

FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C.

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In the Matter of)	
)	
)	CONSENT ORDER
)	AND ORDER TO PAY
HASTINGS STATE BANK)	CIVIL MONEY PENALTY
HASTINGS, NEBRASKA)	
)	
)	FDIC-12-611b
)	FDIC-12-612k
(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 Hastings State Bank, Hastings, Nebraska (“Bank”). The FDIC determined that the Bank has engaged in unsafe or unsound banking practices, and engaged in deceptive and unfair acts and practices in or affecting commerce, in violation of Section 5 of the Federal Trade Commission Act (“Section 5”), 15 U.S.C. § 45(a)(1), by engaging in a scheme to mislead regulators and customers regarding the issuer of credit life and disability insurance policies, and by diverting premiums for such policies to a related entity.

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 CIVIL MONEY PENALTY (“CONSENT AGREEMENT”), dated November 20, 2012, that is accepted by the FDIC. With the CONSENT AGREEMENT, the Bank has consented, without admitting or denying any charges of unsafe or unsound banking

practices or violations of law or regulation, to the issuance of this CONSENT ORDER AND ORDER TO PAY CIVIL MONEY PENALTY (collectively "ORDER") by the FDIC.

Having determined that the requirements for issuance of an order under sections 8(b) and 8(i)(2) if the FDI Act, 12 U.S.C. §§ 1818(b) and 1818(i)(2), have been satisfied, the FDIC hereby issues the following:

CONSENT ORDER

IT IS HEREBY ORDERED that the Bank, its institution-affiliated parties, as that term is defined in 12 U.S.C. § 1813(u), and its successors and assigns, cease and desist from operating in violation of Section 5 by engaging in the deceptive and unfair practices described above.

IT IS FURTHER ORDERED that the Bank, its institution-affiliated parties, and its successors and assigns, shall take the following affirmative action:

CORRECTIVE ACTIONS

1. Within 30 days of the effective date of this ORDER, correct all violations of Section 5 and implement examiner directions contained in the Report of Examination dated February 13, 2012 ("ROE"). In addition, the Bank shall take all necessary steps to ensure future compliance with all applicable consumer protection laws, implementing regulations, regulatory guidance, and statements of policy ("Consumer Laws").

COMPLIANCE OFFICER

2. (a) Within 60 days from the effective date of this ORDER, the Bank shall obtain or designate, and thereafter retain, a qualified Compliance Officer, who shall be given sufficient written authority by the Bank's Board to implement and supervise the Bank's compliance programs, including, but not limited to: providing adequate training to the Bank's Board and employees for all Consumer Laws. The Compliance Officer shall report directly to the Bank's Board. If a qualified Compliance Officer cannot be appointed within 60 days, the

Bank shall retain an outside consultant to perform the functions of a compliance officer until such time as a qualified Compliance Officer can be hired.

(b) The Bank shall promptly notify the Regional Director of the Kansas City Regional Office of the FDIC (“Regional Director”) of the identity of the Compliance Officer. If the Bank cannot appoint a Compliance Officer within 60 days and must retain an outside consultant for an interim period, the Bank shall promptly notify the Regional Director of the identity of the outside consultant.

(c) The Bank shall ensure that the Compliance Officer is sufficiently trained, both initially, and on an on-going basis, to perform the duties of a Compliance Officer. All training received by the Compliance Officer shall be documented and maintained for review at future FDIC compliance examinations.

(d) The assessment of whether the Bank has a qualified and sufficiently trained Compliance Officer shall be based upon the Bank’s record in complying with: (i) the requirements of this ORDER; and (ii) applicable Consumer Laws.

COMPLIANCE PROGRAM

3. (a) Within 60 days from the effective date of this ORDER, the Bank shall develop or revise comprehensive written compliance policies and procedures for all applicable Consumer Laws (“Compliance Plan”). The Compliance Plan shall be sufficiently detailed to provide employees with the information that they need to perform their duties in conformance with applicable laws, rules, and regulations.

(b) The Compliance Plan shall expressly include an adequate program for training in the requirements of Consumer Laws, to be conducted at least annually for all Bank employees involved in lending and any others whose responsibilities include complying with Consumer Laws. Documentation of training shall be maintained to show the dates training was

provided, a list of personnel attending the training, and the subjects and materials covered for each training session.

(c) The Compliance Plan and a description of practices to be adopted by the Bank to comply with this ORDER shall be submitted to the Regional Director for review and comment. Within 30 days after receipt of any comment from the Regional Director, the Bank's Board shall approve the written compliance policies and procedures, incorporating comments by the Regional Director, which approval shall be noted in the meeting minutes of the Bank's Board. Thereafter, the Bank shall implement and comply with the written policies and the practices adopted.

INTERNAL MONITORING

4. (a) Within 60 days of the effective date of this ORDER, the Bank shall develop effective internal monitoring procedures. The procedures shall include establishing internal review procedures by a knowledgeable individual, other than the preparer, whereby loan and deposit disclosures and procedures, including insurance activities, are reviewed for content, compliance with regulatory requirements, and consistency with bank practices. Lending-related reviews should address the content, accuracy, and timely distribution of disclosures prior to their issuance. Whenever the Bank markets and issues any type of insurance, including credit life or credit disability insurance, disclosures for such products shall be clear and conspicuous.

(b) The Bank shall ensure that all compliance-related functions are monitored on an ongoing basis.

(c) The Bank's internal monitoring systems shall include, but not be limited to, reviewing areas where violations were noted in the ROE. The review shall also include ensuring that any compliance-related training is effective and that policies and procedures learned are properly implemented.

(d) On a quarterly basis, the Compliance Officer and any other committee established by the Bank's Board to address compliance issues shall provide a written report to the Bank's Board. At a minimum, such reports shall address the following topics:

- (i) Compliance training that has been held and that is forthcoming;
- (ii) Upcoming regulatory changes involving compliance; and
- (iii) Discussion of the internal compliance reviews conducted, the findings of those reviews, and recommendations for improvements.

(e) The written reports referenced in subsection (d) should be thoroughly reviewed and fully documented in the minutes of the Bank's Board. The minutes of the Bank's Board shall include, but not be limited to, documenting actions to address the findings of any internal compliance reviews conducted, correct any deficiencies noted, and implement any recommendations or explain in writing signed by the Board why a particular recommendation has not been implemented. Documentation shall be maintained as part of the Bank's Board minutes for review at future FDIC compliance examinations.

TRAINING

5. (a) Within 60 days from the effective date of this ORDER, the Bank shall develop and implement a formal training program for all personnel, especially those with supervisory compliance responsibilities, to ensure that all such personnel are thoroughly knowledgeable of applicable compliance requirements. Thereafter, the Bank's Board shall review the program on a quarterly basis and update the program as necessary. Documentation of quarterly training program reviews and updates shall be maintained as part of the Bank's Board minutes for review at future FDIC compliance examinations.

(b) The training program shall include in-person training in the requirements of Consumer Laws, to be conducted at least annually for all Bank employees involved in lending

and for others whose responsibilities include complying with Consumer Laws, including, but not limited to training on the following:

(i) Home Mortgage Disclosure Act, 12 U.S.C. §§ 2801 *et seq.*, and its implementing regulation found at 12 C.F.R. Part 203, recodified on December 30, 2011, to Consumer Financial Protection Board Regulation 12 C.F.R. §1003;

(ii) Flood Disaster Protection Act of 1973 as amended, 42 U.S.C. §§ 4002-4128, and Part 339 of the FDIC Rules and Regulations, 12 C.F.R. Part 339;

(iii) Truth in Lending Act, 15 U.S.C. §§ 1601 *et seq.*, and its implementing regulation found at 12 C.F.R. Part 226, recodified on December 30, 2011, to Consumer Financial Protection Board Regulation 12 C.F.R. §1026;

(iv) Real Estate Settlement Procedures Act, 12 U.S.C. §§ 2601 *et seq.*, and its implementing regulation found at 24 C.F.R. Part 3500, recodified on December 30, 2011, to Consumer Financial Protection Board Regulation 12 C.F.R. § 1024;

(v) Section 5 of the Federal Trade Commission Act, 15 U.S.C. § 45(a)(1); and

(vi) Expedited Funds Availability, 12 U.S.C. 4010(e), and Regulation CC, 12 CFR Part 229, recodified on December 30, 2011, to Consumer Financial Protection Board Regulation 12 C.F.R. §1005.

(c) Documentation of training shall be maintained for review at future FDIC compliance examinations, showing the dates training was provided, who provided the training, a list of personnel who attended the training, and the subjects and materials covered for each training session.

AUDIT

6. (a) Within 60 days from the effective date of this ORDER, the Bank shall develop and implement a comprehensive independent audit program, whereby audits are conducted by a qualified individual or firm with experience in conducting independent audits of compliance programs of banks of a comparable size.

(b) Audits of the Bank's compliance program shall occur at least semi-annually with the first audit to be completed by March 31, 2013, 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.

(c) Audit findings, deficiencies, and recommendations must be documented in a written report and provided to the Bank's Board within 30 days. In addition, the audit reports should be thoroughly reviewed at the next Bank Board meeting, and fully documented in the minutes of such meeting.

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

(i) In order to implement a recommendation, the Bank's Board shall assign particular Bank personnel to be accountable for implementing the corrective action and shall establish timelines to ensure such action is completed;

(ii) Reports shall be provided by the Compliance Officer or any compliance committee established by the Bank's Board showing the status of outstanding items requiring corrective action, and showing whether items that have previously been satisfactorily completed remain in compliance.

(e) Documentation of the audit and all corrective actions shall be maintained for review at the future FDIC compliance examinations.

MISCELLANEOUS

7. 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.

8. The Bank shall furnish written progress reports to the Regional Director detailing the form and manner of any action taken to secure compliance with this ORDER and the results thereof every 90 days, beginning 90 days from the effective date of this ORDER and continuing every subsequent 90 days until the Regional Director has expressly released the Bank in writing from making any further reports. All progress reports and other written responses to this ORDER shall be reviewed by the Bank's Board and be made a part of the minutes of the Board's meeting.

ORDER TO PAY CIVIL MONEY PENALTY

IT IS FURTHER ORDERED THAT, by reason of the violations of law and/or regulations, and after taking into account the CONSENT AGREEMENT, 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, 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 \$220,000 is assessed against the Bank. The Bank shall pay the civil money penalty to the Treasury of the United States. The Bank shall pay such civil money penalty itself, and is prohibited from seeking or accepting indemnification for such payment from any third-party.

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 shall 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 in writing by the FDIC.

Pursuant to delegated authority.

Dated at Washington, D.C., this 3rd day of December, 2012

/s/

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