

**UNITED STATES OF AMERICA  
DEPARTMENT OF THE TREASURY  
OFFICE OF THE COMPTROLLER OF THE CURRENCY**

<b>In the Matter of:</b>	)	
	)	
Peoples National Bank	)	AA-EC-02-03
Paris, Texas		

**CONSENT ORDER**

WHEREAS, the Comptroller of the Currency of the United States of America (“Comptroller”), through his staff, has examined Peoples National Bank, Paris, Texas (“Bank”) and has reviewed the Bank’s short-term consumer loans, commonly referred to as “payday loans,” to determine whether the Bank engaged in unsafe or unsound banking practices or failed to comply with certain laws, rules, or regulations;

WHEREAS, the Bank’s payday loans are primarily marketed, originated, serviced, and collected by a third-party vendor, Advance America, Cash Advance Centers, Inc. (“Advance America”);

WHEREAS, the Comptroller has charged or is prepared to charge the Bank with violations of the consumer protection provisions of the Truth in Lending Act and the implementing regulation; with violations of the consumer protection provisions of the Equal Credit Opportunity Act and the implementing regulation; and with unsafe or unsound banking practices related to the Bank’s payday loans including, but not limited to, the Bank’s management of the vendor that provides services related to these payday loans;

WHEREAS, the Comptroller has initiated a cease and desist proceeding against the Bank pursuant to 12 U.S.C. § 1818(b) through the issuance of a Notice of Charges, and is prepared to amend that proceeding and to initiate a civil money penalty proceeding against the Bank

pursuant to 12 U.S.C. § 1818(i) through the issuance of a Notice of Assessment of Civil Money Penalty;

WHEREAS, in the interest of cooperation, compromise and settlement, and to avoid the costs associated with future administrative and judicial proceedings with respect to the above matter, the Comptroller and the Bank desire to enter into this Consent Order (“Order”);

NOW, THEREFORE, the Bank, by and through its duly authorized President, has executed a “Stipulation and Consent to the Issuance of a Consent Order” dated January 30, 2003, that is accepted by the Comptroller. By this Stipulation and Consent, which is incorporated by this reference, the Bank has consented to the issuance of this Order by the Comptroller. Pursuant to the authority vested in him by the Federal Deposit Insurance Act, as amended, 12 U.S.C. § 1818, the Comptroller hereby orders that:

## ARTICLE I

### PAYDAY LENDING

(1) Not later than March 31, 2003, the Bank shall cease all actions relating to the origination, renewal or rollover of short-term consumer loans generally referred to as “payday loans.”

(2) Notwithstanding paragraph (1) of this Article, the Bank may continue to obtain services from Advance America related to the servicing and collection of payday loans originated, renewed or rolled over on or before March 31, 2003; provided that, the due date is not extended for more than five (5) days, and the Bank does not advance any new funds on or after March 31, 2003.

## ARTICLE II

### PRODUCTS AND SERVICES - EXISTING OR NEW

(1) Prior to the Bank's involvement in any new product or service, or its significant expansion of any existing product or service, whether directly or through a vendor or other third party, the Board shall prepare a written analysis of said product or service. The analysis shall, at a minimum, include the following:

- (a) an assessment of the risks and benefits of the product or service to the Bank;
- (b) an explanation of how the product or service is consistent with the Bank's strategic plan;
- (c) an evaluation of the adequacy of the Bank's organizational structure, staffing, Management Information Systems (MIS), internal controls and written policies and procedures to identify, measure, monitor, and control the risks associated with the product or service, including risks associated with any vendor providing services in connection with the Bank's product or service; and
- (d) a profitability analysis, including growth projections and interest rate risk.

(2) Prior to the Bank's involvement in any new product or service, or the significant expansion of any existing product or service, a copy of the analysis required by paragraph (1) of the Article II shall be submitted to the Assistant Deputy Comptroller for prior written determination of no supervisory objection.

(3) For purposes of this Article, as of the effective date of this Order, the Bank's involvement in any payday loan product, directly or through a third-party vendor, shall be

considered to be a new product; provided that, the Bank's relationship with Advance America through March 31, 2003, as set forth in Article I above, shall not require prior written determination of no supervisory objection under paragraph (2) of this Article.

(4) For purposes of this Article, "significant expansion" shall be defined as growth in an existing product or service greater than fifteen percent (15%) on an annualized basis where that product or service accounts for greater than either five percent (5%) of the Bank's total assets or ten percent (10%) of the Bank's annual income. The term "new product or service" shall not include any depository product offered directly by the Bank. The term "significant expansion" does not include the expansion of any existing product or service if that product or service is addressed in the strategic plans previously submitted to the Office of the Comptroller of the Currency by the Bank, except as provided by paragraph (3) of this Article.

### ARTICLE III

#### CIVIL MONEY PENALTY ORDER

(1) Without admitting or denying any wrongdoing, the Bank hereby consents to the payment of a civil money penalty in the amount of one hundred seventy-five thousand dollars (\$175,000), which shall be paid within ten days (10) of the effective date of this Order. The Bank shall make payment in full by check made payable to the Treasurer of the United States and shall deliver the payment to: Comptroller of the Currency, P.O. Box 73150, Chicago, Illinois 60673-7150 with a copy of the check sent to Director, Enforcement & Compliance Division, Office of the Comptroller of the Currency, 250 E Street, SW, Washington D.C. 20219.

(2) This Order shall be enforceable to the same extent and in the same manner as an effective and outstanding order that has been issued and has become final pursuant to 12 U.S.C. §§ 1818(h) and (i) (as amended).

#### ARTICLE IV

#### VIOLATIONS OF LAW

(1) The Board shall immediately take all necessary steps to ensure that Bank management corrects, when possible, and implements corrective action for each violation of law, rule or regulation cited in the Consumer Compliance Report of Examination issued on November 19, 2002 (“ROE”), and in any subsequent ROE.

(2) The Board shall adopt, implement, and ensure Bank adherence to general procedures addressing compliance management which incorporate internal control systems and education of employees regarding laws, rules and regulations applicable to their areas of responsibility.

(3) Within thirty (30) days of receipt of any subsequent ROE which cites violations of law, rule, or regulation, the Board shall adopt, implement, and thereafter ensure Bank adherence to specific procedures to prevent future violations and shall adopt, implement, and ensure Bank adherence to general procedures addressing compliance management which incorporate internal control systems and education of employees regarding laws, rules and regulations applicable to their areas of responsibility.

(4) Upon adoption, a copy of these procedures shall be promptly forwarded to the Assistant Deputy Comptroller, Dallas North Field Office, 17300 Dallas Parkway, Suite 2020, Dallas, Texas 75248-1145.

(5) The Board shall ensure that the Bank has policies, processes, personnel, and control systems to ensure implementation of, and adherence to, the procedures developed pursuant to this Article.

## ARTICLE V

### CLOSING

(1) Although the Board is by this Order required to submit certain proposed actions and programs for the review or prior determination of no supervisory objection of the Assistant Deputy Comptroller, the Board has the ultimate responsibility for proper and sound management of the Bank.

(2) It is expressly and clearly understood that if, at any time, the Comptroller deems it appropriate in fulfilling the responsibilities placed upon him by the several laws of the United States of America to undertake any action affecting the Bank, nothing in this Order shall in any way inhibit, estop, bar or otherwise prevent the Comptroller from so doing.

(3) Any time limitations imposed by this Order shall begin to run from the effective date of this Order. Such time limitations may be extended in writing by the Assistant Deputy Comptroller for good cause upon written application by the Board.

(4) The provisions of this Order are effective upon issuance of this Order by the Comptroller, through his authorized representative whose hand appears below, and shall remain effective and enforceable, except to the extent that, and until such time as, any provisions of this Order shall have been amended, suspended, waived, or terminated in writing by the Comptroller.

(5) In each instance in this Order in which the Board is required to ensure adherence to, and undertake to perform certain obligations of the Bank, it is intended to mean that the Board shall:

- (a) authorize and adopt such actions on behalf of the Bank as may be necessary for the Bank to perform its obligations and undertakings under the terms of this Order;
- (b) require the timely reporting by Bank management of such actions directed by the Board to be taken under the terms of this Order;
- (c) follow-up on any non-compliance with such actions in a timely and appropriate manner; and
- (d) require corrective action be taken in a timely manner of any non-compliance with such actions.

(6) This Order is intended to be, and shall be construed to be, a final order issued pursuant to 12 U.S.C. §§ 1818(b) and (i), and expressly does not form, and may not be construed to form, a contract binding on the Comptroller or the United States.

(7) The terms of this Order, including this paragraph, are not subject to amendment or modification by any extraneous expression, prior agreements or arrangements, or negotiations between the parties, whether oral or written.

IT IS SO ORDERED, this 30<sup>th</sup> day of January, 2003.

/s/ Michael K. Hughes

Michael K. Hughes  
Assistant Deputy Comptroller

1/30/03

Date

**UNITED STATES OF AMERICA  
DEPARTMENT OF THE TREASURY  
OFFICE OF THE COMPTROLLER OF THE CURRENCY**

---

**In the Matter of:**

Peoples National Bank  
Paris, Texas

---

)  
)  
)

AA-EC-02-03

**STIPULATION AND CONSENT TO THE ISSUANCE  
OF A CONSENT ORDER**

The Comptroller of the Currency of the United States of America (“Comptroller”) has initiated a cease and desist proceeding and is prepared to initiate a civil money penalty proceeding against Peoples National Bank, Paris, Texas (“Bank”) pursuant to 12 U.S.C. §§ 1818(b) and (i);

The Bank, in the interest of cooperation, compromise and settlement, consents to the issuance of a Consent Order, dated January 30, 2003 (“Order”);

In consideration of the above premises, the Comptroller, through his authorized representative, and the Bank, through its duly authorized President, hereby stipulate and agree to the following:

Article I

Jurisdiction

(1) The Bank is a national banking association chartered and examined by the Comptroller pursuant to the National Bank Act of 1864, as amended, 12 U.S.C. § 1 *et seq.*

(2) The Comptroller is “the appropriate Federal banking agency” regarding the Bank pursuant to 12 U.S.C. §§ 1813(q) and 1818(b) and (i).



(3) The Bank is an “insured depository institution” within the meaning of 12 U.S.C. §§ 1818(b)(1) and (i)

## Article II

### Agreement

(1) The Bank, without admitting or denying any wrongdoing, hereby consents and agrees to the issuance of the Order by the Comptroller.

(2) The Bank further agrees that said Order shall be deemed an “order issued with the consent of the depository institution” as defined in 12 U.S.C. § 1818(h)(2), and consents and agrees that said Order shall become effective upon its issuance and shall be fully enforceable by the Comptroller under the provisions of 12 U.S.C. § 1818(i). Notwithstanding the absence of mutuality of obligation, or of consideration, or of a contract, the Comptroller or his designee may enforce any of the commitments or obligations herein undertaken by the Bank under its supervisory powers, including 12 U.S.C. § 1818(i), and not as a matter of contract law. The Bank expressly acknowledges that neither the Bank nor the Comptroller has any intention to enter into a contract.

(3) It is hereby agreed that the provisions of the Order constitute a full settlement and final disposition of the action initiated by the Notice of Charges dated March 15, 2002, and the further actions contemplated by the Comptroller, as described in the Order.

(4) The Bank also expressly acknowledges that no officer or employee of the Office of the Comptroller of the Currency (“OCC”) has statutory or other authority to bind the United States, the U.S. Treasury Department, the OCC, or any other federal bank regulatory agency or

entity, or any officer or employee of any of those entities to a contract affecting the OCC's exercise of its supervisory responsibilities.

### Article III

#### Waivers

- (1) The Bank, by signing this Stipulation and Consent, hereby waives:
  - (a) the hearing in connection with the Notice of Charges dated March 15, 2002;
  - (b) the issuance of a Notice of Assessment of a Civil Money Penalty pursuant to 12 U.S.C. §§ 1818(b) and (i);
  - (c) any and all procedural rights available in connection with the issuance of the Order;
  - (d) all rights to seek any type of administrative or judicial review of the Order; and
  - (e) any and all rights to challenge or contest the validity of the Order.

### Article IV

#### Other Action

(1) The Bank agrees that the provisions of this Stipulation and Consent shall not inhibit, estop, bar, or otherwise prevent the Comptroller from taking any other action affecting the Bank, if, at any time, he deems it appropriate to do so to fulfill the responsibilities placed upon him by the several laws of the United States of America.

IN TESTIMONY WHEREOF, the undersigned, authorized by the Comptroller as his representative, has hereunto set his hand on behalf of the Comptroller.

/s/ Michael K. Hughes  
Michael K. Hughes  
Assistant Deputy Comptroller

01/30/2003  
Date

IN TESTIMONY WHEREOF, the undersigned, as the duly authorized President of the Bank, has hereunto set his hand on behalf of the Bank.

Signed  
Terry L. Christian  
President  
Peoples National Bank

01/30/2003  
Date