# FEDERAL DEPOSIT INSURANCE CORPORATION WASHINGTON, D.C.

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In the Matter of	)	CONSENT ORDER
	)	
	)	FDIC-09-620b
PLAINS COMMERCE BANK	)	
HOVEN, SOUTH DAKOTA	)	and
	)	
	)	ORDER TO PAY CIVII
	)	MONEY PENALTY
	)	
(Insured State Nonmember Bank)	)	FDIC-09-621k
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The Federal Deposit Insurance Corporation ("FDIC") is the appropriate Federal banking agency for Plains Commerce Bank, Hoven, South Dakota ("Bank"), under Section 3(q) of the Federal Deposit Insurance Act ("FDI Act"), 12 U.S.C. § 1813(q)(3).

The FDIC has reason to believe that the Bank has engaged in unsafe or unsound banking practices and engaged in deceptive practices in violation of Section 5 of the Federal Trade Commission Act ("Section 5"), 15 U.S.C. § 45(a)(1), in connection with the Bank's offer to consumers of a balance transfer credit card intended for the transfer and payment of charged-off consumer debt ("Balance Transfer Card") through account purchase and sale agreements with Ascent Card Services, LLC, and Ascent Card Services II, LLC, and marketing agreements with Resurgent Capital Services, LP, formerly known as Alegis Group, LP.

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 December 9, 2010, that is accepted by the FDIC.

With the Consent Agreement, the Bank has consented, without admitting or denying any 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 "ORDERS") 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 orders.

# **CONSENT ORDER**

# SUPERVISION BY BOARD OF DIRECTORS

1. From the effective date of this Consent Order, the Board shall increase its participation in the affairs of the Bank by 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 banks of comparable size and complexity and offering comparable banking products and services. Without limiting the generality of the foregoing, the Board shall increase its participation in the supervision of the Bank's compliance management system, including assuming full responsibility for the approval of sound policies and objectives to ensure that the Bank's consumer products and services, including any Third-Party Credit Card Programs, comply with consumer protection and fair lending laws, including Section 5, implementing rules and regulations, and regulatory guidance and statements of policy ("Consumer Protection Laws").

#### COMPLIANCE MANAGEMENT SYSTEM

2. The Bank shall review and revise, as necessary, its Compliance Program to provide for a sound risk-based compliance management system to ensure that the Bank's consumer products and services, including any Third-Party Credit Card Programs, comply with

Consumer Protection Laws. Without limiting the generality of the foregoing, and to the extent the Bank maintains any Third-Party Credit Card Programs, the Bank shall ensure that the Compliance Program includes effective monitoring systems for the Bank's Third-Party Credit Card Programs with provisions requiring:

- (a) review, approval, and maintenance by the Bank of copies of (i) all marketing, advertising, and solicitation materials, including direct mail or internet solicitations, promotional materials, and telemarketing scripts; (ii) other materials provided to consumers and cardholders generated in connection with the administration and servicing of such programs, including cardholder agreements, privacy policies, and cardholder statements; and (iii) any changes or amendments thereto;
- (b) timely and regular notification to the Bank by its Third-Party Credit Card Program partners, vendors, or servicers of any regulatory agency inquiries or legal actions and any legal actions commenced by any cardholder;
- (c) (i) review and approval by the Bank of all materials related to customer service; (ii) monitoring by the Bank of customer service calls on a regular basis; and (iii) review by the Bank of service level reports;
- (d) review and approval by the Bank of all materials relating to collection activities and monitoring of collection calls on a regular basis;
- (e) monitoring by the Bank of the performance of marketing and solicitation programs, including numbers of accounts offered, the products in each campaign and the response rate for each product;
- (f) periodic compliance reviews, including on-site visits, by the Bank of allThird-Party Credit Card Program partners, vendors, or servicers;

- (g) periodic review of all of the Bank's business and strategic plans relating to agreements with Third-Party Credit Card Program partners, vendors, and servicers;
- (h) maintenance of records by the Bank of all approved consumer materials, complaints and responses, solicitation materials, administration materials, and service provider agreements related to its Third-Party Credit Card Programs;
- (i) maintenance of records by the Bank documenting the service level standards for those services provided by Third-Party Credit Card Program partners, vendors, and servicers and their service providers, including due diligence reports, monitoring and audit results, and financial materials;
- (j) regular meetings between the Bank and its Third-Party Credit Card
  Program partners, vendors, and servicers, for which written minutes will be taken and
  maintained; and
- (k) periodic monitoring of (i) the use of confidential and nonpublic personal information of consumers by its Third-Party Credit Card Program partners, vendors, and servicers; and (ii) the information security programs of such partners, vendors, and servicers.
- 3. The Bank shall ensure that its Compliance Program provides for the establishment and implementation of an effective training program for appropriate Bank personnel that includes regular, specific, comprehensive training on Consumer Protection Laws.
- 4. The Bank shall ensure that its Compliance Program includes procedures for promptly addressing and resolving consumer complaints arising from any Third-Party Credit Card Programs regardless of the source.

- 5. The Compliance Program shall be administered by compliance personnel with sufficient experience in, and knowledge of Consumer Protection Laws and shall provide for sufficient personnel to fully comply with all requirements of this Consent Order.
- 6. Within sixty (60) days of the effective date of this Consent Order, the Bank shall submit the revised Compliance Program, including identification of proposed personnel, to the Regional Director of the FDIC's Kansas City Regional Office ("Regional Director") for review and comment. The Regional Director shall provide his comments to the Bank within thirty (30) days of receipt of the revised Compliance Program. Within fifteen (15) days of the receipt of comments from the Regional Director, the Bank's Board shall revise the Compliance Program if necessary to incorporate the Regional Director's comments and thereafter adopt, implement, and fully comply with the revised Compliance Program. The Board's review and approval of the revised Compliance Program shall be recorded in its minutes.

# COMPLIANCE AUDIT PROGRAM

- 7. Within sixty (60) days of the effective date of this Consent Order, the Bank shall review and revise its internal compliance audit program as necessary to ensure an effective and independent review of the Bank's internal policies and procedures and compliance with Consumer Protection Laws. The revised internal compliance audit program shall, at a minimum, include policies, procedures, and processes that ensure:
- (a) audit practices and procedures that are consistent with Generally Accepted Auditing Standards, including provisions to ensure that the internal compliance audits of the Bank's Third-Party Credit Card Programs are independent and adequate in scope;
- (b) completion of an internal compliance audit plan each calendar year that is reviewed and approved by the Board;

- (c) annual risk assessments of each Third-Party Credit Card Program to ensure that internal compliance audits are performed with reasonable frequency;
- (d) assignment of ratings or expressions of opinion as to the adequacy, effectiveness, and efficiency of the internal control environment of any Third-Party Credit Card Programs; and
- (e) provisions for an adequate formal tracking and monitoring system for exceptions identified by internal compliance audits and regulatory examinations.
- 8. Internal compliance audit findings, deficiencies, and recommendations shall be documented in a written report and provided to the Board within thirty (30) days after completion of the audit. The Bank shall promptly forward a copy of each internal compliance audit report and the minutes reflecting the Board's review of such report to the Regional Director. Within thirty (30) days of receipt of the written report, the Board shall take action to address the audit's findings, correct any deficiencies noted, and implement any recommendations. The Board's review of the written report shall be fully documented in its minutes, together with a report of the Board's actions in response to the audit, including where applicable an explanation why a recommendation has not been implemented.

## THIRD PARTY RELATIONSHIPS

9. The Bank shall not enter into any new third-party lending programs, or any agreements or arrangements with third-party providers that exhibit the characteristics of a "Rent -a-BIN" or "Rent-a-ICA" arrangement, including Third-Party Credit Card Programs, until the Bank has received the written non-objection of the Regional Director to the third-party lending program, agreement, or arrangement.

- 10. The Bank shall submit the following to the Regional Director with any request for non-objection:
- (a) a full and complete description of the third-party program, agreement, or arrangement in connection with the proposed consumer loan product or lending activity in which the Bank intends to engage;
- (b) a full and complete description of the function or service the third party will provide in connection with the proposed consumer loan product or lending activity; and
- (c) the planned volume and growth of the proposed consumer loan product or lending activity.

#### CORRECTION OF VIOLATIONS OF LAW

- 11. (a) Within sixty (60) days of the effective date of this Consent Order, the Bank shall, to the extent possible, eliminate or correct violations of Consumer Protection Laws cited in the FDIC's Compliance Report of Examination dated September 10, 2007. The Bank shall take all necessary steps to ensure future compliance with such Consumer Protection Laws.
- (b) The Bank shall make a record of any violation that cannot be corrected, and why, for review by the Board. The Board's review, discussion, and any action taken regarding any such uncorrected violation shall be recorded it its minutes and included in the Progress Reports required by paragraph 13 of this Consent Order.
- 12. The Bank shall not make, or allow to be made, any misleading or deceptive representation, statement, or omission, expressly or by implication, in the marketing materials used to solicit any consumer, or in any similar communication, in connection with any consumer loan product or lending activity, including any Third-Party Credit Card Programs. In particular, the Bank shall not offer credit cards that are intended for the transfer and payment of delinquent

consumer debt without specifically disclosing whether the consumer's transferred debt (or any specific portion thereof) is actually time-barred under applicable state law (i.e., has aged beyond the applicable statute of limitations and can not be collected through judicial means) and/or is not reportable (i.e., no longer reportable to credit reporting agencies due to the age of the debt).

## PROGRESS REPORTS

13. The Bank shall furnish a written progress report to the Regional Director sixty (60) days after the effective date of this Consent Order and every ninety (90) days thereafter, detailing the form and manner of all actions taken to secure compliance with this Consent Order and the results of such actions. Such reports may be discontinued when the corrections required by this Consent Order have been accomplished and the Regional Director has released the Bank in writing from making further reports. Nothing in this paragraph shall relieve the Bank from compliance with any other reporting requirements or provisions of this Consent Order. All progress reports and other written responses to this Consent Order shall be reviewed by the Board and made a part of the minutes of the appropriate Board meeting.

## SHAREHOLDER NOTIFICATION

Order to its shareholder(s) in conjunction with the Bank's next shareholder communication and also in conjunction with its notice or proxy statement preceding the Bank's next shareholder meeting. If a description of this Consent Order is sent, the description shall fully describe this Consent Order in all material respects. The description and any accompanying communication, statement, or notice shall be sent to the FDIC, Accounting and Securities Section, Washington, D.C. 20429, at least fifteen (15) days prior to dissemination to shareholders. Any changes

requested by the FDIC shall be made prior to dissemination of the description, communication, notice, or statement.

# ORDER TO PAY CIVIL MONEY PENALTY

IT IS FURTHER ORDERED, that by reason of the alleged violations of law and/or regulations, and after taking into account the Consent Order, the appropriateness of the penalty with respect to the financial resources and good faith of the Bank, the gravity of the misconduct by the Bank, the history of previous misconduct 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 \$850,000 is assessed against the Bank. The Bank shall pay the civil money penalty to the Treasury of the United States. The Bank shall pay the civil money penalty itself and is prohibited from seeking or accepting indemnification for such payment from any third party. No other restitution or reimbursement shall be required of the Bank as a result of the findings and conclusions set forth in the FDIC's Compliance Report of Examination dated September 10, 2007.

## **MISCELLANEOUS**

The provisions of these ORDERS 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.

Nothing herein shall prevent the FDIC from conducting on-site reviews or examinations of the Bank, its affiliates, agents, and other institution-affiliated parties at any time to monitor compliance with the Consent Order.

These ORDERS shall be effective on the date of issuance. The provisions of these ORDERS shall be binding upon the Bank, and its directors, officers, employees, and agents,

successors, assigns, and other institution-affiliated parties and shall remain effective and enforceable except to the extent that, and until such time as, any provision has been modified, terminated, suspended, or set aside by the FDIC.

Pursuant to delegated authority.

Dated at Washington, D.C., this <u>30<sup>th</sup></u> day of <u>December</u>, 2010.

/s/ Sylvia H. Plunkett **Associate Director** Division of Supervision and Consumer Protection Federal Deposit Insurance Corporation