

FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C.

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| In the Matter of |) | |
| |) | |
| BANK OF THE CASCADES |) | ORDER TO PAY |
| BEND, OREGON |) | CIVIL MONEY PENALTY |
| |) | |
| (INSURED STATE NONMEMBER BANK) |) | Docket FDIC-08-228k |
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Bank of the Cascades, Bend, Oregon ("Bank"), having been advised of its right to receive a NOTICE OF ASSESSMENT OF CIVIL MONEY PENALTY, FINDINGS OF FACT AND CONCLUSIONS OF LAW, ORDER TO PAY, AND NOTICE OF HEARING ("NOTICE OF ASSESSMENT") issued by the Federal Deposit Insurance Corporation ("FDIC") detailing the violations for which a civil money penalty may be assessed against the Bank pursuant to the Flood Disaster Protection Act of 1973 ("Flood Act"), as amended, 42 U.S.C. § 4012a, section 8(i)(2) of the Federal Deposit Insurance Act ("FDI Act"), 12 U.S.C. § 1818(i)(2), and Part 339 of the FDIC Rules and Regulations, 12 C.F.R. Part 339 ("Part 339"), and has been further advised of its right to a hearing on the charges under the Flood Act, 42 U.S.C. § 4012a(f)(4), and Part 308 of the FDIC's Rules of Practice and Procedure, 12 C.F.R. Part 308.

Having waived those rights, the Bank entered into a STIPULATION AND CONSENT TO THE ISSUANCE OF AN ORDER TO PAY CIVIL MONEY PENALTY ("CONSENT AGREEMENT") with a representative of the Legal Division of the FDIC, whereby solely for the purpose of this proceeding and without admitting or denying any violations, the Bank consented and agreed to pay a civil money penalty in the amount of \$43,550 related to the violations of the Flood Act and Part 339. The FDIC has reason to believe that the Bank has violated the Flood Act and Part 339 in that:

a) Section 339.3(a) requires a financial institution to obtain adequate flood insurance coverage at loan origination, and to maintain adequate flood insurance coverage throughout the term of the loan when property securing the loan is, or will be located in, a special flood hazard area in which flood insurance is available. The Bank committed violations of Section 339.3(a):

i) in 43 instances where it extended loans secured by improved real estate without the underlying security being covered by flood insurance;

ii) in six instances where it failed to maintain insurance for the term of the loan;
and

iii) 41 instances of where it failed to obtain sufficient insurance coverage on insurable collateral located within a special flood hazard area.

b) Section 339.9(a) requires a bank to provide a written notice of Special Flood Hazards and Availability of Flood Disaster Relief Assistance to the borrower whenever it makes, increases, extends, or renews a designated loan secured by a building of mobile home located or to be located in a special flood hazard area. The Bank committed violations of Section 339.9(a) in 21 instances; and

c) Section 339.9(c) requires a financial institution to provide a notice of Special Flood Hazards and Availability of Federal Disaster Relief Assistance to the borrower within a reasonable time before the completion of the transaction. The Bank committed violations of Section 339.9(c) in 34 instances.

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 violations by the Bank, the history of previous violations by the Bank, and such other matters as justice may require, the FDIC accepts the CONSENT AGREEMENT and issues the following:

ORDER TO PAY CIVIL MONEY PENALTY

IT IS HEREBY ORDERED that Bank of the Cascades, Bend, Oregon, be, and hereby is, assessed a civil money penalty of \$43,550, pursuant to the Flood Act, 42 U.S.C. § 4012a, section 8(i)(2) of the FDI Act, 12 U.S.C. § 1818(i)(2), and Parts 308 and 339 of the FDIC Rules and Regulations, 12 C.F.R. Parts 308 and 339. The Bank shall pay the civil money penalty to the Treasury of the United States. This ORDER TO PAY CIVIL MONEY PENALTY shall be effective upon issuance.

Pursuant to delegated authority.

Dated at San Francisco, California, this 8th day of October, 2008.

Stan Ivie
Regional Director
Division of Supervision and Consumer Protection
San Francisco Region
Federal Deposit Insurance Corporation