

FEDERAL DEPOSIT INSURANCE CORPORATION
WASHINGTON, D.C.

In the Matter of)	CONSENT ORDER
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)	
INDEPENDENCE BANK)	
EAST GREENWICH, RHODE ISLAND)	FDIC -10-811b
)	
)	
(Insured State Nonmember Bank))	

The Federal Deposit Insurance Corporation (“FDIC”) is the appropriate Federal banking agency for Independence Bank, East Greenwich, Rhode Island (“Bank”), under section 3(q) of the Federal Deposit Insurance Act (“Act”), 12 U.S.C. § 1813(q).

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 (“CONSENT AGREEMENT”), dated December 14, 2010, 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 and/or regulations relating to weaknesses in the Bank’s Compliance Management System, management, Board participation, Bank policies, and compliance with all applicable consumer protection laws and/or regulations, to the issuance of this CONSENT ORDER (“ORDER”) by the FDIC.

Having determined that the requirements for issuance of an order under section 8(b) of the Act, 12 U.S.C. § 1818(b), have been satisfied, the FDIC hereby orders that:

COMPLIANCE MANAGEMENT SYSTEM

1. Increase Board of Directors Supervision

The Board shall increase its supervision of the Bank's compliance program. At a minimum, the Board shall:

(a) oversee the Bank's review, development, and implementation of its compliance program as required by paragraph 2 of this ORDER;

(b) review the roles and responsibilities of the Bank's Compliance Officer and Compliance Committee and revise as necessary to ensure that the Bank has an effective and centralized approach to compliance management;

(c) proactively supervise the Bank's compliance program and its Compliance Officer, including careful consideration of all compliance-related reports submitted to the Board;

(d) oversee implementation of a Bank-wide compliance training program, ensuring that staff members fully understand their responsibilities related to all applicable consumer laws, regulations, and regulatory guidance ("Consumer Laws") and related Bank policies and procedures;

(e) review the results of the Bank's consumer compliance audits and take effective and timely actions to correct any shortcomings in the Bank's compliance program noted in the audit reports;

(f) foster a positive compliance culture at the Bank so that its employees will understand that consumer compliance is a priority; and,

(g) supervise and monitor the Bank's compliance with the

requirements of this ORDER.

2. Develop and Implement an Effective Compliance Program

Within sixty (60) days from the effective date of this ORDER, the Bank shall develop and implement a compliance program (“Compliance Program”) that is commensurate with the level of complexity of the Bank’s operations. The Compliance Program shall be adopted by the Board, and shall be reviewed and approved by the Board annually, with the approval reflected in the Board minutes. The Board shall ensure implementation of, and adherence to, the Compliance Program. The Compliance Program shall include written policies and procedures designed to meet the Bank’s compliance responsibilities on an ongoing basis. At a minimum, the Compliance Program shall:

- (a) detail the duties and responsibilities of the Compliance Officer, Compliance Committee, and Bank staff members;
- (b) consider staffing levels and revisions to job descriptions, if necessary, to ensure that Bank personnel have sufficient time to fulfill their compliance-related responsibilities;
- (c) provide Bank personnel with written guidance, in the form of policies and procedures, to perform specific business transactions, and ensure that any changes in the Bank’s operations or the regulatory environment are promptly addressed in such guidance;
- (d) address the implementation and maintenance of a training program related to Consumer Laws for all Bank personnel, including senior management and the

Board, commensurate with their individual job functions and duties. The Compliance Officer shall be responsible for the administration of this program and shall ensure that training is provided to officers and employees on a continuing basis;

(e) include effective compliance monitoring procedures to ensure the Bank's compliance with Consumer Laws and adherence to internal policies and operating procedures. At a minimum, monitoring procedures should include ongoing reviews of:

(i) disclosures and calculations for various loan and deposit products;

(ii) processing and notification procedures for loan applications;

(iii) third-party service provider operations;

(iv) document filing and retention procedures;

(v) marketing literature and advertising; and

(vi) internal compliance communication systems that provide Bank personnel with appropriate updates resulting from revisions to Consumer Laws or Bank policies or procedures;

(f) include procedures for review of customer inquiries and complaints, and actions to be taken when patterns or practices of complaints or violations of law and/or regulations are identified by such review.

3. Develop and Implement an Effective Independent Compliance Audit Program

Within sixty (60) days from the effective date of this ORDER, the Bank shall

develop and implement a formal, independent compliance audit program. The Board shall define the scope and determine the frequency of compliance audits, commensurate with the Bank's compliance risk profile. All audit and related reports shall be provided directly to the Board or a committee thereof, and the Board shall document its efforts, including the review of the audit findings, and corrective measures made pursuant thereto, in the Board minutes. The Board shall review the scope and frequency of audits on a periodic basis to ensure that the audits continue to be appropriate for the Bank's compliance activities and any new risks that may have been identified through the Bank's monitoring efforts, regulatory examinations, or prior audits. The audits shall:

(a) provide for sufficient transactional testing, as appropriate, for all areas of significant compliance risk, including those areas identified in the FDIC's Compliance Report of Examination dated June 10, 2009 ("Compliance Exam Report");

(b) identify the deficiencies noted and the related causes, provide descriptions of or suggestions for corrective actions and time frames for correction, and establish follow-up procedures to verify that corrective actions were implemented and effective.

COMPLIANCE OFFICER

4. (a) Within sixty (60) days from the effective date of this ORDER, the Bank shall have and retain a qualified Compliance Officer with the requisite knowledge and experience to establish and administer an effective Compliance Management System ("CMS"). The Board shall ensure that the Compliance Officer receives ongoing training, sufficient time, and adequate resources to effectively oversee, coordinate, and implement the CMS.

(b) The responsibilities of the Compliance Officer shall include:

(1) developing and reviewing compliance policies and procedures to ensure compliance with all applicable Consumer Laws and the Bank's Compliance Program;

(2) assessing emerging issues or potential liabilities and training management and employees in Consumer Laws;

(3) reporting compliance activities and audit or review findings to the Board and ensuring corrective actions; and

(4) coordinating responses to consumer complaints.

(c) The Board shall ensure that the Compliance Officer has and retains sufficient authority and independence to implement policies related to Consumer Laws and to institute corrective action as needed. At a minimum, this authority shall include the ability to cross departmental lines; access all areas of the Bank's operations; and effectuate corrective action.

CORRECT VIOLATIONS OF LAW

5. (a) Within sixty (60) days from the effective date of this ORDER, the Bank shall take all steps necessary, consistent with other provisions of this ORDER, to eliminate or correct all violations of law and/or regulations, and all contraventions of regulatory policies or guidelines, cited in the Compliance Exam Report, and implement procedures to prevent their recurrence.

(b) These violations include, but are not limited to, failure to comply with the following:

- (i) Truth in Lending Act (“TILA”), 15 U.S.C. §§ 1601 et seq., and Regulation Z of the Board of Governors of the Federal System (“Regulation Z”), 12 C.F.R. Part 226;
- (ii) Truth in Savings Act (“TISA”), 12 U.S.C. §§ 4301 et seq., and Regulation DD of the Board of Governors of the Federal Reserve System (“Regulation DD”);
- (iii) Home Mortgage Disclosure Act (“HMDA”), 12 U.S.C. §§ 2801-2810, and Regulation C of the Board of Governors of the Federal Reserve System (“Regulation C”);
- (iv) Equal Credit Opportunity Act, 15 U.S.C. §§ 1691 et seq., and Regulation B of the Board of Governors of the Federal Reserve System (“Regulation B”); and
- (v) Flood Disaster Protection Act of 1973 (“Flood Act”), and Part 339 of the FDIC’s Rules and Regulations, 12 C.F.R. Part 339 (“Part 339”).

LOANS IN AREAS HAVING SPECIAL FLOOD HAZARDS

6. (a) Within sixty (60) days from the effective date of this ORDER, the Bank shall adopt and implement systems and controls to ensure compliance with the Flood Act and Part 339.

(b) At a minimum, the Bank shall develop detailed procedures requiring the Bank to:

- (i) have, and retain for the term of an applicable loan, adequate flood insurance when making, increasing, extending, or renewing a designated loan

secured by a building, mobile home, or personal property, as required by section 339.3(a) of the FDIC's Rules and Regulations, 12 C.F.R. § 339.3(a);

(ii) use, and properly complete, the standard flood hazard determination form when determining whether a building or mobile home being offered as collateral is or will be located in a special flood hazard area, as required by section 339.6(a) of the FDIC's Rules and Regulations, 12 C.F.R. § 339.6(a);

(iii) follow proper notification and timing requirements for lapses in flood insurance as required by section 339.7 of the FDIC's Rules and Regulations, 12 C.F.R. § 339.7;

(iv) furnish a written notice, acknowledged by the borrower, to the borrower and to the servicer within a reasonable time before the completion of the transaction when making, increasing, extending, or renewing a loan secured by a building or mobile home whether or not flood insurance is available, as required by sections 339.9(a) through (f) of the FDIC's Rules and Regulations, 12 C.F.R. §§ 339.9(a) through (f); and

(v) Use the standard flood hazard determination form developed by the Director of the Federal Emergency Management System when determining whether the building or mobile home offered as collateral for a loan is or will be located in a special flood hazard area in which flood insurance is available, as required by section 339.6(a) of the FDIC's Rules and Regulations, 12 C.F.R. § 339.6.

EQUAL CREDIT OPPORTUNITY

7. (a) Within sixty (60) days from the effective date of this ORDER, the

Bank shall develop and implement procedures to ensure compliance with ECOA and Regulation B (“ECOA Procedures”), governing loan applications and notifications to customers against whom adverse action is taken. Particular attention shall be paid on thoroughly and accurately communicating to lending staff the specific rules and prohibitions regarding signature requirements.

(b) The ECOA Procedures shall include, at a minimum, procedures to ensure that the Bank complies with:

(i) section 202.4(a) of Regulation B, 12 C.F.R. § 202.4(a), which prohibits a creditor from discriminating against an applicant in any aspect of a credit transaction on the basis of marital status;

(ii) section 202.7(d) of Regulation B, 12 C.F.R. § 202.7(d), which provides that a creditor shall not require the signature of a loan applicant’s spouse or other person, other than a joint applicant, on any credit instrument if the applicant qualifies for an extension of credit under the Bank’s standards of creditworthiness for the amount and terms of the credit requested;

(iii) section 202.9(a)(3)(i) of Regulation B, 12 C.F.R. § 202.9(a)(3)(i), which requires a creditor to notify certain business credit applicants of action taken on a credit application;

(iv) section 202.9(a)(3)(i)(C) of Regulation B, 12 C.F.R. § 202.9(a)(3)(i)(C), which requires creditors to notify business credit applicants with annual revenues of \$1 million or less of their right to request a statement of the reasons for the adverse action when they apply via telephone and the creditor denies the application orally;

(v) section 202.9(c) of Regulation B, 12 C.F.R. § 202.9(c), which requires a creditor within 30 days of receipt of an incomplete application to either notify the applicant of action taken in accordance with 202.9(a) or request the information necessary to complete the application;

(vi) section 202.9(g) of Regulation B, 12 C.F.R. § 202.9(g), which imposes certain notification requirements for applications submitted through a third party; and

(vii) section 202.12(b)(2) of Regulation B, 12 C.F.R. § 202.12(b)(2), which requires a creditor to retain certain records for 25 months (12 months for business credit) after the date a creditor notifies an applicant of adverse action taken on an existing account.

HMDA COMPLIANCE

8. Within sixty (60) days from the effective date of this ORDER, the Bank shall adopt and implement systems and controls to ensure compliance with HMDA and Regulation C, with specific provisions to accurately collect and record required data on applications for, and originations, purchases, and refinancings of, home purchase and home improvement loans on a register in the format prescribed in Regulation C within thirty (30) calendar days after the end of the quarter in which the final action is taken, as required by section 203.4(a) of Regulation C, 12 C.F.R. § 203.4(a).

ADVERTISING REQUIREMENTS

9. Within sixty (60) days from the effective date of this ORDER, the Bank

shall adopt and implement systems and controls to ensure compliance with advertising requirements of all applicable consumer protection regulations, particularly those prescribed by TILA, Regulation Z, TISA, and Regulation DD..

PROGRESS REPORTS

10. Within thirty (30) days after the end of each calendar quarter following the effective date of this ORDER, the Bank shall furnish written progress reports to the Regional Director, detailing the form, manner, and results of any actions taken to secure compliance with this ORDER.

MISCELLANEOUS

The provisions of this ORDER shall not bar, estop, or otherwise prevent the FDIC, or any federal or state agency or department from taking any other action against the Bank, any of the Bank's current or former institution-affiliated parties, any of their respective directors, officers, employees, and agents, and any successors and assigns thereof.

This ORDER shall be effective on the date of issuance.

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 of this ORDER has been modified, terminated, suspended, or set aside by the FDIC.

Issued Pursuant to Delegated Authority.

Dated this 14th day of December, 2010.

/s/ Scott D. Strockoz
Scott D. Strockoz
Deputy Regional Director (Compliance)
New York Region
Division of Supervision and Consumer Protection
Federal Deposit Insurance Corporation

Independence Bank\8b\Order