

OFFICE OF THRIFT SUPERVISION

APPROVAL OF APPLICATION UNDER 12 C.F.R. SECTION 560.42(c)(2)

Order No. 99-10

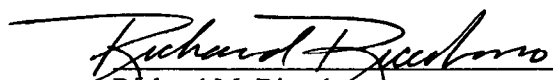
Date: February 11, 1999

Pocahontas Federal Savings and Loan Association, Pocahontas, Arkansas (the "Association") has applied to the Office of Thrift Supervision ("OTS"), pursuant to 12 C.F.R. § 560.42(c)(2), for permission to retain its current investments in non-rated municipal bonds. The Association currently has invested approximately 1.23 percent of its assets in various issues of non-rated municipal securities.

The Home Owners' Loan Act does not specifically define the criteria for a Federal savings association's investments in state and local government obligations. OTS regulations, at 12 C.F.R. § 560.42(c)(1), limit a Federal savings association's investments in obligations of a state, territory, possession, or political subdivision in which the association's home office or a branch office is located, but which are neither rated, nor issued by a public housing agency and backed by full faith and credit of the United States, to one percent of assets. The OTS may approve investments above the 1.0 percent of assets limit, pursuant to 12 C.F.R. § 560.42(c)(2).

For the reasons set forth in the Staff Memoranda from the Midwest Regional Office dated January 26, 1999 and the Supervision Policy Division dated February 2, 1999, including, *inter alia*, the Association's condition, the level of the investment, and the nature of the securities, the OTS, pursuant to 12 C.F.R. § 560.42(c)(2), hereby grants the Association's request to retain its current investments in non-rated municipal bonds until its existing portfolio falls below 1 percent of assets. If the Association proposes to exceed the 1.0 percent limitation once the balance of its existing portfolio falls below the limitation, or proposes to acquire additional non-rated municipal bonds or other securities that are subject to the 12 C.F.R. § 560.42(c)(1) limitation before the portfolio falls below the limitation, a separate OTS approval is required.

By order of the Director of the Office of Thrift Supervision, or her designee, effective February 11, 1999.


Richard M. Riccobono
Deputy Director