

OTS STRATEGIC PLAN FY 2007 – 2012



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Comments or questions may be sent to the Office of Thrift Supervision – Chief Financial Officer, 1700 G Street, N.W., Washington, D.C. 20552

A Message From Director Reich

I am pleased to present OTS's Strategic Plan for fiscal years 2007 - 2012. The Plan sets forth OTS's vision and mission statements. It outlines the long-range objectives and strategies that we will use to accomplish our goals and discusses the external factors that could impact the achievement of these goals.

OTS is unique in that it is the only federal banking agency that both charters depository institutions and supervises their holding companies. The holding companies OTS supervises are diverse and range from small companies with few assets, to large, multinational corporations that are truly global in scope and geography. As of September 2006, OTS-regulated thrift holding companies provide financial services to customers in over 100 countries and hold combined assets of more than \$7.7 trillion.

The thrift industry is strong and well capitalized. In September 2006, over 99 percent of savings associations met the "well-capitalized" standards. In addition, savings associations operate in a safe and sound manner with 93 percent achieving an overall composite examination rating of 1 or 2. Thrifts remain focused on residential mortgage lending, with 55 percent of assets invested in one-to-four family mortgage loans.

But there are challenges that lie ahead. The safety and soundness of the thrift industry and its compliance with laws, rules and regulations remains our primary objective. We will continue to place special emphasis on ensuring that the industry guards against money laundering and terrorist financing, protects the privacy and security of consumer financial information, and provides needed home lending and other financial services to all customers in a fair and equal manner. OTS is committed to reducing regulatory burden on the industry we regulate and providing a regulatory framework that facilitates a competitive, sound industry. OTS must also focus on the recruitment and retention of qualified individuals to offset the large number of OTS employees who may retire during the period covered by this Plan.

Our vision statement, "To perform and be recognized as the premier regulator of financial institutions and holding companies," is aggressive. I believe, however, that no organization will achieve meaningful success in its mission without a challenging vision. It will take the collective efforts of all within OTS to attain our vision, and I know that we are up to the challenge.

I appreciate the work that has gone into this Strategic Plan, and thank the OTS professionals who have contributed to it. I believe the Plan positions OTS well for future success. We will monitor our progress in achieving its strategies and objectives and make appropriate modifications as new challenges arise and the industry evolves.



John M. Reich
Director, Office of Thrift Supervision

The OTS Today

Established by Congress as a bureau of the Department of the Treasury on August 9, 1989, OTS charters, examines, supervises, and regulates federal savings associations insured by the Federal Deposit Insurance Corporation (FDIC). OTS's primary statutory authority is the Home Owners' Loan Act originally enacted in 1933. OTS also examines, supervises, and regulates state-chartered savings associations insured by the FDIC and provides for the registration, examination, and regulation of savings and loan holding companies (SLHCs) and other affiliates.

The thrift charter has several unique characteristics including nationwide branching under a single charter, a holding company structure offering a single regulator for the holding company and its subsidiary depository institution, and authority to preempt state laws and regulations that impose non-uniform requirements. OTS is the only federal-banking agency that both charters depository institutions and supervises their holding companies. The holding companies are diverse, ranging from large, multinational corporations to small companies with few assets other than their thrift charter.

OTS is headquartered in Washington, D.C. with five regional offices located in Jersey City, Atlanta, Chicago, Dallas, and San Francisco. The headquarters office develops nationwide policies and programs for the agency and coordinates the operations of OTS. The regional offices examine and supervise institutions and process most corporate applications. Approximately 75 percent of OTS's staff of nearly 1,000 employees work in the regions.

The President, with Senate confirmation, appoints OTS's Director for a five-year term. OTS's Director also serves as a member of the Board of Directors of the FDIC, a member of the Federal Financial Institutions Examination Council (FFIEC), and a director of NeighborWorks® America.

OTS receives no appropriated funds from Congress. The income of the bureau is derived principally from assessments on savings associations and their holding companies. OTS's budget supports its strategic and performance goals that provide for proactive supervision of the thrift industry, reduced regulatory burden, and ongoing credit availability. OTS tailors supervisory examinations to the risk profile of regulated institutions and holding companies under its jurisdiction, while effectively allocating resources to oversee and assess the performance record of the thrift industry. OTS faces the following key strategic issues and challenges:

- Comprehensive and Risk Focused Examinations,
- Interest Rate and Credit Risks,
- Compliance Risks, Financial Crimes, Data Breaches, and Information Security,
- Disaster and Emergency Preparedness,
- Global Financial Services,
- Regulatory Burden Reduction,
- Communicate the benefits of the Thrift Charter, and
- Succession Planning and Management of OTS Resources.

Vitality of the Thrift Charter

Financing the ownership of homes has been the focus of thrift institutions throughout their history, which dates back to the first half of the 19th century. Today, thrifts remain a major player on the front end of the mortgage process. Thrifts promote homeownership by making residential mortgage financing readily available. In addition, the charter is used extensively by some thrifts to make small business, consumer retail, and commercial real estate loans. This builds on the charter's strength and versatility.

The vitality of the federal thrift charter is primarily attributable to three factors. First, the charter meets the demand for a broad range of consumer lending products and services. Second, it permits thrifts to operate nationally through uniform standards and one organization. Third, it allows the thrift and its subsidiaries, as well as its holding company and other affiliates, to operate under a single consolidated regulator.

Condition of the Thrift Industry

The thrift industry is strong and operating safely. As of September 2006, OTS regulated 853 savings associations with total assets of \$1.63 trillion. Savings associations operate in a safe and sound manner with 93 percent achieving a composite CAMELS rating of 1 or 2. The CAMELS rating reflects OTS's evaluation of an institution's Capital, Asset Quality, Management, Earnings, Liquidity, and Sensitivity to market risk. The industry's capital position remains strong with over 99 percent of savings associations meeting the well-capitalized standards.

Thrifts are diverse in size and scope. They range from small, single-office, mutually-owned institutions to large, complex, publicly traded thrifts with hundreds of offices. As of September 2006, OTS also supervised 481 holding company enterprises with approximately \$7.7 trillion in consolidated assets. Over half of all thrifts and 78 percent of total assets are owned by OTS-regulated holding companies. The holding company enterprises vary widely in their operations and structure. More than 100 structures are engaged in significant lines of business other than banking, such as insurance, financial services, retailing, and manufacturing.

OTS has a well-established program for meeting its statutory responsibilities with respect to thrift holding companies. To keep pace with the sweeping changes in the structure and business practices of our diverse population of holding companies, OTS routinely takes steps to enhance its risk-focused supervision. Our holding company supervision program is applied on an enterprise-wide basis, up to and including the highest level of ownership in the structure. OTS reviews not only the financial condition of a holding company enterprise, but also factors in a review of the activities and inherent risks present in the organization, as well as the effectiveness of control structures and risk management processes. Holding company oversight is an integral part of our supervision of the thrift industry.

Our Vision and Mission

Vision

To perform, and to be recognized, as the premier regulator of financial institutions and holding companies.

Mission

To supervise savings associations and their holding companies in order to maintain their safety and soundness and compliance with consumer laws and to encourage a competitive industry that meets America's financial services needs.

Guiding Principles

These principles guide the mission and operations of OTS and support our core values:

Integrity	OTS conducts internal and external actions with the highest degree of honesty, fairness, transparency, and accountability, fostering confidence in OTS by the public, the thrift industry, and its employees.
Professionalism	OTS values its employees as critical assets to achieve excellence in regulating the thrift industry. Flexible human capital strategies ensure a talented staff ready to meet regulatory challenges in a productive and satisfying work environment. OTS's staff works in an environment built on fairness, trust, respect, teamwork, communication, creativity, diversity, and empowerment.
Efficiency	OTS is committed to excellence and efficiency. Management provides quality-focused leadership and technical excellence to enable OTS to meet its regulatory responsibilities in a cost-effective and timely manner.
Partnerships	OTS works with other financial institution regulators to achieve consistency in policy and regulation. OTS seeks to minimize regulatory burden to the extent consistent with effective supervision.
Responsiveness	OTS listens to, learns from, and collaborates with the institutions it regulates and the public it serves on how best to address their needs. OTS addresses industry and individual risks in a proactive, efficient, and effective manner.

Strategic Goals and Strategies

OTS has four strategic goals:

- I. A safe and sound thrift industry.
- II. Fair access to financial services and fair treatment of thrift customers.
- III. A flexible legal and regulatory framework that enables the thrift industry to provide a full competitive array of financial services.
- IV. A professional, highly motivated, and diverse workforce that effectively uses OTS resources to provide exceptional service to its customers.

Objectives exist for each strategic goal and define the intended outcomes of each goal. Strategies are the plans to align our operational processes, skills, technologies, and resources to achieve our strategic goals and objectives.

Strategic Goal I: A safe and sound thrift industry.

Objective: Anticipate, identify, understand, monitor, address, and communicate to savings associations and their holding companies the safety and soundness, consumer protection, and other risks posed by their operations.

Strategies for Achieving the Objective:

- A. Develop and implement enhanced risk identification, comprehensive oversight, monitoring, and management processes to ensure risk-based supervision is properly executed and focused on systemic and case-specific risks.
- B. Identify new products, services, and emerging risk areas, including those related to operational and technology-related vulnerabilities, and adjust supervisory strategies and activities as appropriate.
- C. Conduct quality assurance reviews to ensure that policies and procedures are consistently applied.
- D. Conduct periodic internal management reviews of risks and strategies for supervision of high-risk and nontraditional institutions and holding companies.
- E. Maintain a high level of communication with the industry, administer educational programs, and share information on industry best practices and emerging risks.
- F. Conduct examinations to determine and enforce compliance with the requirements of the Bank Secrecy Act, the USA PATRIOT Act, and other anti-money laundering and anti-terrorism statutory and regulatory requirements.
- G. Incorporate applicable lessons learned from recent natural disasters and emergencies and continue to conduct periodic system-wide reviews and testing.

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- H. Resolve problem thrift situations in a timely fashion, effectively, and, when possible, without loss to the deposit insurance fund.

Objective: Maximize performance and keep pace with industry changes through the efficient and effective application of supervisory methods and analytical tools.

Strategies for Achieving the Objective:

- A. Deploy supervisory technology solutions in order to achieve better data quality, enhance early detection of problems and risks, modernize tools for examination support, and facilitate examiner access to key thrift, holding company, and industry information.
- B. Capture, organize and securely store information and make it easily accessible to authorized users.

Objective: Cooperate with U.S. and financial supervisory authorities on common interests.

Strategies for Achieving the Objective:

- A. Work effectively with U.S. regulators to identify and address risks and emerging issues.
- B. Participate in joint supervisory programs, including the Shared National Credit (SNC) Program, Interagency Country Exposure Review Committee (ICERC), and the interagency examination program for multi-regional data processing servicers (MDPS).
- C. Represent OTS's interest on interagency groups, including the Federal Financial Institutions Examination Council (FFIEC), Basel Committee on Banking Supervision, Joint Forum, Financial Stability Forum (FSF), Financial Banking and Infrastructure Information Committee (FBIIC), Bank Secrecy Act Advisory Group, the National Interagency Bank Fraud Working Group, and the Financial Literacy and Education Commission (FLEC).
- D. Coordinate with federal, state, and foreign regulators on supervisory activities under existing information sharing agreements, and develop new supervisory relationships and information sharing agreements as necessary.

Objective: Ensure all thrifts are at least "adequately capitalized" and most thrifts are "well-capitalized."

Strategies for Achieving the Objective:

- A. Conduct on-going monitoring of the financial condition and performance of thrifts and holding companies.
- B. Take proactive supervisory corrective measures to address and promptly resolve inadequately capitalized institutions.
- C. Ensure that Basel II and Basel 1A capital rule implementations embody safe and sound capital adequacy and risk management standards appropriate for the U.S. banking system.

Strategic Goal II: Fair access to financial services and fair treatment of thrift customers.

Objective: Ensure all customers have fair access to financial services and are treated fairly.

Strategies for Achieving the Objective:

- A. Conduct fair lending examinations based on risk factors identified through statistical analysis, supervisory assessments, and analysis of Home Mortgage Disclosure Act (HMDA) data.
- B. Continue to take a lead role in addressing predatory and abusive lending practices, customer privacy, information security, and identity theft requirements.
- C. Reinforce the importance of fair and honest treatment of consumers through appropriate supervisory and enforcement actions, customer complaints handled by OTS, and enhanced complaint sharing between OTS and other regulators.

Objective: Encourage savings associations to participate in community and economic development activities.

Strategies for Achieving the Objective:

- A. Support thrift industry efforts to engage in sound and successful community development activities.
- B. Support industry efforts to 1) meet the convenience and needs of the communities they are chartered to serve; 2) fulfill their Community Reinvestment Act (CRA) obligations; and 3) provide safe and sound loans, investments and financial services for low and moderate income individuals and communities.
- C. Participate on the Financial Literacy and Education Commission to modify and implement the national strategy to promote financial literacy and education.
- D. Through CRA Performance Evaluations, outreach, and other means, identify and communicate sound business strategies used by thrifts to achieve responsible delivery of affordable housing financing and other financial services to underserved markets.
- E. Participate constructively in interagency community and economic development activities.

Objective: Ensure that the thrift industry effectively complies with consumer protection laws and regulations.

Strategies for Achieving the Objective:

- A. Conduct examinations with a top-down, risk-focused approach that promotes comprehensive compliance management, including the establishment of adequate internal controls to ensure regulatory compliance and to prevent predatory practices.
- B. Develop policy statements to help guide the thrift industry in their efforts to assimilate changing regulatory requirements and foster the adoption of best practices when serving consumers.

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- C. Use the application process to ensure savings associations have management programs that are appropriate to the compliance risks associated with their business plans and responsive to the credit needs of the entire community they are chartered to serve.
 - D. Provide guidance to financial institutions for developing policies and programs to comply with anti-money laundering requirements and abate money laundering and terrorist financing.

Strategic Goal III: A flexible legal and regulatory framework that enables the thrift industry to provide a full competitive array of financial services.

Objective: Ensure each OTS regulation is current, clearly written, and necessary for an effective supervisory process.

Strategies for Achieving the Objective:

- A. Review OTS regulations to further streamline, reduce burden, and reflect new developments.
- B. Provide regulatory support for Basel II and related capital rulemakings.

Objective: Support the thrift industry efforts to remain competitive by reducing regulatory burden, consistent with safety and soundness and compliance with consumer protection laws and regulations.

Strategies for Achieving the Objective:

- A. Communicate the features and advantages of the thrift charter within OTS and externally to encourage a competitive, viable industry.
- B. Develop an external communications strategy built around the value of the thrift charter in the marketplace, the flexibility of the OTS regulatory structure, and the dissemination of key regulatory information and technical guidance from OTS subject matter experts.
- C. Identify and implement measures and practices to reduce examination burden on the thrift industry.
- D. Support continued recognition of the preemptive attributes of the thrift charter through appropriate opinions, regulations, and participation in litigation, where warranted.
- E. Ensure that regulations applicable to the thrift industry facilitate their involvement in community and economic development activities.

Objective: Ensure application procedures are efficient and consistent with safety and soundness.

Strategies for Achieving the Objective:

- A. Review and revise policies and procedures to provide potential applicants and agency staff with clear and comprehensive guidance.
- B. Implement enhanced procedures for early screening of applications and authorization requests.

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- C. Deploy new or enhance existing technology solutions that support effective application operations.
 - D. Maintain the integrity of the application process while providing the most expedited service possible.

Strategic Goal IV: A professional, highly motivated, and diverse workforce that effectively uses OTS resources to provide exceptional service to its customers.

Objective: Maintain a professional, motivated, and diverse workforce in a fair and inclusive work environment.

Strategies for Achieving the Objective:

- A. Develop a long-range OTS staffing plan to ensure that core programs are sufficiently staffed with properly trained and experienced personnel.
- B. Develop a national training and development program for agency staff.
- C. Continue fostering an environment built on fairness, trust, respect, teamwork, communication, creativity, diversity, and empowerment.
- D. Execute proactive initiatives focused on the retention of employees, including mentoring, employee feedback, employee outreach, incentives, and recognition programs.
- E. Reduce administrative and travel burden on OTS employees.
- F. Use external hiring opportunities to augment needed staff skills to enhance OTS's supervision of complex activities and organizations.

Objective: Ensure OTS is an efficient and effective organization.

Strategies for Achieving the Objective:

- A. Comply with laws and regulations and ensure proper stewardship of OTS resources through program evaluations and a management accountability program.
- B. Comply with the rules, policies, and procedures for ethical conduct by OTS employees.
- C. Assure reliable, secure, and modern information technology (IT) systems and environment to meet OTS's mission, goals, and objectives.
- D. Deploy enterprise services to leverage technology and standard capabilities across OTS with particular focus on information management initiatives such as document, content, records, and knowledge management.

Objective: Ensure resource decisions and operations reflect sound financial, security, compliance, and risk management principles.

Strategies for Achieving the Objective:

- A. Protect sensitive, private, and unpublished information by implementing security controls commensurate with risk.
- B. Enhance contingency planning for business continuity, including IT recovery strategies and compliance with homeland security requirements.
- C. Improve the enterprise identity management program and ensure compliance with homeland security requirements, Presidential directives, and e-Government initiatives.
- D. Ensure reliable, accurate, and timely information supports human and financial resources management.

Key Factors Affecting the Achievement of Strategic Goals

Economic

Today the thrift industry is strong and operating in a safe and sound manner. As of September 2006, over 99 percent of thrifts met the well-capitalized standard. However, several factors related to the U.S. or global economies could significantly affect the industry's health. One significant risk is a rapid increase in market interest rates. As community-based lenders, thrifts remain focused on residential mortgage lending, with 55 percent of their assets invested in one-to-four family mortgage loans. As a result, the thrift industry has a natural concentration in longer-term loans funded with shorter-term deposits and borrowings. Thus, a rise in interest rates could cause declining earnings margins and profitability. OTS closely monitors interest rate risk and maintains an interest rate risk sensitivity model that tests savings association portfolios to evaluate potential exposure to changing interest rates. Still, OTS remains concerned with the potential adverse impact of a rapid increase in market interest rates and will remain vigilant in monitoring the thrift industry for interest rate sensitivity.

Another important factor that could influence the health of the industry is credit quality. Over the past five years, we have seen growth in consumer lending as financial institutions constantly seek new and innovative ways to attract customers and design products to meet their financial needs. In the one-to-four family mortgage market, total loans outstanding have more than doubled in the past ten years.

Alternative mortgage products, including interest-only and payment-option mortgages, present unique credit and interest rate risks. Though thrift asset quality is strong, OTS is closely monitoring loan performance since these recently originated or "unseasoned" loans now comprise a significant proportion of some thrift loan portfolios. While these loans have been originated and underwritten during healthy economic times, they have not experienced different economic cycles, including a rising interest rate environment. Alternative mortgage products are receiving close supervisory monitoring, in particular, loans to borrowers with weaker credit capacities.

The state of the housing industry and the U.S. economy is another economic concern. Thrift asset quality is dependent on stable real estate values and consumers' continued employment and ability to service their debt. Failing to adapt effectively to changing economic conditions may increase the risk for institutions and the industry. OTS expects institutions to react to an economic slowdown and increasingly competitive lending markets in an effort to bolster revenue and profitability. From a regulatory perspective, industry reactions to economic uncertainty and declining profitability may produce increased institutional risk profiles. Actions to improve revenue and profitability, if not properly implemented and managed, can lead to long-term problems. OTS is proactively monitoring a number of areas to avoid potential problems, including movements into direct lending; increasing levels of higher-yielding and higher risk loan products; excessive cost cutting; expanding revenue sources into riskier lines of business; and stock price initiatives that may not serve the best long-term interests of an institution.

Legislative

On October 13, 2006, the President signed into law the Financial Services Regulatory Relief Act of 2006. The legislation included several important provisions for the thrift industry. However, despite passage of the bill and the current health and profitability of the banking industry, accumulated regulatory burden continues to impact financial institutions, particularly community banks. There is a significant earnings disparity between larger institutions and smaller community banks resulting in charter consolidation created by pressures imposed on community banks that are forced to sell out. OTS remains committed to ensuring that laws and rules are enacted, implemented and administered equitably. Institutions delivering the same or similar financial products and services should be taxed similarly and subject to comparable regulations with respect to the conduct of their operations. The OTS will continue to work with Congress and the federal banking agencies to further reduce regulatory burden for all insured depository institutions.

Technology/Operational Risks

Operational risk, including the risk of loss due to technical failures, inadequate controls, and human error, is an ongoing concern for the industry. The growth of Internet banking, outsourcing of core banking functions, and the rapid pace of technological and financial innovation creates new challenges and concerns for management. OTS's IT examiners focus on how well institutions' use of technology is designed, implemented, and monitored to minimize operational risk. The lessons learned from financial difficulties experienced by many "high tech" companies and disruptions from various natural and man-made disasters illustrate the need for contingency planning. Contingency planning, backup, and recovery programs are receiving increased supervisory attention from our examination and supervisory staff.

Human Capital

Human capital represents the agency's primary resource to meet its strategic objectives. OTS continually works to provide specialized training, rigorous accreditation and professional development programs, and other supervisory tools to ensure OTS is capably equipped to supervise a dynamic and growing industry.

Fifty-five percent of current staff will be eligible to retire by year-end 2010. Thus, OTS faces the challenge of competing for, training, and then retaining its human resources to build the workforce required for the future. To meet this need, OTS is revitalizing its succession-planning program to analyze specific positions and categories of positions and identify internal and external pools of available and projected candidates. OTS is continuing to cross train its examination staff to create a work force capable of examining multiple disciplines (e.g., safety and soundness, compliance, trust, and information technology). OTS is also redesigning training programs to meet the challenges it faces with anticipated retirements as part of its overall succession-planning program.

Disaster Contingency Planning and Emergency Preparedness

Financial institutions in the U.S. face a wide variety of potential disasters that can have devastating consequences; the most recent example was Hurricane Katrina. Following Hurricane Katrina, institutions' existing disaster recovery and business continuity plans worked well and enabled them to restore operations swiftly. However, the unprecedented destruction and aftermath of the hurricane caused major disruptions that exceeded the scope of some institutions' disaster recovery and business continuity plans. The major hardships faced by these institutions included communications outages, missing personnel, lack of electrical power or fuel for generators, inoperable computer systems, destroyed or damaged facilities, and flooded branch offices and ATMs. In some cases, mail service was interrupted for months. To help alleviate the risks associated with natural disasters, OTS and the other member agencies of the Federal Financial Institutions Examination Council and the Conference of State Bank Supervisors released a booklet entitled LESSONS LEARNED FROM HURRICANE KATRINA: Preparing Your Institution for a Catastrophic Event. The booklet relays financial institutions' experiences and lessons learned in the aftermath of Hurricane Katrina that could help thrifts evaluate their readiness for a catastrophic event.

Disaster contingency planning and preparedness are key strategic issues. OTS's emergency preparedness and continuity of operations (COOP) plans help protect its employees and buildings and help ensure that OTS will continue to function in the event of an emergency. The COOP plans cover succession order and backup capabilities in addition to problem assessment, damage control, evacuation, and communications.

Conclusion

Thrifts maintain a vital role in providing mortgage funding and other retail products and services to their communities. OTS will continue to evaluate its policies, staffing, and infrastructure to ensure the agency is well prepared to handle new and emerging risks. OTS is confident the industry will continue to fulfill its primary focus of serving retail customers with mortgage funding and other financial services in a profitable and prudent manner.

Appendix A: Strategic Management Process

The Regional Managers Group (RMG) routinely discusses programmatic and management issues during its meetings. The RMG includes the OTS Director, Senior Deputy Director and Chief Operating Officer, Deputy Directors, Human Capital Officer, Chief Financial Officer, Chief Information Officer, Managing Directors, and Regional Directors. These discussions may lead to revising strategic initiatives, or result in new short- or long-term initiatives. In many cases, these issues are assigned to regional or headquarters program offices to further define the initiatives and actions to be taken.

Short-term actions can either modify the current year's activities or serve as the basis for planning and budgeting for the subsequent year. Longer-term initiatives are used to update the strategic plan. Generally, strategic discussions include the following:

- An analysis of the condition of the thrift industry, emerging issues and products in the financial services market, structural changes in the marketplace for financial services, legislative developments, an assessment of the competitiveness of savings associations and holding companies in the evolving marketplace for financial services, and an evaluation of significant consumer financial services issues.
- An evaluation of the existing risk profile and emerging risks for specific savings associations or holding companies.
- An assessment of internal strengths and weaknesses and a review of resource management issues such as human capital, financial resources, information technology investments, and fixed assets.
- The integration of feedback from agency stakeholder groups and program evaluations.

Coordinated by the Chief Financial Officer, the strategic goals, objectives, and strategies are reviewed, validated, and revised as necessary. The Chief Financial Officer works with the regions and headquarters program offices to update or identify new goals, objectives, and strategies. The Director and Senior Deputy Director approve the final Strategic Plan.

The goals, objectives, and strategies in the OTS Strategic Plan are further refined into activities to be accomplished on an annual basis. This is documented in the OTS Annual Performance Budget, functional operating plans and, ultimately, employee performance plans. This process is the means of communicating the strategic direction and ensuring accountability for achieving our goals and objectives throughout the organization. Annual performance goals and measures are established to monitor program accomplishments.

Appendix B: Relationship between OTS and Treasury Department Goals

The strategies outlined in the OTS Strategic Plan will be implemented through the annual integrated planning, budgeting, and evaluation process. We will develop and use annual performance goals that are linked to our strategic goals and objectives. By maintaining a relationship between our strategic plan, our annual performance budget, and our employee performance management system, we focus on activities that support our strategic goals while also contributing to the accomplishment of the goals and objectives of the Department of the Treasury. The following table depicts the relationship between OTS's strategic goals and annual performance goals to the Department of the Treasury's strategic goals and objectives.

OTS Strategic Goal	OTS Annual Performance Goal	OTS Annual Performance Measure
Treasury Strategic Goal: U.S. and World Economies Perform at Full Economic Potential.		
Treasury Strategic Objective: Improved economic opportunity, mobility and security with robust, real, sustainable economic growth at home and abroad.		
I. A safe and sound thrift industry.	Ensure that OTS-regulated thrifts operate in a safe and sound manner through effective supervision. Maintain a thrift industry that is sufficiently capitalized. Conduct examinations in an efficient and effective manner.	Percent of thrifts that are well capitalized. Percent of thrifts with composite CAMELS rating of 1 or 2. Percent of safety and soundness exams started as scheduled.
II. Fair access to financial services and fair treatment of thrift customers.	Maintain a thrift industry that effectively complies with consumer protection laws and regulations.	Percentage of thrifts with compliance examination ratings of 1 or 2.
III. A flexible legal and regulatory framework that enables the thrift industry to provide a full competitive array of financial services.	Minimize financial regulatory burden on thrifts.	Difference between the inflation rate and OTS assessment rate increase.
Treasury Strategic Goal: Management and organizational excellence.		
Treasury Strategic Objective: Enabled and effective Treasury Department.		
IV. A professional and motivated workforce that provides exceptional service to its customers and supports achievement of OTS business goals.	Strategically manage the OTS workforce by aligning human capital strategies to the OTS mission, guiding principles, goals, and objectives.	Total OTS costs relative to every \$100,000 in savings association assets regulated

Appendix C : Program Evaluations

Both internal and external program evaluations are used to determine whether OTS programs are achieving their intended results in a cost-effective manner. The results of these reviews are used to revise existing or to identify new program objectives and strategies in the OTS Strategic Plan. Generally, the schedule for internal program evaluations is developed on an annual basis, with additional evaluations initiated as issues that warrant review are identified.

Internal Program Evaluations

The OTS's formal program evaluation efforts include:

- Regional Quality Assurance Programs,
- Federal Managers' Financial Integrity Act,
- Federal Information Security Management Act, and
- Office of the Ombudsman.

Regional Quality Assurance Programs All Regional Directors establish regional quality assurance programs and annually certify that:

- Programs are achieving their intended results,
- Resources are aligned with our mission and strategic plan,
- Resources are protected from waste, fraud, and abuse,
- Laws and regulations are being followed, and
- Reliable and timely management information systems support decisions.

Federal Managers Financial Integrity Act (FMFIA) The Chief Financial Officer oversees the documentation of key processes over FMFIA.

Federal Information Security Management Act (FISMA) The Chief Information Security Officer oversees the auditing and reporting requirements of FISMA.

The Office of the Ombudsman The Ombudsman provides program-level information to the strategic management process through its administration of the thrift industry appeals process, the customer assistance program, and ongoing examination follow-up with thrift chief executive officers seeking feedback on the quality of OTS supervision. Program evaluation activities are continual.

External Program Evaluations

In addition to OTS's ongoing internal program evaluation efforts, it receives program-level feedback from external sources:

- Department of the Treasury Office of Inspector General (OIG),

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- United States Government Accountability Office (GAO),
 - Office of Management and Budget (OMB), and
 - Independent Public Accountant.

Office of Inspector General The OIG conducts reviews of various aspects of OTS operations every year. The results from the OIG program and compliance audits provide useful input into the OTS strategic management process.

Government Accountability Office The GAO conducts targeted reviews of OTS regulation and supervision of OTS regulated entities.

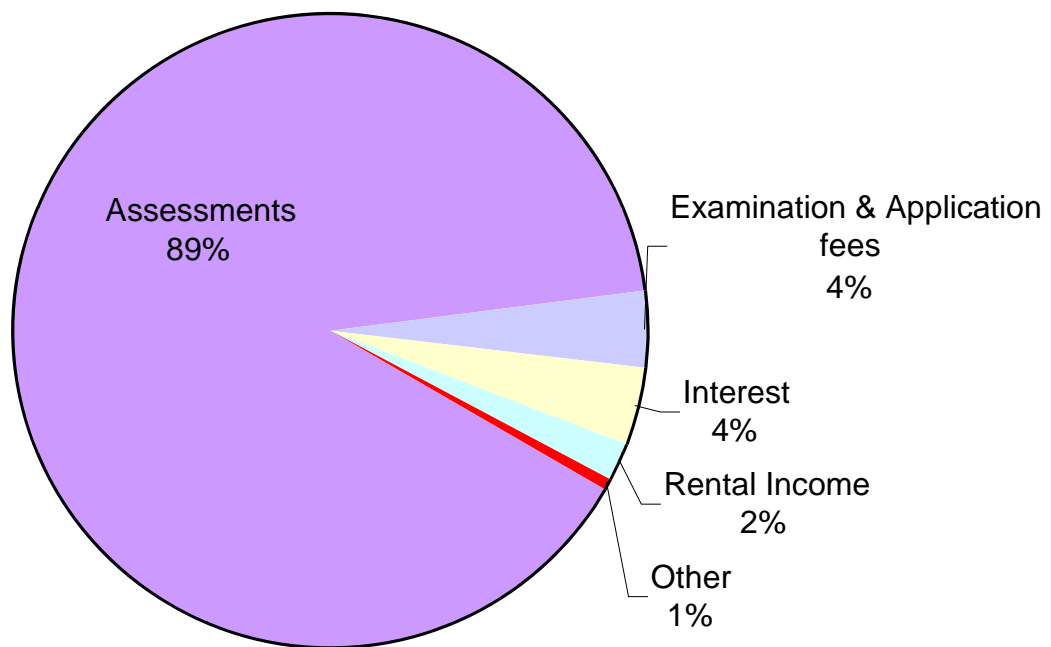
Office of Management and Budget In fiscal year 2002, OMB implemented a formal assessment program in support of the budget and performance integration initiative of the President's Management Agenda. OTS was included in the first 20 percent of federal programs reviewed using OMB's Program Assessment Rating Tool (PART). These program assessments are made every five years.

Independent Public Accountant Every year, OTS retains the services of an accounting firm to conduct a financial statement opinion audit and to provide senior management with conclusions regarding the effectiveness of OTS's program of financial controls.

Appendix D: Means to Accomplish Strategic Goals

Operating Capital: OTS receives no appropriated funds from Congress. The Financial Institutions Reform, Recovery, and Enforcement Act provided OTS with the authority to fund its operations through periodic assessments charged to the thrift industry. Assessments constitute the largest single component of total OTS income. OTS also receives funds from application fees, interest, rent, examination fees, and other miscellaneous sources.

Sources of Revenue



Uses of Revenue

Human capital represents OTS's primary resource to meet its strategic objectives. Thus, compensation and benefits make up the largest share of OTS expenditures. Sustaining and nurturing human capital resources requires a blend of competitive compensation, strategic and innovative training, and a supportive work environment.

