



Office of Thrift Supervision
Annual Report

OTS
20TH Anniversary

Fiscal Year

2009

Two Decades of Service to Consumers & Communities

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For contact information for OTS regional offices, please refer to the regional sections in this report.

Office of Thrift Supervision Annual Report



OTS 20th Anniversary: Two Decades of Service to Consumers & Communities

The OTS marked its 20th anniversary in FY 2009 during a financial crisis that began in the housing market and had an inordinate impact on homeowners and the thrift industry.

The recession hurt industry earnings and 17 thrifts failed from 2008 to the end of fiscal 2009. Yet by year's end, glimmers of hope began to emerge that the economic cycle was beginning to edge upward and, after a difficult period, the thrift industry was positioning itself to improve when the job market rebounds.

Although the OTS just completed its 20th year, its roots extend nearly two centuries to the establishment of the first savings association. Despite the ups and downs that the thrift industry has experienced during its history, the industry's support for the American dream of home ownership has been constant.

In its *Two Decades of Service to Consumers and Communities*, the OTS has developed unique expertise in supervising the consumer-and-community lenders at the core of today's thrift industry.

Through good times and bad, savings associations have helped families buy homes and pay for their children's educations. Thrifts have provided financing to small businesses to fund their operations and hire workers to buttress the national economy.

Through all of that time to the current day, the thrift industry has been there to meet America's financial services needs ■

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Message from the Director

John E. Bowman, Acting Director, Office of Thrift Supervision



During my 10 years as an employee of the OTS, including my recent tenure as the Acting Director, my appreciation for the 1,000-plus employees of the OTS has continued to grow.

So has my sense of responsibility to them during this tumultuous time in history and my resolve to ensure that whatever the future holds for this agency after two decades of existence, the welfare of OTS's hardworking, dedicated workforce must remain a paramount goal.

Through OTS history, our workforce has exemplified service to consumers and communities as millions of Americans reached for the achievable dream of homeownership.

This agency has a core of seasoned workers, many of them examiners who have labored through the economic cycles across the entire history of the OTS. Other employees are entry-level examiners fresh out of college and other talented young people, who have chosen the OTS to begin their careers and to answer the call to federal service.

Throughout the financial crisis, our employees have remained committed and focused on carrying out our statutory responsibilities to regulate the thrift industry.

This commitment and focus held fast as the financial crisis unfolded and leadership changed at the White House and at this agency.

Our employees also remained steadfast as the largest thrift institution supervised by the OTS and a handful of other major thrifts failed, while other larger banks supervised elsewhere were deemed “too big to fail” and were saved from failure by the federal government.

Yet, the OTS continues to supervise nearly 800 savings associations across the country with assets of more than \$1 trillion and more than 450 thrift holding companies. This industry retains the same commitment to homeownership, families, consumers and small businesses that it has displayed throughout its long history.

As fiscal 2009 closes and the curtain rises on FY 2010, we see some encouraging signs for the full recovery of the thrift industry, but we also see signs that give us pause. We must remain vigilant.

Meanwhile, initiatives continue to work their way through Congress to reform the financial regulatory framework, to fix the problems that contributed to the

crisis and to prevent the next one. As I have said on numerous occasions, I am not convinced that all of these proposals would address true problems. For example, one proposal would merge bank and thrift regulatory agencies, including the OTS. In my opinion, regulatory consolidation would not have prevented the crisis we are in – nor would it prevent the next one. After months of hearings and discussions, the various initiatives at this writing remain in the early phases of Congressional consideration with an uncertain future and an unknown direction.

I am tremendously proud of the way OTS employees have responded through these times of tremendous challenge and uncertainty. Our nation owes them a debt of gratitude for remaining vigilant in this storm, supervising savings association and their holding companies to meet America’s financial services needs ■

John E. Bowman
Washington, D.C.



Through OTS history, our workforce has exemplified service to consumers and communities as millions of Americans reached for the achievable dream of homeownership.

OTS History

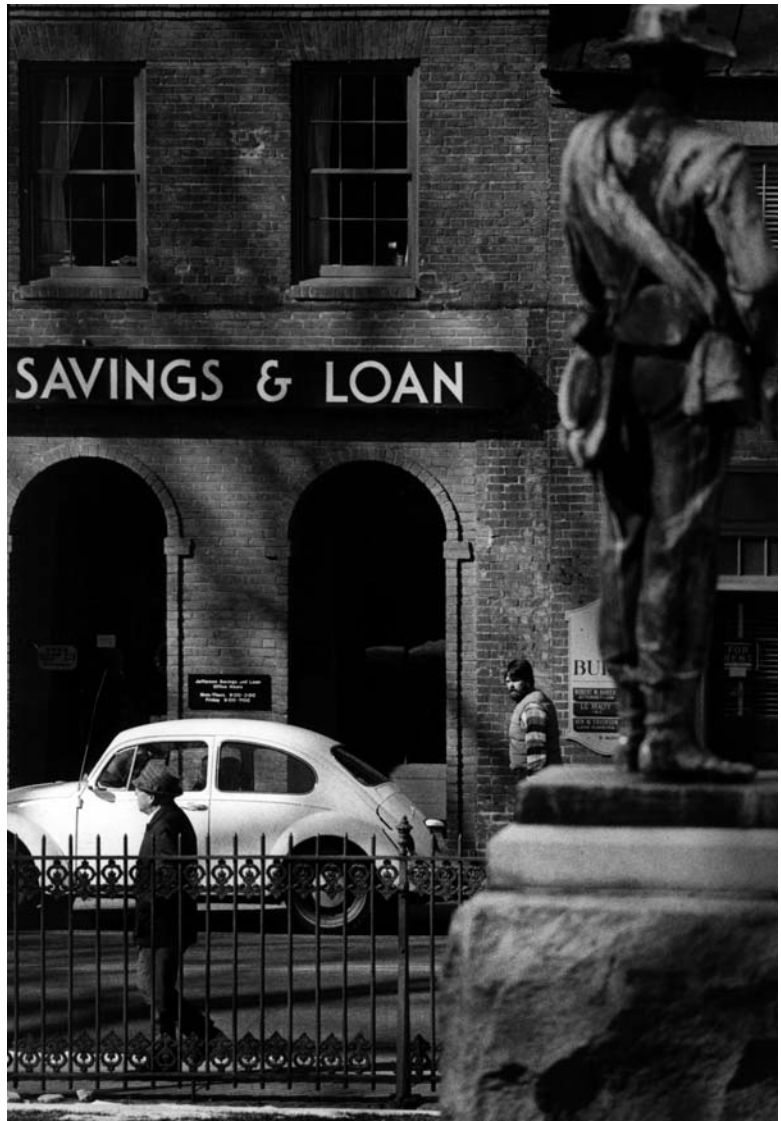
For many Americans, the classic 1940s movie, “It’s a Wonderful Life” captured the image of a typical savings institution, the Bailey Building and Loan Society.

Yet, the history of the thrift industry actually began nearly a century earlier, when town leaders met in early 1831 in a local tavern in Frankford, Pennsylvania, outside of Philadelphia.

Following the model of mutual building societies in England, the town leaders established the nation’s first savings association, the Oxford Provident Building Association, so local townspeople could pool their money and help each other purchase their own homes. Each member paid an initial fee of \$5 per share and, thereafter, \$3 per month. In April of 1831, the association provided its first mortgage to Comly Rich, a local lamplighter. Rich obtained a loan for a \$375 home that still stands on Orchard Street in Philadelphia County, Pennsylvania. Many years later, the OTS titled its agency newsletter, “The Lamplighter.”

By the late 1890s, the country had more than 5,000 savings associations, typically founded by residents in the same neighborhoods or workers in the same factories. By the 1920s, Americans from rural areas were flocking to the cities, driving up the demand for housing, spurring industrial growth and leading to an increase in the number of savings associations to about 12,000. They were known by various names, including savings and loans, building and loans, thrift and loans, thrifts, savings banks, building associations, thrift associations and savings associations.

The boom times ended in the early 1930s when the Great Depression devastated the housing market and caused many savings associations to fail. The federal government acted swiftly to support



homeownership, enacting a law to establish a system of a dozen regional Federal Home Loan Banks, which provided mortgage funding for savings associations. Congress also created the Federal Home Loan Bank Board, the predecessor of the OTS, to issue federal charters for savings associations and construct a regulatory framework for promoting homeownership. The Federal Savings and Loan Insurance Corporation was created to insure deposits at savings and loans, or S&Ls.

OTS Directors serving under presidential appointment



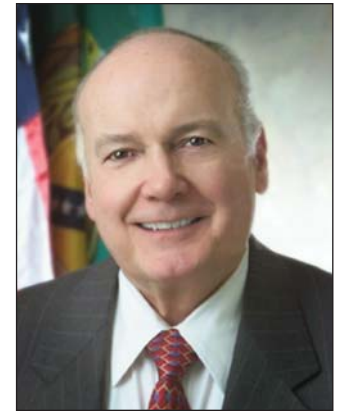
M. Danny Wall
1989 - 1990



T. Timothy Ryan
1990 - 1992



Ellen S. Seidman
1997 - 2001



James E. Gilleran
2001 - 2005

After World War II, returning veterans sparked renewed demand for homes and sprawling suburban communities emerged outside cities across America. S&Ls provided mortgages for individual homes and loans for new housing developments, becoming major players in the growth of the housing economy. Housing markets stayed strong in the 1950s and 1960s, when S&Ls originated two-thirds of the country's home mortgages. During this time, most savings associations held more than 80 percent of their assets in home loans, turning a profit by receiving higher interest from mortgage loans than the interest they paid to depositors.

In the late 1970s, interest rates turned sharply upward and competition for deposits with non-depository institutions intensified as consumers sought better returns. The climb of interest rates to unprecedented levels in the early 1980s undermined the S&L business model and drove many institutions into insolvency. After the government tried to help the industry "grow" out of its problems by allowing savings and loans to expand beyond their core businesses, some institutions engaged in practices



John M. Reich
2005 - 2009

that led to the failure of hundreds of S&Ls in the late 1980s and early 1990s.

In 1989, Congress restructured the banking business, moved deposit insurance for savings associations to the Federal Deposit Insurance Corporation and established the OTS to supervise, charter and regulate the thrift industry.

The thrift industry stabilized in the 1990s. Consolidation fueled a decline in the number of all types of financial institutions throughout the decade and into the 2000s, but thrift industry assets rose steadily — until the housing boom, still roaring in 2006, gave way to the financial crisis of 2007 and 2008.

Today, the thrift industry is smaller than during its peaks in the past, but it still holds more than \$1 trillion in total assets. Although the thrift industry has grown more diverse than during its early days, most savings associations continue to emphasize home mortgages and other consumer-and-community lending — just as the Bailey Building and Loan Society did in the movies ■

Agency Profile

The OTS is the federal regulator of savings associations and their holding companies, an industry dedicated to providing home mortgages and other retail lending to consumers and communities across the nation.

Most savings associations, also known as thrifts, are small, community-oriented institutions where employees know their customers and where thrift managers focus on supplying everyday financial services to American families and small businesses.

The OTS, a bureau of the Department of the Treasury, oversees 780 thrift institutions with assets of \$1.07 trillion and 452 thrift holding companies with U.S. domiciled assets of about \$5.5 trillion.

John E. Bowman became the Acting Director of the OTS in March 2009. Bowman is a member of the Board of Directors of the Federal Deposit Insurance Corporation (FDIC) and the Federal Financial Institutions Examination Council (FFIEC). He also serves as a director of NeighborWorks America, a congressionally chartered non-profit organization that promotes housing for low- and moderate-income Americans.



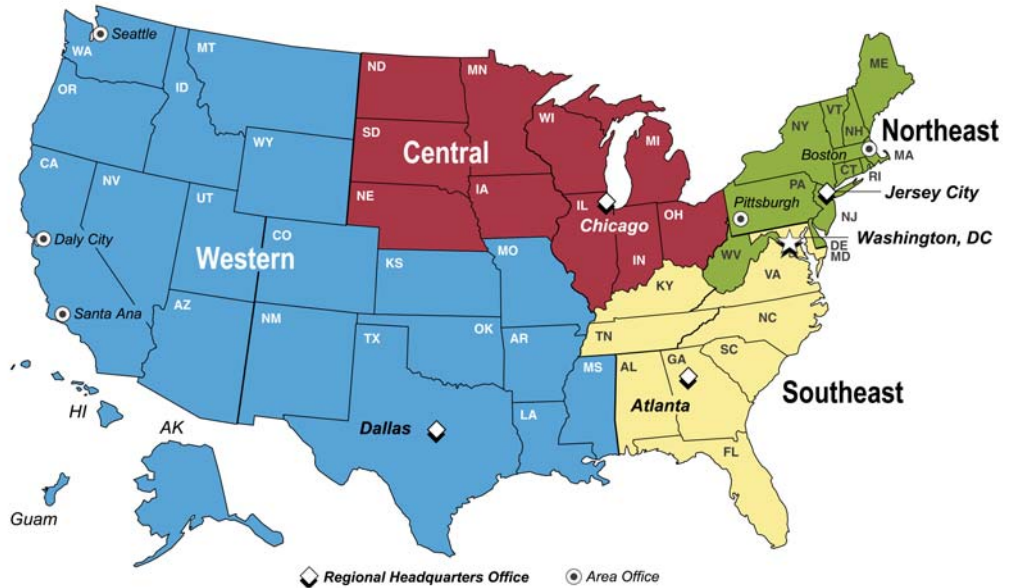
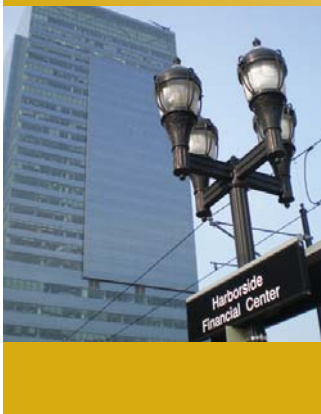
OTS Acting Director John E. Bowman (front, center) with the OTS Washington senior management team. First row, left to right: Montrice G. Yakimov, Managing Director for Compliance and Consumer Protection; Timothy T. Ward, Deputy Director for Examinations, Supervision and Consumer Protection; Acting Director Bowman; Thomas A. Barnes, Assistant Deputy Director, Examinations, Supervision and Consumer Protection; Second row, left to right: Hans Heidenreich, Acting Chief Financial Officer; Lori J. Quigley, Managing Director for Supervision; Barbara L. Shycoff, Managing Director of External Affairs; Cheryl C. Lewis, Manager, Office of Equality and Workplace Principles; Avelino L. Rodriguez, Acting Managing Director, Human Capital; Third row, left to right: Deborah Dakin, Acting Chief Counsel; Grovetta Gardineer, Managing Director for Corporate and International Activities; (Not pictured are: James Caton, Acting Managing Director for Economic Policy; Wayne Leiss, Chief Information Officer and Anita C. Tyndall, Acting Ombudsman).

The OTS has a nationwide presence, supervising thrifts in every state and the territory of Guam. The agency employs more than 1,000 examiners and other employees at its headquarters in Washington, D.C., four regional offices (Jersey City, Atlanta, Chicago and Dallas) and field offices. Nearly three quarters of the agency's staff works in the regions.

The OTS conducts consolidated supervision of thrifts and the holding companies that own them. The OTS bases its supervisory approach on the risk profile of each thrift institution, increasing regulatory scrutiny if risks increase. The agency conducts an onsite examination at each thrift at least every 12-to-18 months to assess safety and soundness, and compliance with consumer protection laws and regulations. Examiners also routinely conduct off-site monitoring through regularly submitted financial data and regular contact with thrift managers.

The OTS receives no Congressional appropriations, funding its operating budget through periodic assessments to the thrift industry ■

OTS Regions



Regional Overview

Throughout the 20-year history of the OTS, the examiners and supervision managers who report to the agency’s regional offices have represented the backbone of the agency, constituted its force in the field to examine OTS-regulated thrifts and maintained essential contacts with thrift managers and boards of directors.

The OTS’s nationwide supervisory network has four regional offices in Jersey City, Atlanta, Chicago and Dallas; major offices in Boston, Pittsburgh, San Francisco, Santa Ana and Seattle; and field offices within each region.

The regions conduct oversight of each thrift and thrift holding company under OTS supervision, monitoring the thrift industry, cultivating supervisory relationships and keeping communications open. In all, 70 percent of the agency’s workforce reports to the regional offices.

Each region, as well as Headquarters, marked the 20th Anniversary of the OTS with a ceremony and gathering with cakes, distribution of mementos and viewing of a video on the history of the agency and its employees, as well as testimonials about why employees value being members of the OTS family.

The following sections of this report profile the OTS regions, show some of their major activities during FY 2009 and display a sampling of the regional employees who have given *Two Decades of Service to Consumers & Communities* ■

Northeast Region

Harborside Financial
Center Plaza Five
Suite 1600
Jersey City, NJ
07311

201-413-1000
201-413-7543 - FAX

Major offices:
Boston, Pittsburgh

Applications:
Brian Steffey
201-413-7360
201-413-7544 - FAX

Number of thrifts:
172

Total thrift assets:
\$433 billion

Number of employees:
170



Michael E. Finn
Regional Director



In the OTS Northeast Region, the past year presented an extremely challenging environment for both the industry and regulators. The market turmoil and its ripple effects had impacts on all institutions, but particularly those with large concentrations in certain business lines, products or geographies. Institutions with a strong risk management culture and framework were better positioned to withstand the storm. In FY 2010, thrifts need to continue to strengthen risk management capabilities and tolerances as appropriate during challenging times.

The Northeast Region is headquartered in Jersey City, N.J., across the Hudson River from downtown New York City. The Region has supervisory responsibilities for thrifts throughout New England, the upper Mid-Atlantic States and West Virginia. The Region's thrifts have total assets ranging from \$7 million to \$90 billion.

The Northeast Region has a seasoned workforce, with many employees having worked during earlier crisis periods. Our staff has expertise in many specialty areas and financial services products, and travels throughout the Region and abroad to examine thrift institutions and holding companies. The extensive knowledge of our staff allows the Region to efficiently and effectively examine a diverse pool of financial institutions,

ranging from small community banks to larger complex institutions. The Northeast Region also maintains oversight of the Complex and International Organization program, which sets supervisory strategy for holding companies with significant international activities. The Region hired 45 assistant examiners from 2006 through 2008, preparing for our future. We have continued to train and mentor these newer examiners, seeking to guide them through our rigorous accreditation process.

As OTS enters its 21st year as a federal agency, we clearly recognize the industry is operating under strained conditions. The Northeast Region supervises institutions through regular communication and strong supervisory relationships. We set high expectations for thrift Boards of Directors and management teams to promptly identify, monitor and manage risks to mitigate the potential adverse impact on institutions. Enforcement actions have increased sharply over the past year to curtail unsafe and unsound practices, and to require stronger oversight of critical functions.

The Northeast Region expanded its efforts in FY 2009 to reach out to the industry through CEO roundtables, management training events, specialty forums and directors training. These events allow us to have clear and frequent communications with our supervised institutions to better

understand issues facing the industry. Attendance at these events pays dividends to all parties by ensuring that regulatory expectations are appropriate and clear, and avoiding potential surprises that might come out of the examination process. Similar to years past, the Northeast Region will continue offering seminars in Compliance Management, Financial Management and Information Technology.



The Northeast Region held two Directors Seminars this year in Newton, Mass., and Tarrytown, N.Y., to provide guidance to directors of thrifts on current topics, particularly corporate governance and director responsibilities. Senior OTS Regional officials also conducted several CEO Outreach meetings for institutions' CEOs to have direct communication with the OTS to discuss their concerns and supervisory issues. One of our outreach meetings this year also provided CEOs the opportunity to meet with OTS senior officials from Washington.

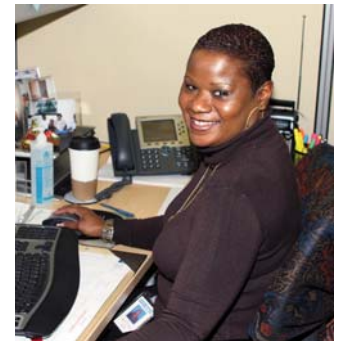
The Region's Community Affairs program continues to focus on affordable housing issues, especially in high cost urban areas. The



Region hosted conferences and worked closely with thrifts, affordable housing groups and community development organizations. The Region also hosted a conference on Native American issues focusing on housing, banking, community development, asset building and small business financing.

The recent foreclosure crisis and credit freeze, especially in the small business markets, led to the development of partnerships to prevent foreclosures and improve access to credit for small businesses. In FY 2009, the Region participated in 12 banker forums to explore how small businesses can benefit from available programs to enhance business financing in light of the credit freeze by many major financial institutions. Regional staff members also worked on several consumer protection and awareness promotions in meetings in several New England cities, focusing on identity theft, home foreclosure prevention, credit counseling and understanding credit scores.

In its 20th year, the Northeast Region continued to be accessible and responsive to the needs of the industry. Our staff remained vigilant in its efforts to supervise financial institutions. In coming years, the Region plans to strengthen its already solid supervisory relationships with the industry, continuing to communicate as much as possible with directors and institution managers. The Region will also continue to work closely with management teams to identify and manage risks, and will take expedient enforcement action when necessary ■



Southeast Region

1475 Peachtree
Street, N.E.
Atlanta, GA 30309

Mail:
P.O. Box 105217
Atlanta, GA
30348-5217

404-888-0771
404-888-5634 - FAX

Applications:
Kathryn Haney
404-888-8466
404-888-8544 - FAX

Number of thrifts:
187

Total thrift assets:
\$146 billion

Number of employees:
151



James G. Price
Regional Director



In the OTS Southeast Region, our fundamental approach to serving consumers and communities remained constant in FY 2009 despite the many changes in the agency and in the industry. The best way for the OTS to serve consumers and communities is to ensure that they have access to well capitalized, well managed thrift institutions that are meeting their obligations to serve their local communities with good financial products that are fairly priced and administered.

Thrift institutions supervised by the Southeast Region range from the largest with more than \$40 billion in assets to the smallest with less than \$4 million in assets. Approximately 37 percent of those institutions operate with mutual charters. The Region also regulates about 170 thrift holding companies, most having a single thrift as their primary asset.

During fiscal 2009, the Southeast Region found that change can feel familiar. Jim Price, who began his OTS career in the Southeast Region, returned as only the second Regional Director. Price's first positions with the OTS were in the Southeast Region as an Assistant Director and a Field Manager. In 1999 he moved to Chicago and worked as an Assistant Regional Director there before making his way back to the Southeast Region's Atlanta headquarters.

In FY 2009, the Southeast Region also appointed a new Assistant Regional Director for Compliance, Joel Palmer. With this appointment, all of the Region's compliance responsibilities were

consolidated under Palmer's management. The compliance department handles the bulk of the Region's outreach to consumers and communities. Although the appointment was new, there was something familiar about Palmer's approach to managing the regional consumer compliance function — he has been doing it for more than 15 years.

The majority of the employees in the Southeast Region are examiners and their immediate supervisors, specializing in safety and soundness, consumer compliance, trust or information technology (IT) issues. These employees constitute the region's force in the field, typically spending much of their time on the road for on-site examinations. At regional headquarters in Atlanta, the staff includes senior managers, analysts, examiners, technology specialists, experts who manage applications for charters and changes in operations, and administrative support staff members.

The Region also has a Community Affairs Liaison, who keeps lines of communication open with the thrift industry and community groups, helping the regional staff stay aware of issues in particular communities. In FY 2009, the Liaison helped the regional staff continue its long-established tradition of effective



Department of the Treasury

communication and regular outreach to the industry and to communities.

As in years past, the Region hosted a variety of events to foster an exchange of information and ideas with the industry. Some of the most popular events were financial managers meetings in the fall of each year. The Region usually hosts two such meetings, one in Atlanta and one in Baltimore. All thrifts in the Region are invited to attend one of the sessions. Although the presentations vary every year, the meetings follow a familiar pattern of discussing hot topics in supervision, accounting, capital markets, compliance and IT.



Compliance with consumer protection regulations can be challenging – particularly for small financial institutions. In FY 2008 and 2009, a number of important consumer compliance laws and regulations were adopted or revised. To help the industry achieve compliance with the new regulations, the Region held four compliance workshops in Atlanta, Orlando, Louisville and Annapolis. All institutions in the Region were invited to attend one of the meetings, where topics included flood insurance, truth in lending, the Community Reinvestment Act (CRA), the Bank Secrecy Act, anti-money-laundering and fair lending. As it has in the past several years, the Region's consumer compliance staff partnered with the staffs of other federal banking agencies to provide hands-on training for CRA officers at banks and thrifts in the

Southeast. We conducted this training in Atlanta, Orlando, Memphis, Louisville and Columbia, S.C.

The OTS regional staff also participated in meetings, conferences, seminars and workshops hosted by other organizations. We were regular presenters and attendees at events organized by fellow government agencies, banking trade associations, community groups and non-profit organizations.

In fiscal 2009, the recession that arose out of a real estate and housing crisis had a dramatic impact on the financial condition of regulated institutions in the Southeast Region. These thrifts are heavily invested in real estate loans and securities, which make up about two-thirds of institutions' assets. The decline in real estate values hit Florida and some parts of Georgia particularly hard, but the effects of falling property values and rising unemployment caused stress for financial institutions in all states in the Region. Despite these stresses, the thrift industry in the Southeast has generally performed well, with assets and deposits rising. Capital also increased, in part because of the federal Troubled Asset Relief Program, or TARP, but also because of private capital infusions. However, the thrift industry in the Region suffered losses for the four quarters ending June 30, 2009, and negative fallout from the recession is expected to continue. Although we expect some struggling institutions to fail in 2010, the overall health of the industry in the Southeast is a sign that thrift institutions will be ready and able to continue to serve their communities.

For two decades, the staff of the Southeast Region has worked hard to ensure that consumers and communities throughout the Region will always be able to count on savings associations to provide essential financial services and products ■



Central Region

1 South Wacker Dr.
Suite 2000
Chicago, IL 60606

312-917-5000
312-917-5001 - FAX

Applications:

Penny Marshall
206-829-2606
206-829-2620 Fax

Number of thrifts:
248

Total thrift assets:
\$145 billion

Number of employees:
165



Daniel T. McKee
Regional Director



The OTS Central Region, headquartered in downtown Chicago, was formed in 2007 from five states in the Great Lakes region – Illinois, Indiana, Michigan, Ohio and Wisconsin. In March 2009, the Central Region expanded westward with the addition of five states in the upper Midwest – Iowa, Minnesota, Nebraska, North Dakota and South Dakota.

The Central Region has supervisory responsibilities for thrifts that encompass a wide array of businesses and industries, including agriculture, automobile, manufacturing, financial services and tourism. The Region's thrifts have total assets ranging from \$4 million to \$16 billion. The Region also oversees the supervision of several diverse holding companies whose activities include agriculture, insurance, manufacturing and retail operations.

During its second full year of operation, the Central Region continued to evolve in response to the challenges posed by the economic environment and to the changes in the composition of the Region. With the addition of five new states, the Central Region was challenged with integrating additional OTS-regulated institutions and OTS staff into its infrastructure of systems, administration and procedures to continue efficient operations.

Senior management changed in the Region during the year as Thomas Barnes, the Regional Director since

2007, was appointed Assistant Deputy Director in OTS's Washington headquarters, Daniel McKee was appointed the new Regional Director and Philip Gerbick was selected Regional Deputy Director.

During FY 2009, the Central Region staff increased by 42 employees, mostly reassigned from other OTS regions. The Region also hired an intern under the Student Career Educational Program and two examiner specialists.

Although the Central Region was formed only two years ago, the regional staff has many seasoned employees with significant experience across all examination disciplines. Most of these employees were previously assigned to other regions at the OTS and a majority worked through earlier economic cycles. The Region's expertise in specialty areas encompasses capital markets, commercial and consumer credits, compliance, trust and information technology. During fiscal 2009, 11 of the Region's newer examiners became accredited, further strengthening the examination staff.

With the decline in the overall economy, thrifts in the Central Region continued to struggle during the year. The economies in Illinois, Indiana, Michigan and Ohio were especially stressed by the downturn in automobile-related industries. Unemployment rates in the Central Region spanned both ends of the spectrum. Three states – Nebraska,

Department of the Treasury

North Dakota and South Dakota – reported the lowest unemployment rates in the country while Michigan reported the highest. Illinois and Ohio also posted unemployment rates higher than the national average.

The Central Region supervises its OTS-regulated institutions and holding companies through close financial monitoring and regular supervisory contact. In response to the economic environment, the Region expanded the scope of risk-focused examinations and conducted more frequent targeted examinations and field visits. Enhanced



off-site monitoring and meetings with thrift managers have been valuable in identifying potential risks and supervisory concerns facing OTS-regulated institutions.

During the year, the Central Region maintained frequent communication with the industry. The Region hosted several outreach meetings with Chief Executive Officers of OTS-regulated institutions to discuss the latest regulatory matters and challenges unique to their economic environments. Regional managers also participated in speaking engagements and regulator panels with trade associations that represent OTS-

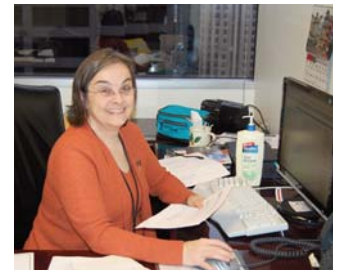
regulated institutions. All of these outreach efforts helped the Region's staff to better understand the pressures the thrift industry faced.

The Central Region also offered training courses to provide thrift managers with the latest information about regulatory issues, including a seminar for members of thrifts' Boards of Directors, a workshop on compliance matters and the Community Reinvestment Act, a Financial Management Seminar and a Credit Forum.

During the year, regular communication was also a priority with other federal and state bank regulators to discuss risks unique to states in the Region. The Region shares responsibility with state regulators for 32 state-chartered thrifts in Illinois, Indiana, Ohio and Wisconsin, jointly regulating these thrifts with state banking departments.

The Region's Community Affairs Liaison continued to focus on the involvement of OTS-regulated institutions in community development, affordable housing and credit. Most noteworthy of such initiatives during FY 2009 was the development and delivery of a series of interagency community development conferences on credit enhancements for residential and small business lending. Representatives of more than 150 community banks and thrifts from throughout the Central Region attended the three conferences in Chicago, Detroit and Minneapolis.

The Central Region achieved much during its second year of operation and will continue to work to ensure the health of the OTS-regulated institutions and their holding companies. The Region's employees, many of whom have been a part of the OTS since its inception in 1989, have also contributed significantly to the success of the OTS ■



Western Region

225 E. John
Carpenter Freeway,
Suite 500
Irving, TX 75062-
2326

Mail:
P.O. Box 619027
Dallas/Ft. Worth, TX
75261-9027

972-277-9500
972-277-9501 - FAX

Applications:
Jearlene Miller
972-277-9576
972-277-9586 - FAX

Number of thrifts:
173

Total thrift assets:
\$346 billion

Number of employees:
223



C.K. Lee
Regional Director



The OTS realigned its regions in FY 2009, integrating caseloads and staff, and consolidating the West and part of the Midwest regions into the new Western Region.

The Western Region spans 20 states and one territory - from Mississippi to Guam and from Alaska to Texas. The Region is characterized by large metropolitan areas with very large thrifts and a substantial number of small towns with community banking franchises.

Currently, five of the 11 largest OTS regulated thrifts with assets in excess of \$25 billion reside in the Western Region. Most thrifts in the Region, however, are in communities with populations of less than 50,000. These are areas where bank managers have strong community ties and often greet their customers by name. These smaller thrifts are spread over wide expanses of the Mississippi River states, the Midwest, the Rocky Mountains and Pacific Coast states.



The downturn in the U.S. economy continues to reverberate in varying degrees of severity through the states in the Western Region. The housing contraction hit the western portion of the Region especially hard, while the

eastern portion of the Region came under pressure from broader adverse trends in unemployment, consumer credit contraction and slowdown in business activity. Unemployment rates ran especially high in Nevada and California, while double-digit house price declines had a negative impact on

Nevada, California, Arizona, Oregon and Washington. Foreclosures are expected to continue to rise in the Region in 2010.

Economic conditions resulted in significant downgrades in supervision ratings, requiring the Region to take more formal and informal enforcement actions to strengthen the financial condition and operations of thrifts and holding companies. These efforts were designed to ensure that regulated thrifts

and holding companies would survive the economic crisis and were positioned to provide credit and other banking services to their communities.

The Region conducts quarterly monitoring meetings with all of its supervision managers, regional office examiners, quality assurance manager, applications manager and accountants to identify and respond to significant risks and issues at the Region's institutions. The Region's monitoring examiners are responsible for reporting the financial condition of institutions monthly or quarterly, depending on each institution's risk profile. This process identifies issues to discuss at the quarterly monitoring meetings.

The Western Region continued in fiscal 2009 to expand its use of the Electronic Exam Process (EEP), which the former Midwest Region pioneered in 2002 and the OTS later implemented nationwide. Given the vast territory the Western Region encompasses, the use of the EEP has tremendously benefited regulated institutions and examiners. EEP is environmentally friendly, cutting down on the use of paper by allowing institutions to provide information electronically. The process promotes faster distribution of information, enhanced organization of documents and more focused on-site examination time. The continuous monitoring process, combined with EEP, has proven especially beneficial during challenging times.

After the OTS's regional realignment, the Western Region had 223 employees, mostly examiners and supervisory staff overseeing OTS-regulated financial institutions. The Region continued to devote significant resources toward strengthening its future workforce by training new and experienced examiners. During fiscal 2009, the Region had 67 examiners working toward accreditation. Although OTS transferred some of these examiners to help meet the staffing needs of other regions, they remained with the agency and continued to work toward accreditation.

During FY 2009, the Region held industry outreach events to discuss emerging risks, market and industry conditions, and regulatory changes and expectations. The two



former regions, now as one, combined outreach efforts and conducted meetings with institutions throughout the Western Region to introduce OTS's new regional officials and maintain open communications. The Region conducted CEO Outreach meetings, Financial Management Seminars and Chief Credit Officer Forums in Kansas City, St. Louis, Dallas, Santa Ana, Seattle, San Francisco, New Orleans, Los Angeles and Denver.

Consistent with a regional practice initiated in 2007, the Western Region conducted workshops in seven cities targeted toward the Community Reinvestment Act (CRA) and compliance issues. The workshops focused on unfair lending practices, recent changes to rules governing residential real estate transactions, new protections for consumers who obtain higher cost mortgages, identity theft red flags, the compliance implications of loan modifications, and other new and emerging compliance issues. These and other "hot topics" were also covered during CEO Outreach meetings, Financial Management Seminars and Chief Credit Officer Forums.



In addition to these OTS events, Western Region compliance professionals participated in many other industry and government conferences and meetings. In fiscal 2009, Western



Region officials participated in 25 such events, including the 2009 CRA and Fair Lending Colloquium, HUD's Fair Lending Conference and state bankers' association compliance conferences.

The Western Region is also proud of its community development partnership activities. One such effort began in 1991, when the Region partnered with other federal banking regulators to sponsor an Interagency CRA Conference. Since that time, the Western Region has held 13 CRA conferences, with another scheduled for 2010 in New Orleans. What started in 1991 as a modest regional event in San Francisco became a national event in 2006. It is considered the premier event of its kind, with the most recent conference attracting more than 700 participants from around the country and internationally.



Western Region officials also meet regularly with thrift lenders, non-profit organizations and government agencies to discuss credit needs and best practices. By doing so, the Region helps thrifts develop their own CRA plans and community development objectives in affordable housing, small business development, foreclosure prevention, reaching and serving unbanked populations, and financial education.



The Western Region's consumer compliance and community affairs programs are multi-faceted, going beyond examination and supervision to initiate and support national policy initiatives in consumer protection. The Region places significant emphasis on outreach and training to institutions and examiners.

The results of these efforts can be seen throughout the Western Region and other parts of the country in the form of loan commitments and community development, community services provided, investments infused into community development organizations, affordable housing units built and increased financial literacy ■



OTS Operations

Highlights and Accomplishments



Through the agency's *Two Decades of Service to Consumers & Communities*, OTS operations have supported the mission of supervising savings associations and their holding companies, and ensuring that consumers are treated fairly.

The following sections describe each area of OTS operations and discuss some of their achievements during FY 2009 and over the past 20 years. The highlights and accomplishments of the year range from mission-critical supervisory guidance and enforcement actions to support activities such as recruiting new employees and providing the workforce with cutting-edge tools of technical innovation.

In combination with the field supervision of the OTS regions, OTS operations exemplify the value of the agency's oversight and its unique understanding of consumer and community lending. Just one example of the agency's singular expertise is the ever-increasing sophistication and usefulness of the OTS's proprietary Net Portfolio Value Model in gauging interest rate risk. This model is an invaluable tool for an industry dedicated to meeting the everyday financial services needs of families, communities and small businesses across the nation ■



OTS employees at headquarters and in the regions have rolled up their sleeves and gotten involved in community development projects for as long the OTS has existed.

Supervision



Timothy T. Ward, Deputy Director, Examinations, Supervision and Consumer Protection (left) and Thomas A. Barnes, Assistant Deputy Director, Examinations, Supervision and Consumer Protection

Although the thrift industry has changed over the past 20 years, ensuring the industry's safety and soundness and compliance with consumer protection laws remains the core mission of the OTS. Since its creation in 1989, the OTS has worked to maintain the integrity and viability of the thrift charter — uniquely focused on consumer and community lending — while the thrift industry has continued to adapt to the evolving financial services business and the demands of its customers. Every 12-to-18 months, the OTS conducts a comprehensive examination of each OTS-regulated thrift, combining reviews of safety and soundness with compliance. Examinations are tailored to the risk profile of each institution. This approach ensures that the examination process is effective and enables the thrift industry to provide competitive financial services.

State of the Thrift Industry

The U.S. economy continues to suffer from the impact of a severe recession, sometimes called the “Great Recession” because of its length and its impact on housing and employment. As unemployment levels have risen, home prices dropped considerably in most parts of the nation and home sales continued to decline, creating an oversupply of unsold homes.

Thrift institutions continued to face significant challenges in fiscal 2009, as the weak housing market and high unemployment took a toll on asset quality and profitability. The industry's ratio of troubled assets, such as delinquent loans and repossessed properties, to total assets rose to 3.63 percent at the end of FY 2009 from 2.4 percent a year earlier. For the four quarters through September 2009, thrifts set aside \$24.9 billion, or 2.18 percent of average assets, as a buffer against loan losses. In comparison, the thrift industry's loan loss provision expense for fiscal 2008 was \$35.5 billion (2.47 percent of average assets) and \$7.8 billion (0.52 percent of average assets) in fiscal 2007. The loss provisions in FY 2009 caused the industry's \$5.8 billion net loss for the year and a return on average assets of negative 0.5 percent.

While industry earnings remained weak by historical standards, there were signs of stabilization. The industry achieved positive earnings in the second half of fiscal 2009, even following an after-tax expense of an

estimated \$325 million for a special deposit insurance assessment by the Federal Deposit Insurance Corporation.

Thrift capital remained strong. As of the end of the fiscal year, 95.8 percent of all thrifts – holding 95.9 percent of industry assets – exceeded the “well-capitalized” regulatory standards. Taken together, loan loss reserves and capital provided a cushion against loan losses. One measure of this cushion, the industry’s “loss coverage ratio” (the ratio of capital and loan reserves to total loans and leases) was a record 19.2 percent at the end of the fiscal year.

Economic challenges resulted in an increase in the number of problem institutions during the year, as well as the number of failed thrifts. As of September 30, 2009, there were 43 problem thrifts, or 5.5 percent of all OTS-regulated thrifts. A year earlier, there were 23 problem thrifts, or 2.8 percent of OTS-regulated thrifts. In fiscal 2009, 14 thrifts failed with combined assets of \$46 billion. In fiscal 2008, three thrifts failed with combined assets of \$338 billion.

During FY 2009, the OTS also examined thrifts’ compliance with laws and regulations to protect consumers, disrupt terrorist financing and combat money laundering, as well as thrifts’ records in meeting Community Reinvestment Act (CRA) requirements and information technology (IT) standards. As of September 30, 2009, 94 percent of thrifts were rated highly on compliance. On CRA, 92 percent of thrifts were rated satisfactory or better. On IT, 92 percent of thrifts were rated satisfactory or better.

Although significant challenges lie ahead, thrift institutions made progress to ensure they were positioned for a positive future. The combination of strong capital and bolstered loan loss reserves promised to help the industry withstand continued weakness in the housing and labor markets.

Troubled Asset Relief Program (TARP)

In response to the global financial crisis, Congress passed the Emergency Economic Stabilization Act in October 2008, authorizing the Department of the Treasury to use \$700 billion to provide stability and restore liquidity to the U.S. financial system through the Troubled Asset Relief Program (TARP). Treasury made \$250 billion of the \$700 billion available under TARP to U.S. financial institutions through the purchases of preferred stock under the Capital Purchase Program (CPP).

During FY 2009, the OTS developed and implemented an efficient CPP application process, established effective examination procedures to assess compliance with CPP requirements and created a program to monitor the use of funds by CPP recipients. The OTS processed more than 250 CPP applications, as well as five requests to repay the CPP funds. Although the CPP program does not dictate how institutions should use CPP funds, the OTS monitors each recipient’s use of the funds to augment capital and support lending needs in its community.

Mortgage Metrics

Loss Mitigation Strategies to Prevent Mortgage Foreclosures

The OTS published its first Mortgage Metrics Report in July 2008. The report presented key performance data on first-lien residential mortgages serviced by thrift institutions or their affiliates during the first quarter of 2008. The report focused on delinquencies, loss mitigation actions (loan modifications and payment plans) and foreclosures.

Since then, the OTS and the Comptroller of the Currency (OCC) have jointly issued the Mortgage Metrics Report every quarter. The report covers 34 million loans, worth \$6 trillion, or about 64 percent of all mortgages in the country. The report helps examiners assess emerging trends, identify anomalies, compare thrift institutions to the rest of the industry, evaluate asset quality, assess needs for loan-loss reserves and gauge the effectiveness of actions to help families stay in their homes.

Since this effort began in early 2008, servicers have implemented more than 612,000 mortgage modifications.

In the first calendar quarter of 2009, servicers modified 185,156 mortgages, a 55 percent increase from the fourth quarter of 2008. More than 97,000 of those modifications (54 percent of the total) decreased borrowers' monthly principal and interest payments, improving chances of the modifications being sustainable for borrowers. The number of payment-reducing modifications and the amount of the reductions both

increased from the prior quarter. Most of the modifications involved two or more actions, such as a reduction in the interest rate and extension of maturity.

In the second calendar quarter of 2009, loan modifications that reduced borrowers' monthly principal and interest payments continued to increase to more than 78 percent of all modifications during the quarter. The number of modifications that reduced principal more than tripled to 10 percent, compared with 3.1 percent in the first quarter. This trend was a significant shift from earlier quarters, when the vast majority of modifications either did not change monthly payments or increased them. Modifications that reduced borrowers' monthly payments continued to result in fewer re-defaults and greater sustainability than modifications that increased payments or did not change them.

As economic weakness continued during the second quarter and mortgage delinquencies continued to rise, loan modifications and payment plans rose to 439,574, nearly 22 percent more than in the first quarter and nearly 75 percent more than during the previous year. Actions under the "Making Home Affordable" program to assist troubled homeowners drove the increase.

Earlier this year, Congress adopted the Helping Families Save Their Homes Act of 2009. One provision of the law required the OTS and OCC to submit the Mortgage Metrics Report to Congress quarterly with information on mortgage modifications and re-defaults. OTS submissions to Congress meet these requirements and the agency is

APPLICATIONS ACTIVITY: 2008-2009

	Applications Filed			Fiscal 2009 Decisions		Total
	FY 2008	FY2009	Approved	Denied	Withdrawn	
Branch	314	186	186	0	6	192
Bylaw/Charter	157	140	126	1	8	135
Conditions	23	33	30	1	2	33
Control	38	24	19	1	3	23
Conversions	6	6	3	0	2	5
HC	88	76	50	0	32	82
Merger	18	10	12	0	4	16
New Institution	27	11	7	0	13	20
Merger with a Bank (Oakar)	33	34	36	0	2	38
Operations	581	521	461	0	42	503
Conversion to a Bank (Sasser)	9	13	10	0	1	11
Sub Debt/MRPS	10	4	3	0	1	4
Subsidiary	102	78	76	0	15	91
Waiver	69	65	60	0	10	70
Totals	1,475	1,201	1,079	3	141	1,223

continuing to provide this increasingly useful information to assist in resolving the problems facing the nation's economy.

Applications

OTS grants federal thrift charters, approves savings and loan holding company structures, and reviews and approves changes in banking activities for all of its regulated institutions. The table above is a summary of all applications received in fiscal 2009.

Risk Modeling

The balance sheets of traditional thrifts, characterized by long-term mortgage loans funded with short-term deposits and other borrowings, results in high levels of exposure to interest rate risk. The overriding importance of interest rate risk management for the thrift industry led to OTS's creation of the Net Portfolio Value (NPV) Model in 1991. Since then, the agency has continued to enhance the usefulness of the model as an off-site supervisory tool. Each quarter, about 750 thrifts submit detailed balance sheet information that the

OTS uses to create institution-specific interest rate risk reports. Output from the NPV Model helps to identify institutions that are exposed to excessive interest rate risk, to assess important industry trends and to aid in the supervision of institutions identified as high-risk concerns. The OTS shares these interest rate risk reports with thrift executives, facilitating discussion between examiners and senior thrift managers about identifying, measuring and managing risks. The OTS also has flexibility to adjust modeling assumptions during onsite examinations to provide more accurate assessments of interest rate risk tailored to particular institutions.

The OTS regularly conducts analyses and provides market commentary for the supervisory staff on market developments and their potential impacts on OTS-regulated institutions. In addition, the OTS participates in interagency efforts to develop policies and enhance supervision over market risk and liquidity risk, and contributes to the development of training courses and seminars by the OTS and other federal bank regulators for capital markets specialists and others.

Global Financial Services

The OTS continued its involvement in fiscal 2009 in developing policies and operational standards in the international arena. The agency continued to participate in meetings of the Basel Committee on Bank Supervision (BCBS), its principal subcommittees, the Policy Development Group, the Standards Implementation Group and the Accounting Task Force, along with their supporting working groups. Through its participation on the BCBS, the OTS continued to work with supervisors across the globe to strengthen the regulation, supervision and risk management of the banking sector. The OTS also participated in meetings and decisions of the Association of Supervisors of Banks of the Americas. The agency shared its supervisory experiences with these organizations to assist in the development of uniform global safe and sound banking principles.

Effective and Efficient Supervision

In FY 2009, the agency continued to improve efficiency and to strengthen its supervisory processes to meet the regulatory challenges of the future.

- *Regional Realignment* — Due to a change in the number and size of institutions supervised by the West Region, the OTS reorganized its regional structure. To achieve greater operating efficiencies and balance staff resources geographically, three regions were realigned into two, thereby reducing the number of supervisory regions from five to four.
- *Large Bank Unit* — The OTS created a Large Bank Unit to enhance its supervision of institutions with assets of more than \$10 billion. The unit monitors the full scope of large bank operations, including their OTS-supervised holding companies, affiliates, subsidiaries and service corporations. OTS subject matter experts assist in the review of material issues and events to ensure nationwide consistency and to augment the examination and supervision process.
- *FM/AD Advisory Group* — The OTS established this group of OTS field managers (FM) and assistant directors (AD) to provide the agency's senior leaders with perspectives, ideas and suggestions to improve examination processes and enhance supervisory efficiencies. The group has two members from each of the four OTS regions, plus the Washington-based Managing Director for Supervision and the Assistant Deputy Director for Examinations, Supervision and Consumer Protection. The group's first meeting convened in June 2009.
- *President's Working Group on Financial Markets (PWG)* — The President's Working Group was expanded in 2008 to include all of the federal bank regulators, including the Director of OTS. Since the expansion, the OTS staff has provided input as the PWG developed recommendations and best practices on a variety of initiatives under way at the Department of the Treasury.

Guidance, Outreach, and Education

The OTS maintained a high level of communication with the thrift industry during the year, administered educational programs and shared information on best practices and emerging risks.

Guidance

- ***Foreclosure Rescue Scams — How to Avoid Becoming a Victim*** — The OTS provided tools to consumers facing foreclosure and working to save their homes. After hearing from consumers who had been victimized by nonbank companies that promised to solve their mortgage worries and save their homes from foreclosure, the OTS developed and published a brochure entitled, “Foreclosure Rescue Scams — How to Avoid Becoming a Victim.” The brochure discussed tactics fraudulent companies frequently use in foreclosure rescue scams and informed consumers how to file a complaint with a bank’s regulator to investigate their concerns at no charge.
- ***Regulatory and Accounting Issues Related to Modifications and Troubled Debt Restructurings of 1-4 Family Residential Mortgages*** — In August 2009, the OTS updated its Examination Handbook, not to set new policies but to focus on accounting and regulatory reporting for troubled debt restructurings, including asset classification and regulatory capital treatment. OTS has a longstanding policy of encouraging thrifts to work with delinquent borrowers who demonstrate a willingness and ability to repay their mortgage loans. The agency has stressed that prudent workout arrangements consistent with safe and sound lending practices are generally in the long-term best interests of thrifts and borrowers.
- ***“No Interest, No Payment” Credit Card Programs*** — In September 2009, the OTS reminded savings associations that one of the key tenets of safe and sound retail lending is requiring minimum monthly payments. These payments allow associations to assess each borrower’s ability and willingness to repay over time. The guidance indicated that while savings associations could offer “no interest” promotions, they should have a policy of a minimum monthly payment of at least one percent of the principal balance owed.
- ***Risk Management: Asset and Liability Concentrations*** — In July 2009, the OTS issued guidance to re-emphasize its longstanding expectation for thrifts to develop risk management systems to ensure prudent loan underwriting and investment standards, including explicit, reasonable limits — approved by the Board of Directors — on concentrations of higher-risk assets and liabilities.
- ***ALLL — Observed Thrift Practices Including Sound Practices*** — In May 2009, the OTS shared with the thrift industry a summary of the findings of its review of the methodologies of larger thrifts for calculating their allowances for loan and lease losses (ALLL). The agency performed this “horizontal

review” in 2008, including single family residential mortgages, option adjustable rate mortgages and second mortgages. The purpose of the review was to identify industry practices, including best practices, in estimating ALLL.

- *Accounting Considerations Related to Other-than-Temporary-Impairment of Securities* — In September 2009, the OTS released to the industry guidance previously provided to OTS examiners and other supervisory staff members regarding accounting related to other-than-temporary impairment (OTTI) of securities. During the global financial crisis, the fair value of many securities declined below their amortized cost bases. These securities were impaired under U.S. generally accepted accounting principles. Consequently, thrift managers needed to assess whether the fair-value decline represented a temporary or other-than-temporary impairment. This assessment was important because it could directly affect the accounting treatment and have an impact on earnings and regulatory capital. In certain circumstances for debt securities, OTTI is separated into two components: (1) the credit loss amount, recognized in earnings; and (2) the amount related to all other factors (non-credit loss) recognized in other comprehensive income, net of applicable taxes.
- *Risk Management of Remote Deposit Capture (RDC)* — The OTS led the federal banking agencies in

January 2009 that contained guidelines for examiners, financial institutions and technology service providers to identify risks in financial institutions’ RDC systems and to evaluate the adequacy of controls and applicable risk management practices.

Outreach

- *Mutual Savings Association Advisory Committee* — As a reflection of the importance of mutual savings associations, the OTS chartered a federal advisory committee for mutual savings associations. This group of 12 representatives of mutual institutions of various sizes, geographic locations and operating strategies provides insight to the OTS on operational, governance and supervisory issues unique to mutual institutions. The committee held its inaugural meeting in June 2009 and was scheduled to meet at least three times a year.
- *Minority Depository Institutions Advisory Committee* — The OTS also established a Minority Depository Institutions Advisory Committee to advise the OTS on how best the agency could maintain the current number of minority institutions, preserve the minority character of minority-owned institutions during mergers or acquisitions, provide technical assistance and encourage the creation of new minority depository institutions. The 11 committee members represent institutions, trade groups, community groups, investors and others with an interest in minority depository institutions.

■ *Director's Seminars* — The OTS held seminars in FY 2009 to assist members of the Boards of Directors of thrift institutions to become more aware of best practices for effective boards. Approximately 100 thrift directors attended seminars during the year in Minnesota and North Carolina on how boards could perform self-evaluations. The OTS presented new information from the OTS Examination Handbook on "Oversight by the Board of Directors," which contains a form for directors to perform a self-evaluation. In FY 2010, the OTS is scheduled to hold a seminar in Washington, D.C., covering lessons learned from recent bank failures and regulatory hot topics.

Examiner Education

■ *OTS IT Examination Staff* — Given the dynamic nature of technology, the OTS recognizes the importance of maintaining a well-trained information technology (IT) examination staff. In fiscal 2009, the OTS sponsored an information security conference for IT and safety and soundness examiners with IT responsibilities. The annual conference included experts in the field of information security and offered opportunities for examiners to learn about

important issues through face-to-face meetings and online interactions with peers and industry leaders.

■ *FFIEC Information Technology Conference* — The OTS participated in organizing this three-day annual event to inform IT examiners and safety-and-soundness examiners with IT examination responsibilities about current and emerging "hot topics" in information security, identity theft and IT risk management. All agencies in the Federal Financial Institutions Examination Council (FFIEC) participated. Speakers were nationally recognized industry experts.

Disaster and Emergency Preparedness

The OTS was involved in FY 2009 in initiatives to address emergency response and disaster preparedness, including participation in the Cyber Financial Industry and Regulators Exercise of 2009. The fraud simulation exercise was sponsored by a public-private partnership of the Financial Services Sector Coordinating Council, the Financial Services Information Sharing and Analysis Center, and several financial regulatory agencies. The exercise helped financial institutions test their preparedness for, and resilience against, cyber attacks.

Ombudsman

The OTS Ombudsman serves as a liaison between the agency and the institutions it regulates to ensure that supervisory decisions and findings are consistent and objective. The OTS recognizes that its decisions have a significant effect on the institutions it regulates and that supervisory decisions or examination findings may be challenged. The agency encourages the resolution of issues through informal communication between institution managers and OTS regional staff members. If issues cannot be resolved informally, the Ombudsman is available to provide an independent review and facilitate the appeals process. Guidelines governing the appeals process and a description of the functions of the Ombudsman's office are contained in Thrift Bulletin 68b.

The Ombudsman is responsible for reporting issues and concerns regarding examination policies and procedures that are identified through the appeals process and through informal communications with thrift managers. Without breaching confidentiality of sources, the Ombudsman provides recommendations to OTS senior officials for addressing these issues. ■

Consumers & Communities

Consumer Affairs

In the depths of the worst economic crisis since the Great Depression, the OTS heightened the time and attention devoted to helping consumers in fiscal 2009.

I appreciate all your efforts. The bank just called and they have agreed to modify the loan. You have clearly saved this little family! Thank you so much!

— Letter from consumer to the OTS

The OTS has a long history of supervising the thrift industry to advance its safe and sound operations and compliance with consumer protection laws. The Consumer Affairs function plays a critical part in this important mission.

Each year, the OTS works with thousands of customers of thrift institutions to address their questions, to provide information on filing complaints against thrift institutions, or to help

them contact the correct regulatory agency if their concerns do not involve a thrift institution. Since the establishment of OTS in 1989, its Consumer Affairs employees have spent time talking with consumers and working toward resolving their concerns as the agency researched, investigated and responded to nearly 80,000 consumer complaints.

During FY 2009 alone, the OTS responded to 26,165 consumer inquiries by telephone, e-mail and

other correspondence to assist consumers with questions and concerns about their financial institutions. The agency also reviewed and analyzed 8,329 consumer complaints in fiscal 2009 involving issues such as mortgage loan modifications and foreclosures, credit evaluation, billing disputes and concerns about customer service. OTS facilitated communication between thrifts and consumers to seek alternatives to home foreclosures and to ensure compliance with consumer protection regulations.

Our work to address consumer complaints and inquiries also provides invaluable information that can lead to the development of regulatory guidance or the development of new consumer protection rules. The OTS also uses complaint data to help determine where our examiners should focus to ensure thrift institutions' compliance with consumer protection laws.

The OTS simplified and streamlined its complaint-filing process for consumers in fiscal 2008. The agency centralized its toll-free telephone number for consumer calls at OTS headquarters in Washington for consumers to reach the OTS more easily with questions about thrift institutions. The Consumer Response Center is staffed by trained OTS employees to address consumers' questions, to assist consumers with filing consumer complaints about OTS-regulated thrift institutions and to help consumers identify the appropriate regulator for institutions

not supervised by the OTS. In addition, the OTS reorganized its national consumer affairs team to analyze and respond to consumer complaints, and to provide reports on complaint trends to OTS examiners for use in examining thrifts. To support the team and facilitate efficient processing of consumer complaints, the OTS also launched a new electronic complaint tracking system.

Since its inception, the OTS has continued its commitment to ensuring that thrift institutions comply with consumer protection laws and regulations, and treat their customers fairly.

Community Affairs

The OTS established its Community Affairs Program in 1993 to foster access to financial services by areas with the greatest needs, particularly low- and moderate-income communities. The Community Affairs program supports efforts by the thrift industry to engage in safe and sound community development activities consistent with the Community Reinvestment Act (CRA).

Over the years, members of the OTS Community Affairs staff developed relationships with members of the public and community groups to promote important community development initiatives, such as the creation of CRA roundtables and training to educate thrifts about CRA. Other initiatives include the creation of publications and other materials about individual development accounts, first time home buyer programs, housing and mortgage lending in Native American communities and rural areas,

preventing financial abuse of the elderly and financial education efforts to encourage informed consumer choices about financial services.

During FY 2009, the Community Affairs program continued to promote financial literacy for consumers and identify potential community development opportunities for the thrift industry. For example, the OTS Community Affairs program published a pamphlet on *How to Avoid Foreclosure Rescue Scams* to alert consumers and communities about fraudulent schemes victimizing struggling borrowers across the country. The Community Affairs staff also continued to address the impact of foreclosures on neighborhoods across the country, facilitating key relationships between community groups and the thrift industry, and assisting thrifts with identifying sound programs that serve their communities.

I am happy to report that the situation described in the letter between me and [the institution] has been amicably resolved.

Thank you!

— Letter from consumer to the OTS

Minority Depository Institution Program

Since the 1970s, the OTS and its predecessor agency have provided technical assistance to minority institutions. OTS recognizes the important role minority depository institutions play in furthering the economic viability of minority communities, particularly in low- to moderate-income areas. Minority depository institutions also provide significant assistance and important perspectives to regulators and other

government agencies in evaluating and addressing the financial services needs of minority communities.

I would like to thank you so much for your letter and your incredibly prompt actions in my complaint... [the institution] has credited my account. I so appreciate your intervention in this matter, and I am certain that I would have no resolution of the matter without your help. In short, you are wonderful and I am truly surprised, very pleased and profoundly grateful to you.

— Letter from consumer to the OTS

The OTS supervised 21 minority-owned savings associations in fiscal 2009 with \$6.6 billion in total assets. Through the OTS's Minority Depository Institutions Program, which promotes the creation, preservation and minority character of minority depository institutions, members of the OTS staff are available to meet with minority institutions to discuss economic trends, regulatory issues and legislative developments, as well as assistance that OTS can tailor to support minority depository institutions.

As noted on p. 24, the OTS formed an advisory committee in FY 2009 to provide insight to the agency on how best to support minority institutions.

Consumer Regulations and Policy

Over the years, the OTS has implemented consumer protection policies through rules and guidance. It has promulgated rules that interpret a broad range of consumer protection laws, including

the prohibition in the Federal Trade Commission Act against unfair or deceptive acts and practices; provisions in the Gramm-Leach-Bliley Act that protect consumer rights in insurance transactions and personal privacy; the Community Reinvestment Act; and the Fair Credit Reporting Act. In fiscal 2009, the OTS and other agencies finalized rules to prevent unfair credit card practices, as well as rules providing a model privacy notice form that will make it easier for consumers to understand how financial institutions collect and share information about them. The model privacy notice form should also help consumers exercise their rights under consumer protection laws. These rules were developed on an interagency basis, applying across the financial services industry and providing a level playing field.

The OTS also has a strong history of developing policies and guidance that address compliance and consumer protection issues. In FY 2009, for instance, the OTS issued guidance on:

- Compliance with the new Credit Card Accountability, Responsibility and Disclosure Act.
- Protections for tenants occupying foreclosed property under the Helping Families Save Their Homes Act.
- Rules that help consumers dispute inaccurate credit reports and that ensure the accuracy and integrity of reported consumer information, such as payment history.

The OTS and other agencies also worked toward finalizing guidance to address risks associated with reverse mortgages, a financial product expected to grow substantially in coming years as the number of senior

citizens in America expands. Available to homeowners age 62 and older, a reverse mortgage is a loan that converts home equity into payments from the lender to the borrower.

Although reverse mortgages are growing in popularity, they are complicated products for consumers and present risk management challenges for financial institutions. These concerns, combined with the fact that reverse mortgages are offered to seniors who may be vulnerable to misleading marketing techniques, prompted the OTS to join other federal bank regulators to propose reverse mortgage guidance for lenders in 2009.

The Examination Function

The OTS promotes consistency and best practices in compliance examinations by developing examiner guidance, examination procedures and training for examiners and supervision staff on emerging compliance issues regarding nearly 30 compliance and consumer protection laws and regulations.

Under the OTS examination strategy, agency examiners analyze the safety and soundness of financial institutions as they concurrently review institutions' compliance with laws and regulations to protect consumers, counter terrorist financing and prevent money laundering. The OTS's

onsite examinations and off-site supervisory monitoring are tailored to the risk profile of each institution. OTS examination teams issue one comprehensive report of examination covering both safety and soundness and consumer compliance every 12-18 months, while off-site monitoring and follow-up help address identified supervisory issues.

The OTS allocated supervisory resources in FY 2009 to augment its compliance examination capability by fostering collaboration between compliance examiners and members of the OTS professional development staff to train examiners. OTS officials in Washington also collaborated with OTS regional managers and staff members to address examination questions consistently across the agency.

Additionally, the OTS continued to work with other federal bank regulators, as well as the Financial Crimes Enforcement Network and the Office of Foreign Assets Control, to ensure examination consistency and to provide guidance to financial institutions on complying with the nation's laws and regulations on consumer protection, terrorist financing and money laundering ■

I am elated that I got a loan modification from [the institution]. Thank you so much for your help. I want to write to the NY Times on how amazing OTS is.

— Letter from consumer to the OTS

Legal Affairs



Deborah Dakin
Acting Chief Counsel

The OTS legal team had an extremely busy and challenging year in FY 2009, as the financial crisis led to a spike in enforcement, more than a dozen thrift failures, a flurry of rulemaking and regulatory guidance, and heavy involvement in analyzing and helping to shape legislative proposals in Congress.

The legal team, located in the agency's regional offices and in Washington, D.C., plays a central role in accomplishing the OTS mission by running the enforcement program, drafting regulations to implement federal laws, helping to draft proposed legislation, litigating court cases, writing legal opinions, providing legal advice to examiners and thrifts, and offering legal guidance on applications, such as applications for new thrift charters and applications to acquire thrifts.

The challenging economic climate in fiscal 2009 brought continued increases in the number of formal and informal actions against thrifts and thrift holding companies. This level of enforcement activity has not occurred since the early 1990s following the agency's inception.

Cease-and-desist orders again more than doubled from the previous year to 75 and supervisory agreements tripled from the previous year to 24. As in the previous year, these enforcement orders focused on inadequate capital, high levels of problem assets, poor earnings and liquidity concerns.

Also during the year, the OTS assessed 30 civil money penalties, totaling more

than \$400,000, against institutions and their affiliated parties. The agency also issued 24 prohibition orders barring from the thrift industry affiliated parties that were engaged in misconduct.

The legal team continued to work during FY 2009 to ensure that conversions of mutual thrifts to stockholder-owned institutions were proper and fair. Although the OTS strongly supports mutual thrifts, which are typically small, community-focused institutions, conversions to stock form allow institutions to raise capital to operate their businesses. During the last five fiscal years, OTS-regulated savings associations completed 30 mutual-to-stock conversions, which raised \$9.36 billion in capital. In addition, OTS-regulated mutual holding company enterprises completed 45 offerings of stock to outside entities, raising \$2.67 billion.

During fiscal 2009, the legal team successfully defended a court challenge to a rule issued by the OTS in 2008 to balance the interests of minority shareholders and management, and to preserve the proceeds from conversion stock offerings for the benefit of the relevant thrifts. Under that rule, a thrift and certain other mutual holding company subsidiaries may adopt an optional charter provision barring any single minority shareholder from owning more than 10 percent of the mutual holding company subsidiary's total minority stock for up to five years after the issuances of the stock.

The OTS legal team completed several important regulatory projects during

the year, including these final rules:

- Procedures to Enhance the Accuracy and Integrity of Information Furnished to Consumer Reporting Agencies Under Section 312 of the Fair and Accurate Credit Transactions Act
- Unfair or Deceptive Acts or Practices (credit cards)
- Rules of Practice and Procedure in Adjudicatory Proceedings; Civil Money Penalty Inflation Adjustment
- Minimum Capital Ratios: Deduction of Goodwill Net of Associated Deferred Tax Liability

The team also worked on several proposed and interim rules, including these:

- Risk-Based Capital Guidelines: Residential Mortgage Loans Modified Pursuant to the Making Home Affordable Plan
- Community Reinvestment Act Regulations
- Clarifications to Unfair or Deceptive Acts or Practices
- Risk-Based Capital Guidelines; Capital Adequacy Guidelines; Capital Maintenance: Regulatory Capital; Impact of Modifications to Generally Accepted Accounting Principles; Consolidation of Asset-Backed Commercial Paper Programs; and Other Related Issues
- Confidentiality of Suspicious Activity Reports

The OTS issued guidance and proposed guidance during the year that required significant legal support, including Appraisal and Evaluation Guidelines; Funding and Liquidity Risk Management Guidance; Guidelines for Furnishers of Information to Consumer Reporting Agencies; Flood Insurance Questions and Answers; and Questions and

Answers Regarding Community Reinvestment.

Congress enacted landmark legislation in fiscal 2009 for consumer protection and foreclosure mitigation in the “Credit Card Accountability Responsibility and Disclosure Act of 2009” and the “Helping Families Save Their Homes Act of 2009.” The OTS legal team helped to shape these legislative proposals, especially the credit card legislation, which followed a successful interagency rulemaking process on unfair or deceptive acts or practices that the OTS initiated in 2007. In addition, the legal team was heavily involved in analyzing and suggesting improvements to a myriad of bills in Congress, including financial regulatory restructuring proposals.

The OTS legal staff continued during the year to increase the number of OTS information-sharing arrangements with foreign banking supervisors. At the end of fiscal 2009, 20 such arrangements were in effect and 20 more were under negotiation. OTS attorneys also provided legal support to the OTS during the nation’s self-assessment of compliance with the Basel Core Principles of Banking Supervision for the International Monetary Fund’s Financial Sector Assessment Program.

The legal team also provided advice and other legal support during fiscal 2009 for the closings of 14 savings associations. In addition, OTS attorneys met with dozens of parties who had expressed interest in acquiring controlling or non-controlling interests in savings associations in assisted or unassisted transactions, and provided advice in connection with potential issues that could arise in such transactions ■

The challenging economic climate in fiscal 2009 brought continued increases in the number of formal and informal actions against thrifts and thrift holding companies. This level of enforcement activity has not occurred since the early 1990s following the agency’s inception.

Employees



Avelino L. Rodriguez
Acting Managing Director,
Human Capital

As OTS employees greet the agency's 20th anniversary with enthusiasm and dedication, the role of employees as contributors to the success of the OTS assumes greater prominence. The OTS is committed to maintaining a high performing workforce that meets the needs of the consumers and communities across the country that the thrift industry serves.

The OTS fosters a collaborative environment that promotes inclusion, individual accountability and workforce excellence through professional development, training and support to all employees. Continuing the agency's focus on building teams that are rich in diversity, experience and knowledge is crucial to the long-term success of the OTS.

Human Capital

The OTS strives to be an employer of choice. A key component of this effort is the agency's ability to attract and retain the best employees. To accomplish this goal, the OTS makes focused use of human resources recruitment strategies. Unlike in previous years, these efforts in FY 2009 did not include the recruitment of entry-level examiners, but instead involved hiring more experienced employees, as well as realigning the existing workforce to meet the needs of the agency's revised regional structure and the distribution of OTS-regulated institutions. During the year, the OTS hired 64 employees:

seven non-entry-level examiners, 44 student assistants and 13 seasoned professionals.

The OTS conducted outreach in fiscal 2009 to groups under-represented in the workforce to promote diversity and foster a culture of inclusion. OTS sponsored or directly hired interns through the Hispanic Association of Colleges & Universities, Washington Internship for Native Students and the Workforce Recruitment Program for disabled college students. In addition, the OTS participated in the Gallaudet Spring 2009 Job Fair; Diversity Military World Heritage Expo; Partnership for Public Service - Career & Internship Fair; Treasury Disability Summit; 2009 National Historically Black Colleges and Universities Week Conference; Thurgood Marshall College Fund; and Innovation in Government 2009 - Strategies for Recruiting Veterans and Wounded Warriors into Federal Service.

The OTS continues to improve its agility as an organization to adapt to the changing needs of the future. Through workforce planning, the OTS identifies its current and future human capital needs, including the size of the workforce and the competencies needed for the agency to fulfill its mission. Today's workforce continues to produce and perform at high levels.

Sustaining a high-performing workforce by recognizing and rewarding the talents of OTS

"OTS represents what our country is all about...

COMMUNITY."

— Valarina Oliver
Dumont,
Southeast Region





Thirty-five Year Service Award recipients, recognized at the annual "Director's Awards for Excellence"

employees is also crucial to the agency's success. To this end, the OTS implemented a new performance management program in FY 2009 to require accountability for results, motivate employees to excel and ensure fairness in the workplace. One of the primary goals of the program is to collaborate with employees to clarify how their work is relevant, fulfilling and vital to the success of the OTS in accomplishing its mission. This initiative is integral to developing a results-oriented, performance-based culture and aligning work expectations with organizational priorities and strategies. After participating in the process, employees and managers found the experience to be rewarding and insightful.

The OTS's Annual Employee Survey highlighted the agency's organizational strengths, showing impressively high scores on personal work experiences and learning, especially workplace collaboration,

and the quality and importance of the work our employees do.

Compensation and Benefits

The OTS compensation program consistently recognizes and compensates employees for superior performance. The OTS offers a compensation package that includes unique agency benefits in addition to the standard federal government-wide programs.

Over the last 20 years, the OTS has continually reviewed and enhanced its benefits package to retain and attract the best in the industry. In FY 2009, we increased the biweekly subsidy for employee-paid federal health benefits to offset rising premiums. The OTS also enhanced benefits by introducing a domestic partner health benefits subsidy and by recognizing domestic partners as

"I tell my family that I help keep their money safe. This is what the OTS does... focus on protecting consumers and making sure institutions are safe and sound. Everyone at this agency has that as their primary goal."

— Mike Brickman
Washington, D.C.



"We don't just do a job. There is public trust involved."

— Milly Chin
Western Region



“OTS is far different from when it was created and when I first joined the system in the early 1980s. We are an agency of change and innovation.”

— Philip Gerbick,
Central Region



“OTS is made up of high achievers who always rise to the occasion because of our teamwork.”

— Patricia Cecconi,
Northeast Region



eligible for certain OTS-specific benefits.

Since its inception, the OTS has offered free private group life insurance to all employees. During FY 2009, we introduced an enhanced life insurance program for senior managers and executives, aligning with other financial regulatory agencies.

The OTS offers a private 401(k) retirement plan that provides an employer match for all employees. In fiscal 2009, the OTS increased the employer matching contributions for employees under the Civil Service Retirement System and the Federal Employees Retirement System. We also continued to provide employees with a contribution toward an OTS Flexible Spending Account or a newly introduced Life Cycle Account, which provides an allowance for expenses not covered by other OTS benefit programs.

An effective compensation program plays a dynamic role in the success of an organization. For that reason, the OTS maintains a compensation program that is competitive with the federal regulatory industry and the private sector.

Professional Development

Throughout its history, the OTS has provided an environment of continuous learning to support the agency’s strategic goals, improve staff performance and increase

workplace satisfaction. The OTS continually assesses its training and development needs to ensure that opportunities are integrated and targeted to meet the identified needs.

The OTS offers an array of training programs, including the formal accreditation curriculum for new examiners; non-regulatory training; conferences and seminars; and other external training. All of these programs are intended to keep employees’ knowledge and skills current and to keep employees abreast of industry trends.

Since 2006, the OTS has hired 150 entry-level bank examiners who have progressed through a multi-year accreditation program of classroom instruction, on-the-job training and testing to develop expertise in the examination disciplines of safety and soundness, and consumer compliance. In fiscal 2009, 53 examiners completed this accreditation program and were awarded a Federal Thrift Regulator or Federal Compliance Regulator designation.

Given current workforce demographics, the OTS has focused particular attention this year on making the wealth of expertise and experience of the current workforce available for developing the next generation of leaders. Promoting a knowledge-sharing culture and a climate of openness, continuous learning and improvement helps to ensure a more knowledgeable, highly skilled workforce now and in the years ahead ■

Public Affairs

Since its inception 20 years ago, the OTS has been committed to promoting the transparency of its activities. Such transparency is a priority of the current Administration.

Through its public affairs program, the agency informs the public, Congress, the news media, trade associations, consumer groups, neighborhood organizations and others about the agency's activities and efforts to supervise the thrift institutions that serve consumers and communities across the nation.

Born of the financial and banking crisis of the late 1980s and early 1990s, the OTS faced another financial crisis last year and this year. As the economic downturn continued in FY 2009, the OTS provided accurate and timely information about the agency's activities to ease the crisis, ensure the safety and soundness of OTS-regulated institutions and protect consumers.

As Congress considered sweeping changes to the structure and rules that govern financial services, OTS officials met with Senators, Representatives and staff to offer perspectives, insights and technical expertise. The OTS also testified before Congressional committees on a wide array of issues, including mortgage loan modifications, risk management, credit card practices, consumer protection activities, credit availability and financial regulatory reform. In its testimony, the OTS offered proposals and perspectives on effective regulatory reform; on the

value of the thrift charter to American families, communities and small businesses; and on the threat to the long-term viability of the thrift industry posed by the proposed elimination of the OTS.

As the year brought more upheaval in the financial markets, sparking a rise in mortgage defaults and higher unemployment, financial institutions faced enormous stress, resulting in an unusually high number of requests for information from Congress and the news media.

Senior OTS officials continued in fiscal 2009 to host quarterly briefings for the news media on the performance of the thrift industry. These briefings provided insights and a wide array of data on industry earnings, profitability, asset quality, capital and other measures of the health of thrift institutions across the country.

The OTS commemorated its 20th Anniversary during the year and saluted its staff for diligence in performing ever more complex, technical tasks to regulate thrift institutions and their holding companies. A souvenir video for the OTS workforce was produced to present the history of the agency, and to cite the devotion and commitment of the men and women employed by the OTS in its regional and headquarters offices.

During the year, the OTS sent its staff members on the road to more than 30 conferences and other events to



Barbara L. Shycoff
Managing Director of
External Affairs



exhibit the OTS booth and educate industry executives, consumers, bank directors, attorneys, consultants and others about the OTS, the thrift charter, industry issues and consumer rights.

Throughout OTS's history, agency employees have unselfishly contributed their time and skills to community service. The agency continued this tradition in fiscal 2009 by organizing OTS volunteers to participate in neighborhood

revitalization and greening projects, including events sponsored by NeighborWorks.

As OTS has done for the past 20 years, the agency will continue to inform thrift institutions, the Congress, the public and others about its efforts to strengthen consumer protection, safeguard the health of the thrift industry and provide effective regulatory responses to the challenges ahead ■

Information Technology and Facilities

Information Technology

Since the creation of the OTS two decades ago, information technology has transformed the way all employees work. Today's workforce is more productive because of technical innovations such as high-performance personal computers and laptops, wireless mobile devices that allow for instant communication almost anywhere, an internal website containing a vast library of supervision information for examiners and databases that warehouse a catalog of data about each OTS-regulated thrift.

In FY 2009, the OTS continued to develop and deploy new technologies to enhance the productivity and effectiveness of the OTS staff in pursuing the agency's core mission. The OTS introduced systems to streamline examination and compliance processes, bolster security, make vital information more accessible and improve the agency's ability to provide services to consumers.

The hallmark of OTS's Information Technology (IT) staff is its ability to quickly deliver targeted solutions to meet emerging needs. By working with OTS program staff for many years, the IT staff developed a deep understanding of mission operations and needs. This understanding is essential in

defining users' requirements for IT systems and in turning those users' requirements into systems and applications.

The OTS demonstrated its agility this year when the Treasury Department launched its Capital Purchase Program (CPP). In four days, the IT staff delivered a system for managing application documents, providing data from other OTS systems to support staff analysis and tracking each application through the consideration process. During the first half of FY 2009, we added functionality to the system as the CPP business process matured. We also enhanced several other OTS systems to integrate CPP monitoring into our overall supervisory process for thrifts.

Similarly, our IT staff quickly developed and deployed iSMART, a system to provide access to Suspicious Activity Reports, which thrifts and other financial institutions file for law enforcement officials to combat money laundering and other financial crimes. OTS's enforcement staff has taken actions based on information available through iSMART.

In March 2009, we deployed the correspondence management component (CMC) system for the consumer affairs staff in Washington and in the regions to manage inquiries and complaints from consumers. The CMC is



Wayne Leiss
Chief Information Officer

OTS's first use of business process management software to streamline workflows, enhance communications and track the status and resolution of consumer complaints. Coupled with the installation of other technology, such as high-speed scanners, these IT investments increased the efficiency, security and accountability of the agency's consumer complaint process, which handles more than 3,000 inquiries and complaints each month.

During fiscal 2009, the OTS implemented significant enhancements to its examination resource planning system, which managers in the agency's four regional offices use to manage the staffing for thrift examinations, including the efficient allocation of examiners experienced in specialty examination areas. In June 2009, the OTS supervisory staff also began using the Regulatory Toolkit, a new content

management system that centralizes and streamlines the development and publication of OTS guidance and examination-related publications. The Regulatory Toolkit allows supervisory staff throughout the agency easy access to the most recent versions of OTS handbooks covering thrift examinations, thrift holding company supervision, trust/asset management, and IT exams of thrifts and service providers.

Over the course of the fiscal year, the OTS also made strategic IT technology investments that boosted productivity for the agency's nationwide examination workforce, while improving the effectiveness of operations at headquarters in Washington and in the regional offices. The agency significantly expanded the capacity of its telecommunications network, file storage, databases and e-mail systems. We began a project to replace analog telephone handsets and lines with digital "Voice-over-IP" (VoIP) technology that utilizes our upgraded internal telecommunications network instead of local phone companies to route internal calls. VoIP technology will integrate voice and e-mail messaging for OTS's largely mobile examination workforce. Additionally, we deployed video teleconferencing equipment to OTS's regional offices and multiple locations at headquarters, enabling face-to-face communication between

geographically dispersed staff members without the need for costly business travel.

Ensuring the confidentiality, integrity, availability and protection of business sensitive or personally identifiable information is critical to performing the OTS mission. These protections extend to both electronic and traditional paper-based media. The agency continues to implement mandated security controls as prescribed by the Federal Information Security Management Act of 2002 and the National Institute of Standards and Technology.

The OTS is committed to protecting the privacy of its regulated institutions, the public and our employees. To this end, we have implemented recommendations from the Privacy and Civil Liberties Act, Section 208 of the E-Government Act of 2002, OMB memoranda on privacy, and the International Association of Privacy Professionals recommendations for notice, choice and consent. The OTS continues to reduce its reliance on personally identifiable information, including Social Security Number collection, wherever possible.

To solve today's business problems, OTS technology officials constantly seek ways to deliver better capability, convenience and dependability at a lower price.

Facilities, Security and Emergency Management

Energy and environmental stewardship continued to be a major focus in the operation and maintenance of OTS facilities. The agency expanded its program to improve metering to better quantify energy and water use, so we can identify and implement conservation measures that will provide the greatest benefit for dollars invested. We designed and implemented infrastructure modifications to maximize the operating efficiency of the new VoIP equipment. We also modified procedures to minimize run time for heating and cooling systems, when possible, and calibrated the building's heating, ventilation and air conditioning systems for more efficient operations.

During FY 2009, the OTS established a long-term continuity-of-operations site at a remote location. The agency also invested in an emergency communication system to ensure communications with the OTS staff nationwide in the event of a local or national emergency. In response to the threat of widespread influenza, OTS expanded its Continuity of Operations Plan to include a comprehensive pandemic flu plan ■

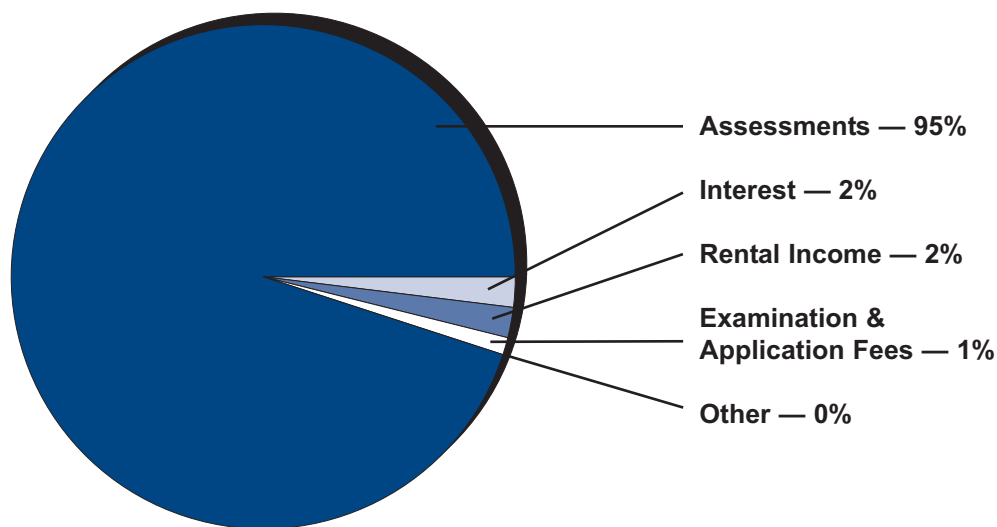
Financial Management

The OTS budget supports the agency's mission of supervising savings associations and their holding companies to meet America's financial services needs. The agency receives no appropriations from Congress. Income is derived principally from assessments on regulated financial institutions. Funds are used primarily for salaries, benefits and travel associated with supervision and examination of thrift institutions and thrift holding companies.

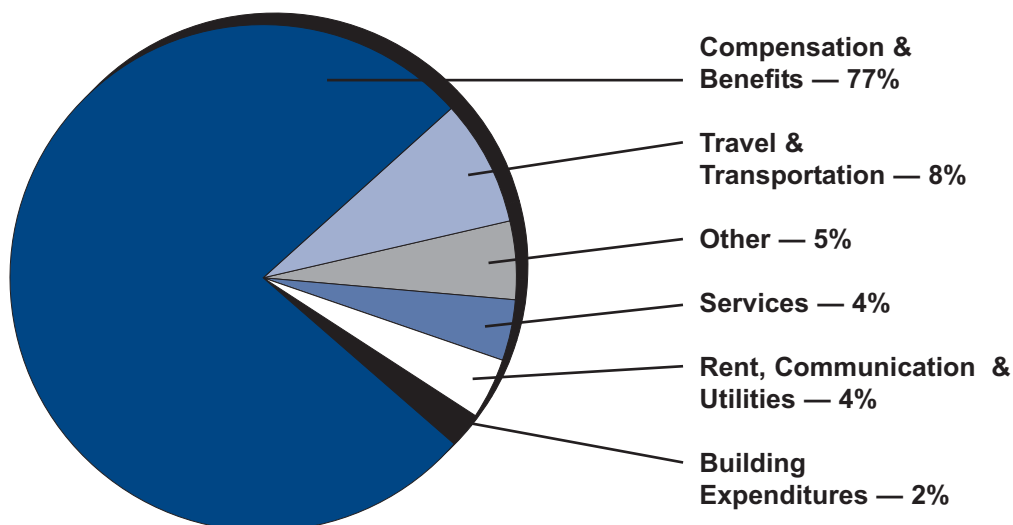


Hans Heidenreich
Acting Chief Financial Officer

Funding Sources:

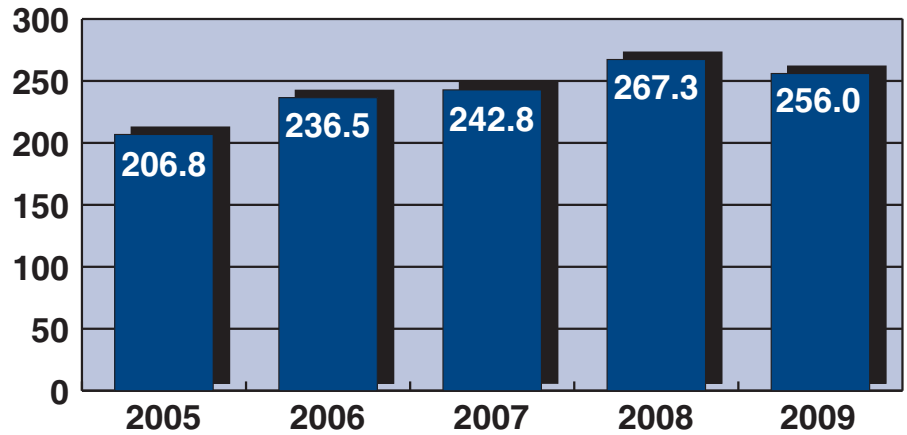


Funding Uses:



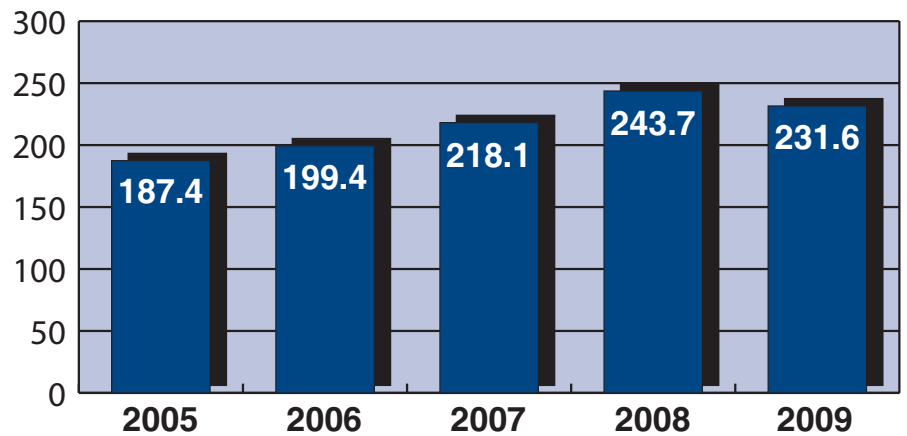
OTS Total Revenue: in millions

The OTS operated at a surplus for the past five fiscal years, including FY 2009, and received unqualified opinions on audits of its financial statements since being formed in 1989. The agency will continue to focus on sound financial management.

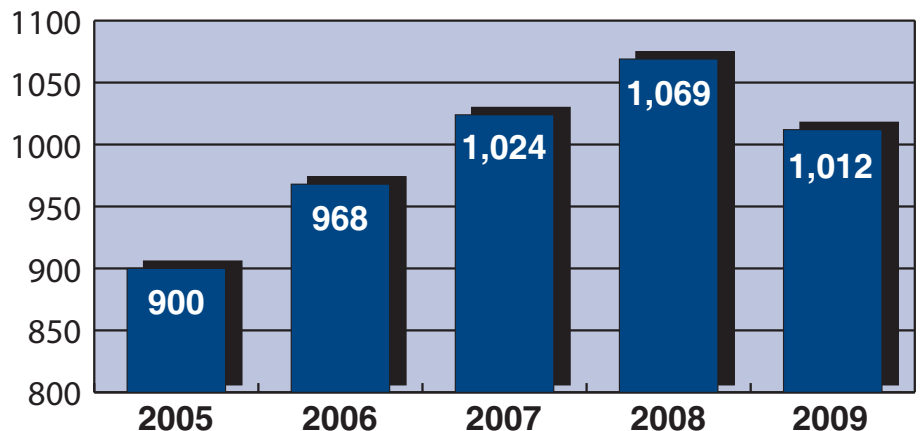


OTS Total Operating Expenses: in millions

The OTS maintains a highly qualified staff to meet the challenges of ensuring a safe and sound thrift industry that complies with consumer protection laws and regulations. Due primarily to retirements, the OTS workforce declined in FY 2009 for the first time in several years. The OTS is preparing to meet the staffing needs of the future, as current workers become eligible to retire in the next several years, through a human capital strategy of staffing and succession planning for a highly qualified workforce commensurate with the requirements of regulating the thrift industry ■



OTS Staff: at the end of each fiscal year





Fiscal Year
ANNUAL REPORT
2009



Office of Thrift Supervision

Department of the Treasury

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