a detailed explanation of why the extension is in the best interest of the Bank;
- (ii) Provide for review of the current financial condition of each delinquent or classified borrower, including a review of borrower cash flow and collateral value;
- (iii) Delineate areas of responsibility for loan officers; and
- (iv) Provide 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 board of directors.

(b) As used in this paragraph, "reduce" means to: (1) collect; (2) charge off; (3) sell; or (4) improve the quality of such assets so as to warrant removal of any adverse classification by the FDIC and the WDFI.

(c) The plan required by this paragraph shall be acceptable to the Regional Director and the WDFI.

(d) While this ORDER remains in effect, the plan shall be revised to include assets which become delinquent after the effective date of this ORDER or are adversely classified at any subsequent examinations.

CONCENTRATIONS OF CREDIT

6. (a) Within ninety (90) days from the effective date of this ORDER, the Bank shall formulate, adopt, and implement a written plan to reduce and manage each of the concentrations of credit identified within the ROE in a safe and sound manner. At a minimum, the written plan must provide for the setting of limits on concentrations commensurate with the Bank's capital position, safe and sound banking practices, and the overall risk profile of the Bank, as well as provide for the ongoing

measurement, monitoring, and reporting to the board of directors of the concentrations of credit.

(b) The written plan required by this paragraph shall be submitted to the Regional Director and the WDFI.

LOAN POLICY

7. (a) Within sixty (60) days from the effective date of this ORDER, the Bank shall develop, adopt, implement, and adhere to a Loan Policy.

(b) The Loan Policy required by this paragraph, at a minimum, shall include provisions:

- (i) Requiring that all extensions of credit originated or renewed by the Bank be supported by current credit information and collateral documentation, have a clearly defined and stated purpose; and have a predetermined and realistic repayment source and schedule;
- (ii) Incorporating collateral valuation requirements, including:
 - (A) maximum loan-to-collateral-value limitations;

- (B) requirements for periodic updating of valuations; and
 - (C) a requirement that the source of valuations be documented in Bank records;
- (iii) Establishing review and monitoring procedures to ensure that all lending personnel are adhering to established lending procedures and that the directorate is receiving timely and fully documented reports on loan activity, including any deviations from established policy;
- (iv) Requiring the establishment and maintenance of an effective loan review and grading system and internal loan watch list; and
- (v) Correcting the loan underwriting and credit administration deficiencies noted in the ROE.

PROFIT PLAN AND BUDGET

8. (a) Within ninety (90) days from the effective date of this ORDER, the Bank shall develop, adopt, implement, and adhere to a written profit plan and a realistic, comprehensive budget for all categories of income and expense for calendar

years 2014 and 2015. The plans required by this paragraph shall contain formal goals and strategies, consistent with sound banking practices, to reduce discretionary expenses and to improve the Bank's overall earnings, 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:

- (i) Realistic and comprehensive budgets;
- (ii) A budget review process to monitor the income and expenses of the Bank to compare actual figures with budgetary projections;
- (iii) Identification of major areas in, and means by which, earnings will be improved; and
- (iv) A description of the operating assumptions that form the basis for and adequately support major projected income and expense components.

(c) During each monthly board meeting following completion of the profit plans and budgets required by this paragraph, the Bank's board of directors shall evaluate the Bank's actual performance in relation to the 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 at which such evaluation is undertaken.

(d) A written profit plan and budget shall be prepared and submitted for each calendar year for which this ORDER is in effect.

(e) Copies of the plans and budgets required by this paragraph shall be acceptable to the Regional Director and the WDFI.

(f) Any material modifications to the written profit plans and/or budgets required under this paragraph shall be submitted to the Regional Director and the WDFI for prior written approval at least thirty (30) days before implementation.

LIQUIDITY PLAN

9. (a) Within sixty (60) days from the effective date of this ORDER, the Bank shall develop, adopt, implement, and adhere to a written contingency funding plan ("Liquidity Plan"). At a minimum, the Liquidity Plan shall be prepared in conformance with the Liquidity Risk Management Guidance found at FIL-84-2008 and include provisions to fully address the liquidity issues identified in the ROE. In addition, the Liquidity Plan shall

require the Bank to establish and maintain an account relationship with a third-party for borrowing purposes.

GROWTH RESTRICTION

10. During the life of this ORDER, the Bank shall not increase its total assets by more than four (4%) percent during any calendar quarter without providing, at least thirty (30) days prior to its implementation, a growth plan to the Regional Director and the WDFI. Such growth plan, at a minimum, shall include the funding source to support the projected growth, as well as the anticipated use of funds. This growth plan shall not be implemented without the prior written approval of the Regional Director and the WDFI. In no event shall the Bank increase its total assets by more than six (6.0%) percent annually. For the purpose of this paragraph, "total assets" shall be defined as in the Federal Financial Institutions Examination Council's Instructions for the Consolidated Reports of Condition and Income.

CORRECTION OF VIOLATIONS

11. Within ninety (90) days from the effective date of this ORDER, the Bank shall eliminate and/or correct all violations of law, rule, and regulations listed in the ROE, and

implement procedures to ensure future compliance with all applicable laws, rules, and regulations.

INTERNAL ROUTINE AND CONTROLS

12. Within sixty (60) days from the effective date of this ORDER, the Bank shall develop, adopt, implement, and adhere to a policy for the operation of the Bank in such a manner as to provide adequate internal routine and controls consistent with safe and sound banking practices.

SENSITIVITY TO MARKET RISK

13. Within ninety (90) days from the effective date of this Order, the Bank shall formulate, adopt, and implement a revised Interest Rate Risk plan which shall fully address the comments set forth in the ROE and shall provide for the regular preparation of interest rate sensitivity reports. The reports shall document all significant assumptions made, which should be tailored to the Bank's risk characteristics.

PROGRESS REPORTS

14. Within thirty (30) days from the end of each calendar quarter following the effective date of this ORDER, the Bank shall furnish to the Regional Director and the WDFI written

progress reports signed by each member of the Bank's board of directors, detailing the actions taken to secure compliance with the ORDER and the results thereof.

CLOSING PARAGRAPHS

The effective date of this ORDER shall be the date of its issuance by the FDIC and the WDFI.

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 FDIC and the WDFI.

Pursuant to delegated authority.

Dated: June 19, 2014.

/s/
M. Anthony Lowe
Regional Director
Chicago Regional Office
Federal Deposit Insurance
Corporation

/s/
Michael J. Mach
Administrator
Division of Banking
Department of Financial
Institutions State of Wisconsin