STATE OF ILLINOIS

DEPARTMENT OF FINANCIAL AND PROFESSIONAL REGULATION

DIVISION OF BANKING

In the Matter of COMMUNITY FIRST BANK-CHICAGO CHICAGO, ILLINOIS (STATE CHARTERED INSURED MEMBER BANK)	)	CONSENT ORDER 2010-DB-01

Community First Bank – Chicago, Chicago, Illinois ("Bank"), having been advised of its right to a NOTICE OF CHARGES AND OF HEARING detailing the unsafe or unsound banking practices alleged to have been committed by the Bank, and of its right to a hearing on the charges under 38 Ill. Adm. Code, section 392.30, regarding hearings before the Illinois Department of Financial and Professional Regulation, Division of Banking ("Division"), and having waived those rights, entered into a STIPULATION AND CONSENT TO THE ISSUANCE OF AN ORDER TO CEASE AND DESIST ("CONSENT ORDER") with representatives of the Division, dated February 16, 2010, whereby, solely for the purpose of this proceeding and without admitting or denying the charges of unsafe or unsound banking practices, the Bank consented to the issuance of an ORDER TO CEASE AND DESIST ("ORDER") by the Division.

The Division considered the matter and determined that the requirements for issuance of an order under 205 ILCS 5/48(6)(b) of the Illinois Banking Act have been satisfied and has reason to believe that the Bank had engaged in unsafe or unsound banking practices. Thus, the Division HEREBY ORDERS that the Bank, its institution-affiliated parties, as that term is defined in section 3(u) of the Federal Deposit Insurance Act, 12 U.S.C. § 1813(u) (the "Act"), and its successors and assigns, take affirmative action as follows:

<u>CREDIT RISK MANAGEMENT</u>

1. (a) Within 60 days of this ORDER, the Bank shall submit to the Division an acceptable written plan to strengthen credit risk management practices. The plan shall, at a minimum, address, consider, and include:

(b) The responsibility of the board of directors to establish appropriate risk tolerance guidelines and risk limits;

(c) Periodic review and revision of risk exposure limits to address changes in market conditions; and

(d) Strategies to minimize credit losses and reduce the level of problem assets.

<u>CONCENTRATIONS OF CREDIT</u>

2. (a) Within 60 days of this ORDER, the Bank shall submit to the Division an acceptable written plan to strengthen the Bank's management of commercial real estate ("CRE") concentrations, including steps to reduce the risk of concentrations. The plan shall, at a minimum, include:

(i) Procedures to identify, limit, and manage concentrations of credit that are consistent with the Interagency Guidance on Concentrations in Commercial Real Estate Lending, Sound Risk Management Practices, dated December 12, 2006 (SR 07-1); and

(ii) A schedule for reducing and the means by which the Bank will reduce the level of CRE concentrations, and timeframes for achieving the reduced levels.

CREDIT ADMINISTRATION

3. (a) Within 60 days of this ORDER, the Bank shall submit to the Division an acceptable written credit administration program that shall, at a minimum, address, consider, and include:

(i) Procedures to ensure that appraisals conform to accepted appraisal standards, as defined in the Uniform Standards of Professional Appraisal Practice, and comply with the requirements of Subpart G of Regulation Y of the Board of Governors of the Federal Reserve System (the "Board of Governors") (12 C.F.R. Part 225, Subpart G) made applicable to state member banks by section 208.50 of Regulation H of the Board of Governors (12 C.F.R. § 208.50), and the Interagency Appraisal and Evaluation Guidelines, dated October 27, 1994 (SR 94-55); and

(ii) Enhancements to the internal loan grading system to ensure timely and accurate risk ratings.

ASSET IMPROVEMENT

4. (a) The Bank shall not, directly or indirectly, extend renew, or restructure any credit to or for the benefit of any borrower, including any related interest of the borrower, whose loans or other extensions of credit are criticized in the report of examination of the Bank conducted by the Division that commenced on July 20, 2009 ("Report of Examination") or in any subsequent report of examination, without the prior approval of a majority of the full board of directors or a designated committee thereof. .

(b) The board of directors or its committee shall document in writing the reasons for the extension of credit, renewal, or restructuring, specifically certifying that:

(i) The Bank's risk management policies and practices for loan workout activity are acceptable;

(ii) The extension of credit is necessary to improve and protect the Bank's interest in the ultimate collection of the credit already granted and maximize its potential for collection;

(iii) The extension of credit reflects prudent underwriting based on reasonable repayment terms and is adequately secured; and all necessary loan documentation has been properly and accurately prepared and filed;

(iv) The Bank has performed a comprehensive credit analysis indicating that the borrower has the willingness and ability to repay the debt as supported by an adequate workout plan, as necessary; and

(v) The Board of Directors or its designated committee reasonably believes that the extension of credit will not impair the Bank's interest in obtaining repayment of the already outstanding credit and the extension of credit or renewal will be repaid according to its terms. The written certification shall be made a part of the minutes of the meetings of the Board of Directors or its committee, as appropriate, and a copy of the signed certification, together with the credit analysis and related information that was used in the determination, shall be retained by the Bank in the borrower's credit file for subsequent supervisory review. For purposes of this ORDER, the term "related interest" is defined as set forth in section 215.2(n) of Regulation O of the Board of Governors (12 C.F.R. § 215.2(n)).

5. (a) Within 60 days of this ORDER, the Bank shall submit to the Division an acceptable written plan designed to improve the Bank's position through repayment, amortization, liquidation, additional collateral, or other means on each loan or other asset

in excess of $250,000, including OREO, that:

(i) Is past due as to principal or interest more than 90 days as of the date of this ORDER;

(ii) Is on the Bank's problem loan list; or

(iii) was adversely classified in the Report of Examination.

(b) In developing the plan for each loan, the Bank shall, at a minimum, review, analyze, and document the financial position of the borrower, including source of repayment, repayment ability, and alternative repayment sources, as well as the value and accessibility of any pledged or assigned collateral, and any possible actions to improve the Bank's collateral position.

(c) Within 30 days of the date that any additional loan or other asset in excess of $250,000, including OREO:

(i) Becomes past due as to principal or interest for more than 590 days;

(ii) Is on the Bank's problem loan list; or

(iii) Is adversely classified in any subsequent report of examination of the Bank, the Bank shall submit to the Division an acceptable written plan to improve the Bank's position on such loan or asset.

(d) Within 30 days after the end of each calendar quarter thereafter, the Bank shall submit a written progress report to the Division to update each asset improvement plan, which shall include, at a minimum, the carrying value of the loan or other asset and changes in the nature and value of supporting collateral, along with a copy of the Bank's current problem loan list, extension report, and past due/non-accrual report. The board of directors shall review the progress reports before submission to the Division and shall document the review in the minutes of the board of directors' meetings.

ALLOWANCE FOR LOAN AND LEASE LOSSES

6. (a)Within 10 days of this ORDER, the Bank shall eliminate from its books, by charge-off or collection, all assets or portions of assets classified "loss" in the Report of Examination that have not been previously collected in full or charged off. Thereafter the Bank shall, within 30 days from the receipt of any federal or state report of examination, charge off all assets classified "loss" unless otherwise approved in writing by the Division.

(b) Within 60 days of this ORDER, the Bank shall review and revise its ALLL methodology consistent with relevant supervisory guidance, including the Interagency Policy Statements on the Allowance for Loan and Lease Losses, dated July 2, 2001 (SR 01-17 (Sup)) and December 13, 2006 (SR 06-17), and the findings and recommendations regarding the ALLL set forth in the Report of Examination, and submit a description of the revised methodology to the Division. The revised ALLL methodology shall be designed to maintain an adequate ALLL and shall address, consider, and include, at a minimum, the reliability of the Bank's loan grading system, the volume of criticized loans, concentrations of credit, the current level of past due and nonperforming loans, past loan loss experience, evaluation of probable losses in the Bank's loan portfolio, including adversely classified loans, and the impact of market conditions on loan and collateral valuations and collectability.

(c) Within 60 days of this ORDER, the Bank shall submit to the Division an acceptable written program for the maintenance of an adequate ALLL. The program shall include policies and procedures to ensure adherence to the revised ALLL methodology and provide for periodic reviews and updates to the ALLL methodology, as appropriate.

The program shall also provide for a review of the ALLL by the board of directors on at least a quarterly calendar basis. Any deficiency found in the ALLL shall be remedied in the quarter it is discovered, prior to the filing of the Consolidated Reports of Condition and Income, by additional provisions. The board of directors shall maintain written documentation of its review, including the factors considered and conclusions reached by the Bank in determining the adequacy of the ALLL.

(d) During the term of this ORDER, the Bank shall submit to the Division, within 30 days after the end of each calendar quarter, a written report regarding the board of directors' quarterly review of the ALLL and a description of any changes to the methodology used in determining the amount of ALLL for that quarter.

CAPITAL PLAN

7. (a) Within 60 days of this ORDER, the Bank shall submit to the Division an acceptable written plan to maintain sufficient capital at the Bank. The plan shall, at a minimum, address, consider, and include the Bank's current and future capital requirements, including:

(i) The Bank's current and future capital needs, including compliance with the Capital Adequacy Guidelines for State Member Banks: Risk-Based Measure and Tier 1 Leverage Measure, Appendices A and B of Regulation H of the Board of Governors (12 C.F.R. Part 208, App. A and B);

(ii) The adequacy of the Bank's capital, taking into account the volume of classified credits, concentrations of credit, ALLL, current and projected asset growth, and projected retained earnings; and

(b) The source and timing of additional funds to fulfill the Bank's future capital requirements.

8. The Bank shall notify the Division, in writing, no more than 30 days after the end of any quarter in which any of the Bank's capital ratios (total risk-based, Tier 1, or leverage) fall below the approved plan's minimum ratios. Together with the notification, the Bank shall submit an acceptable capital plan that details the steps it will take to increase the Bank's capital ratios to or above the approved plan's minimums.

BUDGET AND PROFIT PLAN

9. (a) Within 90 days of this ORDER, the Bank shall submit to the Division a written business plan for 2010 to improve the Bank's earnings and overall condition. The plan, at a minimum, shall provide for or describe:

(i) A realistic and comprehensive budget for 2010, including income statement and balance sheet projections; and

(ii) A description of the operating assumptions that form the basis for, and adequately support, major projected income, expense, and balance sheet components.

(b) A business plan and budget for each calendar year subsequent to 2010 shall be submitted to the Division at least 30 days prior to the beginning of that calendar year.

LIQUIDITY AND FUNDS MANAGEMENT

10. (a) Within 30 days of this ORDER, the Bank shall submit to the Division an acceptable written plan designed to improve management of the Bank's liquidity position and funds management practices. The plan shall, at a minimum, address, consider, and include:

(b) Policy limits on the volume of funding that may mature in any given period of time;

(c) Specific liquidity targets and parameters and the maintenance of sufficient liquidity to meet contractual obligations and unanticipated demands;

(d) Measures to reduce reliance on short-term funding;

(e) Measures to diversify funding sources; and

(f) The deficiencies in the liquidity measurement and reporting processes noted in the Report of Examination.

11. Within 60 days of this ORDER, the Bank shall submit to the Division an acceptable written contingency funding plan that, at a minimum, includes adverse scenario planning and identifies and quantifies available sources of liquidity for each scenario.

DIVIDENDS

12. As of the effective date of this ORDER, the Bank shall not declare or pay any dividend without the prior written consent of the Division.

MANAGEMENT

13. (a) During the life of this ORDER, 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 Division's written approval. For purposes of this ORDER, "senior executive officer" is defined as in section 32 of the Act ("section 32"), 12 U.S.C. 1831 (i), and section 303.101 (b) of the FDIC Rules and Regulations, 12 C.F.R. 303.101 (b), and includes any person identified by the Division, whether or not hired as an employee, with significant influence over, or who participates in, major policymaking decisions of the Bank.

(b) The Bank shall comply with the notice provisions of section 32 of the Act (12 U.S.C. § 1831i) and Subpart H of Regulation Y of the Board of Governors (12 C.F.R. §§ 225.71 *et seq.*).

(c) The Bank shall comply with the restrictions on indemnification and severance payments of section 18(k) of the Act (12 U.S.C. § 1828(k)) and Part 359 of the Federal Deposit Insurance Corporation's regulations (12 C.F.R. Part 359).

BOARD OF DIRECTORS

14. (a) Within 10 days of this ORDER, the board of directors shall appoint a committee (the "Compliance Committee") to monitor and coordinate the Bank's compliance with the provisions of this ORDER. The Compliance Committee shall include a majority of outside directors who are not executive officers or principal shareholders of the Bank, as defined in sections 215.2(e)(1) and 215.2(m)(1) of Regulation O of the Board of Governors (12 C.F.R. §§ 215.2(e)(1) and 215.2(m)(1). At a minimum, the Compliance Committee shall meet at least monthly, keep detailed minutes of each meeting, and report its findings to the board of directors of the Bank.

(b) As of the effective date of this ORDER, the 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 a bank 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; 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.

(c) Within 30 days from the end of each calendar quarter following the effective date of this ORDER, the Bank shall furnish to the Division 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. Such reports may be discontinued when the corrections required by this ORDER have been accomplished and the Division has, in writing, released the Bank from making further reports.

APPROVAL AND IMPLEMENTATION OF PLANS AND PROGRAMS

15. (a) The Bank shall submit written plans and programs that are acceptable to the Division within the applicable time periods set forth in paragraphs 1, 2, 3, 5, 7, 8, 10, and 11 of this ORDER.

(b) Within 10 days of approval by the Division, the Bank shall adopt the approved plans and programs. Upon adoption, the Bank shall promptly implement the approved plans and programs, and thereafter fully comply with them.

(c) During the term of this ORDER, the approved plans and programs shall not be amended or rescinded without the prior written approval of the Division.

COMMUNICATIONS

16. All communications regarding this ORDER shall be sent to:

Illinois Department of Financial and Professional Regulation
Division of Banking
122 South Michigan Avenue
Suite 1900
Chicago, Illinois 60603

MISCELLANEOUS

17. Notwithstanding any provision of this ORDER, the Division may, in its sole discretion, grant written extensions of time to the Bank to comply with any provision of this ORDER.

18. The provisions of this ORDER shall be binding upon the Bank and its institution-affiliated parties, in their capacities as such, and their successors and assigns.

19. The provisions of this ORDER shall not bar, estop, or otherwise prevent the Board of Governors, the Division, or any other federal or state agency from taking any other action affecting the Bank or any of its current or former institution-affiliated parties and their successors and assigns.

This ORDER shall become effective upon its issuance by the Division.

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 that, and until such time as, any provision has been modified, terminated, suspended, or set aside by the Division.

Pursuant to delegated authority.

Dated: February 16, 2010.

Jorge A. Solis
Director
Division of Banking
Illinois Department of Financial
and Professional Regulation