

**FEDERAL DEPOSIT INSURANCE CORPORATION**

**WASHINGTON, D.C.**

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<b>In the Matter of</b>	)	
	)	<b>CONSENT ORDER</b>
<b>STATE CENTRAL BANK</b>	)	
<b>KEOKUK, IOWA</b>	)	<b>FDIC-11-106b</b>
	)	
<b>(INSURED STATE NONMEMBER BANK)</b>	)	
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The Federal Deposit Insurance Corporation (“FDIC”) is the appropriate Federal banking agency under Section 3(q) of the Federal Deposit Insurance Act (“Act”), 12 U.S.C. § 1813(q), for State Central Bank, Keokuk, Iowa (“Bank”).

The Bank, by and through its duly elected and currently acting Board of Directors (“Board”), has executed a Stipulation to the Issuance of a Consent Order (“Stipulation”), dated April 27, 2011, that is accepted by the FDIC. With the Stipulation, the Bank has consented, without admitting or denying any charges of unsafe or unsound banking practices or violations of law 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 the Bank take the following actions.

A. Within 30 days of the effective date of this ORDER, implement examiner directions contained in the Report of Examination dated July 26, 2010 (“ROE”), regarding Equal Credit Opportunity Act violations, and implement procedures to prevent their recurrence.

B. Within 30 days of the effective date of this ORDER, correct all violations of law and/or regulation as more fully set forth in the ROE, and implement procedures to prevent their recurrence.

COMPLIANCE OFFICER

1. (a) No more than 60 days from the effective date of this ORDER, the Bank shall obtain or designate, and thereafter retain, a qualified Compliance Officer, who shall be given sufficient written authority by the Bank's Board to implement and supervise the Bank's compliance programs, including but not limited to, providing adequate training to the Bank's Board and employees for all consumer laws, rules, and regulations and establishing controls and procedures to prevent violations of consumer laws, rules, and regulations. The Compliance Officer shall report directly to the Bank's Board. If a qualified Compliance Officer cannot be appointed within 60 days, the Bank shall obtain an outside consultant to perform the functions of a compliance officer until such time as a qualified Compliance Officer can be retained.

(b) The Bank shall promptly notify the Regional Director of the identity of the Compliance Officer. If the Bank cannot appoint a Compliance Officer within 60 days and must retain an outside consultant for an interim period, the Bank shall promptly notify the Regional Director of the identity of the outside consultant.

(c) The Bank shall ensure that the Compliance Officer is sufficiently trained, both initially, and on an on-going basis, to perform the duties of a Compliance Officer. All training received by the Compliance Officer shall be documented and maintained for review at future FDIC compliance examinations.

(d) The assessment of whether the Bank has a qualified and sufficiently trained Compliance Officer shall be based upon the Bank's record in complying with: (i) the requirements of this ORDER; and (ii) applicable consumer laws, rules, and regulations.

(e) The Bank shall develop a succession plan for the Compliance Officer position to ensure that in the event of staffing changes, the Bank has a Compliance Officer who can adequately administer the Bank's Compliance Program.

#### COMPLIANCE PROGRAM

2. (a) No more than 60 days from the effective date of this ORDER, the Bank shall develop and implement, or expand existing, written compliance policies and procedures for all applicable consumer laws, rules, and regulations. Such policies and procedures shall:

(i) be sufficiently detailed to provide employees with the information that they need to perform their duties in conformance with applicable laws, rules, and regulations;

(ii) include an organizational chart or similar guidance delineating an employee's supervisory responsibilities as to all applicable compliance-related duties; and

(iii) provide for transition of responsibilities in the case of employee turnover.

(b) The compliance policies and procedures shall expressly include a program for training all Bank employees in the requirements of consumer laws, rules, and regulations, as more thoroughly set out in paragraph 4 of this ORDER.

(c) The written compliance policies and procedures and a description of practices to be adopted by the Bank to comply with this ORDER shall be submitted to the

Regional Director for review and comment. No more than 30 days after receipt of any comment from the Regional Director, the Bank's Board shall approve the written compliance policies and procedures, including any modifications thereto resulting from comments by the Regional Director, which approval shall be noted in the meeting minutes of the Bank's Board. Thereafter, the Bank shall follow the written policies and the practices adopted.

#### INTERNAL MONITORING

3. (a) Within 60 days of the effective date of this ORDER, the Bank shall develop and implement effective internal monitoring procedures. The procedures shall include establishing internal review procedures whereby loan and deposit disclosures are reviewed for content, compliance with regulatory requirements, and consistency with bank practices by a knowledgeable individual, other than the preparer. Lending-related reviews should address the content, accuracy, and timely distribution of disclosures prior to their issuance.

(b) The Bank shall ensure that deposit-related and other compliance-related areas, including fair lending, are monitored on an ongoing basis, to include but not be limited to, a regular review of areas where violations were noted in the ROE dated July 26, 2010.

(c) The Bank's internal monitoring systems shall include but not be limited to reviewing areas where violations were noted in the ROE dated July 26, 2010, and reviewing areas where training has been provided to ensure that the training was effective and procedures learned were properly implemented.

(d) On a monthly basis, the Compliance Officer and any other committee established by the Bank's Board to address compliance issues shall provide a written report to the Bank's Board. At a minimum, reports shall address the following topics:

- (i) Compliance training that has been held and that is forthcoming;
- (ii) Upcoming regulatory changes involving compliance; and
- (iii) Discussion of the internal compliance reviews conducted, the findings of those reviews, and recommendations for improvements.

(e) The written reports should be thoroughly reviewed and fully documented in the minutes of the Bank's Board. The minutes of the Bank's Board shall include but not be limited to documenting actions to address the findings of any internal compliance reviews conducted, correct any deficiencies noted, and implement any recommendations or explain in writing signed by the Board why a particular recommendation has not been implemented. Documentation shall be maintained as part of the Bank's Board minutes for review at future FDIC compliance examinations.

#### TRAINING

4. (a) No more than 60 days from the effective date of this ORDER, the Bank shall develop and implement a formal training program for all personnel, especially those with supervisory compliance responsibilities, to ensure that all such personnel are thoroughly knowledgeable of applicable compliance requirements. Thereafter, the Bank's Board shall review the program on a quarterly basis and update the program if necessary. Documentation of quarterly training program reviews and updates shall be maintained as part of the Bank's Board minutes for review at future FDIC compliance examinations.

(b) The training program shall include in-person training in the requirements of consumer laws, rules, and regulations, to be conducted at least annually for all Bank employees involved in lending and any others whose responsibilities include complying with

consumer laws, rules, and regulations. Such training shall include, but not be limited to, training regarding the following consumer laws and their implementing rules and regulations:

- (i) Equal Credit Opportunity Act, 15 U.S.C. §§ 1691 *et seq.*, and its implementing regulation found at 12 C.F.R. Part 202;
  - (ii) Truth in Savings Act, 12 U.S.C. §4301 *et seq.*, and its implementing regulation found at 12 C.F.R. Part 230;
  - (iii) Home Mortgage Disclosure Act, 12 U.S.C. §§ 2801 *et seq.*, and its implementing regulation found at 12 C.F.R. Part 203;
  - (iv) Flood Disaster Protection Act of 1973 as amended, 42 U.S.C. §§ 4002-4128, and Part 339 of the FDIC Rules and Regulations, 12 C.F.R. Part 339;
  - (v) Truth in Lending Act, 15 U.S.C. § 1601 *et seq.*, and its implementing regulation found at 12 C.F.R. Part 226;
  - (vi) Real Estate Settlement Procedures Act, 12 U.S.C. § 2601 *et seq.*, and its implementing regulation found at 24 C.F.R. Part 3500;
  - (vii) Fair Credit Reporting Act, 15 U.S.C. § 1681 *et seq.*, and its implementing regulation found at 12 C.F.R. Part 334; and
  - (viii) Servicemembers Civil Relief Act, 50 U.S.C. § 501-596.
- (c) Documentation of training shall be maintained for review at future FDIC compliance examinations, showing the dates training was provided, who provided the training, a list of personnel who attended the training, and the subjects and materials covered for each training session.

## AUDIT

5. (a) The Bank shall continue to obtain a comprehensive independent compliance audit, to be conducted by a qualified individual with experience in conducting independent audits of compliance programs of banks of a comparable size.

(b) Audits of the Bank's compliance program shall occur at least annually, and at a minimum shall:

(i) Define a comprehensive scope;

(ii) Identify the number of transactions to be sampled by category or product type;

(iii) Identify deficiencies;

(iv) Provide descriptions of or suggestions for corrective actions and timeframes for correction of any deficiencies; and

(v) Establish follow-up procedures to verify that corrective actions are implemented and effective.

(c) Audit findings, deficiencies, and recommendations must be documented in a written report and provided to the Bank's Board. In addition, the audit reports should be thoroughly reviewed and fully documented in the minutes of the Bank's Board.

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

(i) In order to implement a recommendation, the Bank's Board shall assign particular Bank personnel to be accountable for implementing the corrective action and shall establish timelines to ensure such action is completed;

(ii) Reports shall be provided by the Compliance Officer or any compliance committee established by the Bank's Board showing the status of outstanding items requiring corrective action, and showing whether items which have previously been satisfactorily completed remain in compliance.

(e) Documentation of the audit and all corrective actions shall be maintained for review at the future FDIC compliance examinations.

#### MISCELLANEOUS

Following the effective date of this ORDER, the Bank shall send to its sole shareholder a copy of this ORDER: (1) in conjunction with the Bank's next shareholder communication; or (2) in conjunction with its notice or proxy statement preceding the Bank's next shareholder meeting.

The Bank shall furnish written progress reports to the Regional Director detailing the form and manner of any action taken to secure compliance with this ORDER and the results thereof every 90 days, beginning 90 days from the effective date of this ORDER and continuing every subsequent 90 days until the Regional Director has expressly released the Bank in writing from making any further reports. In addition, the Bank shall furnish such reports on request of the Regional Director. All progress reports and other written responses to this ORDER shall be reviewed by the Bank's Board and be made a part of the minutes of the Board's meeting.

The provisions of this ORDER 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 as that term is defined in Section 3(u) of the Act, 12 U.S.C. § 1813(u).

This ORDER will become effective upon its issuance by the FDIC. The provisions of this ORDER shall be binding on 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 provisions of this ORDER shall have been modified, terminated, suspended, or set aside by the FDIC.

Pursuant to delegated authority.

Dated this 27<sup>th</sup> day of April, 2011.

/s/  
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Robert J. Carmona  
Deputy Regional Director  
Division of Depositor and Consumer Protection  
Kansas City Region  
Federal Deposit Insurance Corporation