

OFFICE OF THRIFT SUPERVISION

Receivership Of A Federal Savings Association

Date: February 13,2004

Order No.: 2004-07

The Director of ~~the~~ Office of ~~Thrift~~ Supervision (OTS), or his designee, in cooperation with the Federal Deposit Insurance Corporation (FDIC), has determined to appoint the FDIC ~~as~~ receiver for Dollar Savings ~~Bank~~, Newark, New Jersey, OTS Number 06755 (the Institution).

I. GROUNDS FOR APPOINTMENT OF FDIC AS RECEIVER

The Director, or his designee, based upon ~~the~~ administrative record, and for ~~the~~ reasons set forth herein finds and determines that:

(a) The Institution is in an unsafe and unsound condition to transact business due to its failure to properly supervise its mortgage origination business, lack of adequate books and records, lack of senior management, deposit withdrawals by its former President, improper and unauthorized change of control, and improper solicitation of funds by its holding company; and

(b) **The** Institution has attempted to conceal its mortgage origination business and the change in control.

The Institution is a federally chartered stock savings bank, the accounts of which are insured by the Savings Association Insurance Fund (**SAIF**). **The** Institution has one official office in Newark, New Jersey. As of December 31,2003, ~~the~~ Institution reported that it had \$13.4 million in assets.

The Institution has engaged a person ~~as~~ a **loan** officer and that person has been operating a mortgage origination business in the Institution's name in various locations around the United States. That mortgage operation has engaged or attempted to engage in fraudulent **and otherwise** improper transactions. The Institution does not have adequate policies, procedures or other controls for that mortgage operation. The Institution's Board of Directors has failed to properly oversee the Institution's operations. In addition, the Institution attempted to conceal from OTS's examiners the scope and extent of the mortgage origination business. Also, the Institution's President has: (1) engaged in illegal or improper activities at the Institution; (2) been terminated from his relationship with the Institution leaving it without senior management; and (3) prior to his separation from ~~the~~ Institution withdrawn approximately \$4 million in deposits from the Institution severely impacting its deposit base and threatening its liquidity. Moreover, the Institution lacks adequate books and records. Furthermore, the Institution has concealed

the fact that control of the Institution has apparently been transferred to a group or persons without first filing any application with or obtaining approval for the change in control from OTS. Finally, the Institution's holding company has been seeking funds utilizing a private placement memorandum that fails to disclose material aspects of the Institution's operations.

11. DISCUSSION OF LEGAL ISSUES FOR APPOINTMENT OF A RECEIVER FOR THE INSTITUTION

Section 5(d)(2)(A) of the Home Owners' Loan Act (HOLA)' provides that the Director may appoint a receiver for any insured savings association if the Director determines that one or more of the grounds specified in section 11(c)(5) of the FDIA, 12 U.S.C. § 1821(c)(5), exist.

A. Unsafe or Unsound Condition to Transact Business

Under section 11(c)(5)(C) of the FDIA, the Director may appoint a receiver if a savings association is in an unsafe or unsound condition to transact business. **An** unsafe or unsound condition is one where an institution is operated in a manner that causes an unacceptable risk to its depositors' funds. In our opinion, the Institution is in an unsafe and unsound condition as a result of: (1) its lack of adequate books and records and lack of appropriate controls over the mortgage origination business; (2) its lack of senior management; (3) the extent of withdrawals made by its former President and the concomitant negative effect on the Institution's liquidity; (4) the apparent change in control that has not been authorized; and (5) the holding company's improper attempt to solicit funds.

B. Concealment

Under section 11(c)(5)(E) of the FDIA, the Director may appoint a receiver if a savings association has concealed its books, papers, records or assets from any examiner or other agent of the OTS. Here, the Institution concealed information about the Institution's mortgage origination business and the apparent change in control of the Institution.

The Director, or his designee, therefore, has determined that grounds for the appointment of a receiver for the Institution exist under section 5(d)(2) of the HOLA, 12 U.S.C. § 1464(d)(2), and section 11(c)(5) of the FDIA, 12 U.S.C. § 1821(c)(5).

¹ 12 U.S.C. § 1464(d)(2)(A).

III. ACTIONS ORDERED OR APPROVED

A. Appointment of a Receiver

The Director, or his designee, hereby appoints the FDIC as receiver for the Institution, for the purpose of liquidation, pursuant to section 5(d)(2) of HOLA, 12 U.S.C. §1464(d)(2), and section 11(c)(6)(B) of the FDIA, 12 U.S.C. § 1821(c)(6)(B).

B. Delegation of Authority to Act for the OTS

The Director, or his designee, hereby authorizes the OTS Northeast Regional Director, or his designee, and the Deputy Chief Counsel for Business Transactions, or his designee, to: (1) certify orders; (2) sign, execute, attest or certify other documents of OTS issued or authorized by this Order; (3) deliver or accept delivery of any notice from or to OTS regarding the Institution; and (4) perform such other functions of OTS necessary or appropriate for the implementation of such Order. All documents to be issued under the authority of this Order must be first approved, in form and content, by the Chief Counsel's Office. In addition, the Director, or his designee, hereby authorizes the Deputy Chief Counsel for Business Transactions, or his designee, to make any subsequent technical corrections, that might be necessary, to this Order, or any documents issued under the authority of this Order.

By Order of the Director of OTS, effective when a copy is delivered to the Institution.


Richard M. Riccobono
Deputy Director