

FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C.

In the Matter of)

OXFORD BANK)
OXFORD, MICHIGAN)

(Michigan Chartered)
Insured Nonmember Bank))
_____)

CONSENT ORDER
FDIC-19-0033b

Oxford Bank, Oxford, Michigan (“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 in the area of consumer protection and compliance, 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 having waived those rights, entered into a STIPULATION AND CONSENT TO THE ISSUANCE OF A CONSENT ORDER (“STIPULATION”) with counsel for the Federal Deposit Insurance Corporation (“FDIC”), dated June 3, 2019, 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 the area of consumer protection and compliance, the Bank consented to the issuance of a CONSENT ORDER (“ORDER”) by the FDIC.

The FDIC considered the matter and determined to accept the STIPULATION.

Having also determined that the requirements for issuance of an order under 12 U.S.C. § 1818(b) have been satisfied, the FDIC HEREBY ORDERS that the Bank, its institution-affiliated parties, as that term is defined in 12 U.S.C. § 1813(u), and its successors and assigns, take affirmative action as follows:

BOARD OVERSIGHT

1. (a) From the effective date of this ORDER, the Bank's Board of Directors ("Board") shall increase its participation in the oversight of the Bank's compliance management system ("Compliance Management System"), as described in Section II of the FDIC's Compliance Examination Manual ("Compliance Management System Guidance"), to include full responsibility for the approval of sound policies and objectives and for the supervision of all of the Bank's compliance-related activities, consistent with the role and expertise commonly expected for directors of banks of comparable size.

(b) Within thirty (30) days of the effective date of this ORDER, the Board shall have and maintain a compliance committee ("Compliance Committee") comprised of at least two (2) directors who are not active officers of the Bank and at least one (1) member of senior management, plus the compliance officer ("Compliance Officer") retained pursuant to this ORDER.

(i) The Compliance Committee shall meet no less frequently than monthly during which, at a minimum, the following areas shall be reviewed and approved: minutes of the Compliance Committee along with all supporting documents, Compliance Officer written reports, compliance audit reports, Compliance Management System policies and procedures, compliance monitoring results, training records, and compliance with this ORDER.

The Compliance Committee shall summarize discussions and actions taken during each of its meetings in written minutes.

(ii) The Compliance Committee shall present its meeting minutes and report on the status of the Compliance Management System and compliance with this ORDER to the Board at each regularly scheduled Board meeting. The Board shall document the review of the Compliance Committee minutes, any corresponding Board discussions of the matters reviewed, and any actions taken in response, including the names of any dissenting directors.

(iii) The Board, in conjunction with the Compliance Committee, shall allocate additional resources to the compliance area that are:

- (A) Commensurate with the level of complexity of the Bank's operations to ensure the adequate modification and implementation of the Compliance Management System, including procedures ensuring the Bank's compliance with all federal consumer protection and compliance laws, rules, and regulations ("Consumer Laws"); and
- (B) Sufficient to ensure the Bank's timely compliance with the provisions of this ORDER.

- (iv) The Board, in conjunction with the Compliance Committee, shall:
- (A) Ensure that the duties and responsibilities of the Compliance Officer are clearly defined and communicated, providing for accessibility to both the Board and senior management;

- (B) Require the Compliance Officer to provide to the Compliance Committee monthly written reports on all aspects of the Compliance Management System and compliance with this ORDER;
- (C) Require the Compliance Officer to review and respond promptly in writing to audit reports relating to all areas of the Bank's Compliance Management System;
- (D) Ensure that the Compliance Officer has and retains sufficient authority and independence to adopt, modify, and implement specific guidelines and policies related to Consumer Laws and to institute corrective action as needed. This authority shall include the ability to cross departmental lines, have access to all areas of the Bank's operations, and effectuate corrective action upon discovering deficiencies; and
- (E) Ensure the Compliance Officer receives immediate and ongoing training, sufficient time, and adequate resources to effectively oversee, coordinate, and implement the Bank's Compliance Management System.

(c) The existence of the Compliance Committee in no way diminishes the responsibility of the entire Board for ensuring compliance with the provisions of this ORDER.

(d) The Board shall hold employees accountable for following adopted policies, procedures, and regulatory requirements related to the Bank's Compliance Management System.

MANAGEMENT

2. While this ORDER is in effect, the Bank shall have and retain qualified management. Each member of Management shall have full authority to implement the provisions of this ORDER. The qualifications of management shall be assessed on its ability to comply with the requirements of this ORDER.

COMPLIANCE OFFICER

3. (a) Within thirty (30) days of the effective date of this ORDER, the Board shall have and maintain a qualified, full-time Compliance Officer who shall be given sufficient written authority by the Board to adopt, implement, modify, and supervise the Bank's Compliance Management System, including but not limited to, providing training, including appropriate cross-training, to the Board and employees for all Consumer Laws and establishing controls and procedures to prevent violations of Consumer Laws. The Compliance Officer shall report directly to the Board and shall possess the requisite knowledge, capacity, and experience to administer and oversee an effective Compliance Management System.

(b) The Bank shall ensure the Compliance Officer is sufficiently trained, on an ongoing basis, to perform the duties of a Compliance Officer. All training received by the Compliance Officer shall be documented and maintained for review at subsequent FDIC compliance examinations or visitations.

(c) 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.

(d) The Bank may fulfill its requirement to have and maintain a Compliance Officer with multiple compliance officers and/or third party contractors, provided the compliance officers constitute, at a minimum, one full-time equivalent position.

(e) The Bank's retention of any third party contractor to perform any compliance officer duties pursuant to this paragraph will in no way diminish the responsibilities of the entire Board for ensuring compliance with the provisions of this ORDER.

COMPLIANCE POLICY AND PROCEDURES

4. Within sixty (60) days from the effective date of this ORDER, the Bank shall develop and/or review, update, adopt, and implement its compliance policy and procedures ("Compliance Policy and Procedures"). At a minimum, the Compliance Policy and Procedures shall require the maintenance of a comprehensive Compliance Management System, which will be reviewed and approved annually by the Board. The Compliance Policy and Procedures shall be acceptable to the Regional Director as determined at subsequent FDIC compliance examinations or visitations.

COMPLIANCE MONITORING

5. Within ninety (90) days from the effective date of this ORDER, the Bank shall ensure that effective compliance monitoring procedures are developed and instituted throughout the Bank. The procedures required by this paragraph shall be acceptable to the Regional Director as determined at subsequent FDIC compliance examinations or visitations.

(a) At a minimum, monitoring procedures should include ongoing reviews of:

- (i) banking transactions that constitute the routine daily activities of employees for all applicable departments;
- (ii) disclosures and calculations for various loan and deposit products;
- (iii) document filing and retention procedures;
- (iv) the Bank's marketing literature and advertising; and
- (v) the internal compliance communication system that provides updates resulting from revisions to Consumer Laws to appropriate Bank personnel.

(b) The monitoring procedures shall ensure that:

- (i) the Bank's actual practices reflect the Compliance Policy and Procedures;
- (ii) the Bank's actual practices reflect disclosures provided to consumers for each applicable account type and transaction type; and
- (iii) all Consumer Laws are being followed.

(c) Reviews of the routine daily activities of employees in all operating units of the Bank shall be conducted at the transactional level on a regular basis, but not less often than monthly.

(d) Reviews of the Bank's mortgage loan transactions shall be conducted to ensure compliance with Consumer Laws on a regular basis, but not less often than monthly.

(e) Regular reports shall be made to the Board regarding monitoring results and corrective procedures taken to address deficiencies.

TRAINING PROGRAM

6. Within sixty (60) days from the effective date of this ORDER, the Bank shall review, revise and implement its training program relating to Consumer Laws for all Bank personnel commensurate with their individual job functions and duties.

- (a) The training program, at a minimum, shall address the violations contained in the FDIC's Compliance Report of Examination of the Bank as of December 10, 2018 ("Compliance Report") and any deficiencies found through internal monitoring or independent reviews, and shall address updates to Consumer Laws and the Bank's policies and procedures.
- (b) The training program shall provide for training of all Bank personnel, including senior management and the Board, commensurate with their individual job functions and duties. All training shall be documented and maintained for review at all subsequent FDIC compliance examinations or visitations.
- (c) The training program shall include cross-training, where appropriate, to ensure an adequate number of knowledgeable employees in all areas relating to consumer compliance.
- (d) All training efforts and activities shall be reported to the Board and documented in Board minutes.
- (e) The training program required by this paragraph shall be acceptable to the Regional Director as determined at subsequent FDIC compliance examinations or visitations.

INDEPENDENT REVIEW

7. Within ninety (90) days from the effective date of this ORDER, the Bank shall cause an independent review to be commenced, and thereafter on a quarterly basis, with respect to the Bank's compliance with Consumer Laws and effectiveness of its Compliance Management System.

(a) The review shall assess the Bank's Compliance Management System in conjunction with the Compliance Management System Guidance, and at a minimum, shall:

- i. be comprehensive in scope;
- ii. identify the number of transactions sampled by category or product type;
- iii. identify deficiencies;
- iv. provide descriptions of or suggestions for corrective actions and time frames for correction; and
- v. establish follow-up procedures to verify that corrective actions are implemented and effective.

(b) The scope of the review, review findings, deficiencies, and recommendations must be documented in a written report and provided to the Compliance Committee and the Board within thirty (30) days after completion of the independent review.

(c) Within thirty (30) days of the Board's receipt of the written report concerning this review, the Board shall meet and take action to address the findings, correct any deficiencies noted, and implement any recommendations or explain in a written report, signed by all Board members and included in the minutes of the applicable Board meeting, why a particular recommendation has not been implemented.

(d) A copy of any reports concerning independent reviews and the Bank's response thereto shall be submitted to the Regional Director within forty-five (45) days of receipt.

CORRECTION OF VIOLATIONS

8. Within sixty (60) days from the effective date of this ORDER, the Bank shall eliminate or correct all violations of Consumer Laws identified in the Compliance Report.

DISCLOSURE TO SHAREHOLDERS

9. Following the effective date of this ORDER, the Bank shall send to its shareholders 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.

PROGRESS REPORTS

10. Within thirty (30) days from the end of the first calendar quarter following the effective date of this ORDER, and within thirty (30) days after the end of each successive calendar quarter thereafter, 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.

CLOSING PARAGRAPHS

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

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

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

Pursuant to delegated authority.

Dated this 6th day of JUNE, 2019.

/s/

Teresa M. Sabanty
Deputy Regional Director
Chicago Regional Office
Federal Deposit Insurance Corporation