

FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C.

In the Matter of)
)
)
NORTHPOINTE BANK) CONSENT ORDER
GRAND RAPIDS, MICHIGAN)
) FDIC-10-885b
(Michigan Chartered)
Insured Nonmember Bank))
_____)

Northpointe Bank, located in Grand Rapids, 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 related to its Compliance Management System alleged to have been committed by the Bank, 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 TO THE ISSUANCE OF A CONSENT ORDER ("STIPULATION") with counsel representing the Federal Deposit Insurance Corporation ("FDIC"), dated March 17, 2011, 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 its Compliance Management System as set forth in the FDIC's Compliance Report of the Bank as of January 25, 2010 ("Compliance Report"), 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, including its wholly-owned subsidiary, NPB Mortgage LLC, its institution-affiliated parties, as that term is defined in section 3(u) of the Act, 12 U.S.C. § 1813(u), and its successors and assigns, take affirmative action as follows:

BOARD OVERSIGHT

1. From the effective date of this ORDER, the Bank's board of directors, which also is the board of directors for the NPB Mortgage LLC (collectively "Board"), shall increase its participation in the affairs of the Bank and NPB Mortgage LLC ("Mortgage Corporation"), assuming full responsibility for the approval of sound policies and objectives and for the supervision of all of the Bank's activities and all activities conducted by the Mortgage Corporation.

(a) Within sixty (60) days from the effective date of this ORDER, the Board shall appoint a compliance committee ("Compliance Committee"), which shall include at least two (2) directors who are not active officers of the Bank or its Mortgage Corporation, and at least one (1) member of senior management, plus the Compliance Officer retained pursuant to this ORDER.

(b) 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.

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

- (i) commensurate with the level of complexity of the Bank's operations and that of its Mortgage Corporation, to ensure the establishment and implementation of an adequate Compliance Management System, as described in the FDIC's Compliance Examination Manual, Section II-2.1 to 2.4, ("Compliance Management System Guidance"), and shall include specific procedures to ensure compliance by the Bank, and its Mortgage Corporation, with all consumer protection and compliance laws and regulations relating to financial transactions and services ("Consumer Laws"); and
- (ii) sufficient to ensure the Bank's timely compliance with the provisions of this ORDER.

(d) The Board shall ensure that the Compliance Officer:

- (i) is given and retains sufficient authority and independence to implement policies related to Consumer Laws and to institute corrective action as needed. This authority shall include the ability to cross department or division lines, have access to all areas of the Bank's operations, including the operations of its Mortgage Corporation, and effectuate corrective action upon discovering deficiencies.
- (ii) receives ongoing training, sufficient time, and adequate resources to effectively oversee, coordinate, and implement the Bank's Compliance Management System, including the oversight, coordination and implementation of the Compliance Management System to its Mortgage Corporation.

(e) The Board, in conjunction with the Compliance Committee, shall ensure that the duties and responsibilities of the Compliance Officer are clearly defined and provide the Compliance Officer with accessibility to both the Board and

senior management. The duties assigned to the Compliance Officer shall include:

- (i) the preparation of monthly written reports that the Compliance Officer shall present to the Board;
- (ii) the prompt review and written response to audit reports relating to all areas of the Bank's Compliance Management System, including but not limited to the external audit required under this ORDER, with all written responses being presented to the Board; and
- (iii) the preparation of a schedule of requirements for Consumer Laws (such as a checklist or matrix setting forth the type, content and timing of required disclosures and maintenance of records), for the purpose of informing Bank employees, including those performing tasks for its Mortgage Corporation, of these requirements relating to their duties.

(f) Within sixty (60) days from the effective date of this ORDER, the Board shall have written procedures in place that provide for the monitoring of the Bank's compliance with this

ORDER, including compliance by its Mortgage Corporation. These monitoring procedures shall mandate that:

- (i) the Board meet monthly, at a minimum, during which the Board shall review, acknowledge, and approve reports submitted by the Compliance Officer, Compliance Management Program audit reports, and Compliance Committee regarding the status of the Bank's overall compliance, including that of its Mortgage Corporation, with this ORDER. Board minutes shall document these reviews and approvals, including the names of any dissenting directors.
- (ii) the Compliance Committee report to the Board at each Board meeting held while the ORDER is in effect. This report shall include the minutes of the Compliance Committee meetings, which the Board shall review at its monthly meeting, and the minutes of the Board shall document these reviews and approvals, including the names of any dissenting directors.
- (iii) the Board shall review progress reports required by this ORDER, and any written

responses to such reports, with each such report or response being signed by each member of the Board, and that the review of such documents be recorded in the minutes of the applicable Board meeting. Such reports may be discontinued when the corrections required by this ORDER have been accomplished and the Regional Director of the Chicago Regional Office of the FDIC ("Regional Director") has released, in writing, the Bank from making additional reports.

(g) The Board shall ensure proper and timely follow-up and resolution to audit and examination findings indicating the need for corrective action.

(h) The Board shall hold employees accountable for following adopted policies, procedures and regulatory requirements and shall develop an internal monitoring system of employees' performance to ensure that compliance policies, procedures and regulatory requirements are adequately followed.

MANAGEMENT

2. (a) While this ORDER is in effect, the Bank shall have and retain qualified management relating to the Bank's Compliance Management System, as set forth in subparagraph (b) below. Each member of management shall have the qualifications and experience

commensurate with his or her duties and responsibilities relating to the Bank's Compliance Management System. The Board shall provide each member of management the appropriate written authority to implement the provisions of this ORDER.

(b) The qualifications of management shall be assessed on its ability to:

- (i) comply with the requirements of this ORDER;
- (ii) operate the Bank, including its Mortgage Corporation, in a safe and sound manner;
- (iii) effectuate compliance by the Bank and its Mortgage Corporation with Consumer Laws; and
- (iv) develop, implement and administer a satisfactory Compliance Management System, pursuant to the FDIC's Compliance Management System Guidance.

COMPLIANCE OFFICER

3. Within sixty (60) days from the effective date of this ORDER, the Bank shall have and retain a full-time Compliance Officer who possesses the requisite knowledge and experience to administer an effective Compliance Management System.

(a) The responsibilities of the Compliance Officer shall, at a minimum, include:

- (i) developing compliance policies and procedures for the activities and

operations of the Bank and its Mortgage Corporations, and conducting regular reviews to ensure that updates are accomplished as necessary;

- (ii) administering a compliance training program and providing training in Consumer Laws to the Board, Bank management and employees, including those with responsibility for operating the Mortgage Corporation, on a continuing basis;
- (iii) coordinating responses to consumer complaints.

COMPLIANCE POLICY AND PROCEDURES

4. Within ninety (90) days from the effective date of this ORDER, the Bank shall develop and implement an effective Compliance Policy for the operations of the Bank and its Mortgage Corporation, acceptable to the Regional Director as determined at subsequent examinations or visitations. At a minimum, this Policy shall:

- (a) require the adoption of a comprehensive Compliance Management System, which will be reviewed and approved annually by the Board; and

(b) require the development of internal monitoring procedures to ensure that:

- (i) the actual practices and procedures of the Bank and its Mortgage Corporation reflect the Compliance Policy; and
- (ii) employees understand and follow the Compliance Policy to determine whether they are adhering to the requirements of Consumer Laws.

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 for the Bank and its Mortgage Corporation. The procedures required by this paragraph shall be acceptable to the Regional Director as determined at subsequent examinations or visitations of the Bank. At a minimum, the compliance monitoring procedures should include regular and ongoing reviews of:

(a) the banking and lending transactions that constitute the normal daily activities of employees for all Bank operating units, including those of the Mortgage Corporation, to identify potential violations of Consumer Laws, and overall compliance with the Compliance Policy, with such reviews taking place at least monthly;

(b) disclosures and calculations for each of the Bank's loan and deposit products, including products offered through its Mortgage Corporation;

(c) document filing and retention procedures;

(d) marketing literature and advertising prior to its implementation or use; and

(e) the internal compliance communication system that provides updates to the Board and Bank employees, including those assigned to duties relating to its Mortgage Corporation, about changes or additions to Consumer Laws.

COMPLIANCE CONSULTANT

6. Within thirty (30) days from the effective date of this ORDER, the Bank shall have and retain a qualified consultant with the requisite knowledge and experience to assist the Bank and its Mortgage Corporation in developing an effective Compliance Management System.

(a) The Bank shall provide the Regional Director with a copy of the proposed engagement letter or contract with the consultant for review before it is executed. The contract or engagement letter, at a minimum should include:

- (i) a description of the work to be performed under the contract or engagement letter;
- (ii) the responsibilities of the consultant;

- (iii) an identification of the professional standards covering the work to be performed;
- (iv) identification of the specific procedures to be used when carrying out the work to be performed;
- (v) the qualifications of the consultant's employee(s) who are to perform the work;
- (vi) a statement ensuring that the consultant's work shall be independent of that by external auditors engaged pursuant to this ORDER;
- (vii) the time frame for completion of the work;
- (viii) any restrictions on the use of the reported findings; and
- (ix) a provision for unrestricted examiner access to workpapers, memoranda and/or reports.

(b) At a minimum, the Compliance Management System developed with the assistance of the consultant shall meet the standards set forth in the Compliance Management System Guidance, cited above.

TRAINING PROGRAM

7. Within ninety (90) days from the effective date of this

ORDER, the Bank shall develop and implement an effective training program, acceptable to the Regional Director as determined at subsequent examinations or visitations, related to Consumer Laws for all Bank personnel, including senior management and the Board, and including employees performing tasks for its Mortgage Corporation, commensurate with their individual job functions and duties for the Bank and Mortgage Corporation.

EXTERNAL AUDIT

8. (a) Within one hundred twenty (120) days from the effective date of this ORDER, the Bank shall cause an external audit to be conducted to ensure compliance with Consumer Laws.

(b) The audit will assess the Bank's Compliance Management System, including the Compliance Management System as it relates to the Mortgage Corporation, 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 and suggestions for corrective actions and time frames necessary for correction; and
- (v) establish follow-up procedures to verify that corrective actions are implemented

effectively.

(c) 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 external audit.

(d) Within thirty (30) days of receipt of the external auditor's written report, the Board shall meet and take action to address the audit findings, correct any deficiencies noted, and implement recommendations, or explain in a written report why a particular recommendation has not been implemented, which shall be signed by all Board members and attached to Board minutes.

(e) The Bank shall provide the Regional Director with a copy of the proposed engagement letter with the external auditor for review before it is executed. The engagement letter, at a minimum, should include:

- (i) a description of the work to be performed under the engagement letter;
- (ii) the responsibilities of the external auditor;
- (iii) an identification of the professional standards used in relation to the work being performed;
- (iv) identification of the specific procedures to be used when carrying out the work to be performed;

- (v) the qualifications of the employee(s) who are to perform the work;
- (vi) the time frame for completion;
- (vii) any restrictions on the use of the reported findings;
- (viii) statement ensuring that the auditors shall work independently from individuals performing compliance consulting pursuant to Paragraph 6, above;
- (ix) a provision for unrestricted examiner access to work papers;
- (x) a provision stating that the external auditor will present the audit findings directly to the Board.

(f) After receipt of the external audit, the Bank shall, on a quarterly basis, have subsequent external audits conducted to assess its operations and that of its Mortgage Corporation. The Bank shall comply with all of the provisions of this paragraph for subsequent audits.

(g) A copy of any external audit(s) received by the Bank shall be submitted to the Regional Director within fifteen (15) days of receipt.

DOCUMENTATION OF AUDIT FINDINGS

9. Within one hundred twenty (120) days from the effective

date of this ORDER, the Bank shall formulate, adopt, and implement procedures, acceptable to the Regional Director as determined at subsequent examinations or visitations, to ensure that Bank responses to audit findings, including any corrective actions taken in response to audit findings relating to Bank or Mortgage Corporation practices or procedures, are documented and reported to the Board.

CORRECT VIOLATIONS

10. 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, including those relating to its Mortgage Corporation.

DISCLOSURE TO SHAREHOLDER

11. Following the effective date of this ORDER, the Bank shall send to its shareholder a copy of this ORDER in conjunction with, either: (a) the Bank's next shareholder communication; or (b) its notice or proxy statement preceding the Bank's next shareholder meeting.

PROGRESS REPORTS

12. 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 the Bank's and Mortgage Corporation's 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 Mortgage Corporation, 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 30th day of March, 2011.

_____/s/_____
M. Anthony Lowe
Regional Director
Chicago Regional Office
Federal Deposit Insurance
Corporation