

OFFICE OF THRIFT SUPERVISION

Approval of Conversion of a Federal Credit Union to a Federal Mutual Savings Bank

Order No. 99-20

Date: April 21, 1999

Sacred Heart of Charleston, S.C. Federal Credit Union, Charleston, South Carolina ("Credit Union"), has applied to the Office of Thrift Supervision ("OTS"), pursuant to 12 U.S.C. § 1464(e) and 12 C.F.R. §§ 543.8 and 543.9, to convert directly to a Federally chartered, mutual savings bank to be known as Carolina Federal Savings Bank ("Savings Bank"), Charleston, South Carolina ("Application"). The Savings Bank will be a member of the Savings Association Insurance Fund.

The Credit Union requests that the Savings Bank be granted an exception from compliance with the qualified thrift lender ("QTL") requirements of 12 U.S.C. § 1467a(m) for a period of two years from completion of the conversion. The requested exception would permit the Savings Bank to reinvest prudently in QTL-qualified assets without undue risk or raising substantial safety and soundness concerns. In addition, the Credit Union requests that the Savings Bank be granted an exception from the consumer lending limitations of 12 U.S.C. § 1467a(c)(2)(D) for a period of three years from the completion of the conversion. The requested waiver would permit the Savings Bank to redirect its investment in consumer loans prudently, without undue risk or raising substantial safety and soundness concerns or impairing its customer relationships.

The OTS has considered the Application, the request for a two-year exception from the QTL test, and the request for a three-year exception from the consumer lending limits of 12 U.S.C. § 1467a(c)(2)(D), under the standards set forth in 12 U.S.C. §§ 1464(e) and 1467a(m), and 12 C.F.R. §§ 543.2(g)(1), 543.8 and 543.9. In addition, the OTS has considered the digest by the OTS Southeast Regional Office, a legal opinion by the Business Transactions Division, and an analysis by the Office of Examination and Supervision (collectively, the "Staff Memoranda"). For the reasons set forth in the Staff Memoranda, the OTS has determined that the Application satisfies all applicable statutory and regulatory criteria, provided that the conditions set forth below are satisfied. In addition, the OTS has determined that approval of the Application is consistent with the Community Reinvestment Act.

Accordingly, the Application is hereby approved, subject to the conditions set forth below:

1. The Credit Union and the Savings Bank must receive all required regulatory approvals prior to consummation of the proposed transaction with copies of all such approvals provided to the OTS Southeast Regional Office;
2. On the business day prior to the date of consummation of the proposed transaction, the Chief Financial Officer of the Credit Union shall certify in writing to the OTS Southeast Regional Director, or his designee ("Regional Director"), that no material adverse changes have occurred with respect to the financial condition or operation of the Credit Union since the date of the financial statements submitted with the Application;
3. The proposed transaction must be consummated within one hundred twenty (120) calendar days from the date of this Order or within such additional period as the Regional Director, or his designee, may grant;
4. The Savings Bank must advise the OTS Southeast Regional Office, in writing, within five (5) calendar days after the effective date of the proposed transaction: (a) of the effective date of the proposed transaction; and (b) that the transaction was consummated in accordance with all applicable laws and regulations, the Application and this Order;
5. The Savings Bank must operate within the parameters of the submitted business plan and all other materials submitted with the Application. Any proposed major deviation or material changes from the submitted plan or materials must receive the prior written approval of the Regional Director. The request for change shall be submitted a minimum of 30 days before the proposed change is implemented;
6. Within six months after conversion, the Savings Bank's board of directors must be expanded to seven members and the additional member should have no previous affiliation with the Credit Union.
7. The Savings Bank shall be subject to an annual audit by an independent accountant, pursuant to 12 C.F.R. § 562.4, for the three (3) fiscal years following consummation of the proposed transaction;
8. The Savings Bank must comply with the asset investment limitations contained within section 5(c)(2)(D) of the Home Owners' Loan Act without material loss to the Savings Bank, but no later than three years from the date of the transaction, unless such period is extended for good cause by the Regional Director. The Savings Bank must adhere to the phase-in schedule indicated in the Application, unless the Savings Bank receives prior written approval for a variation from the Regional Director; and

9. At least thirty (30) days prior to the effective date of the proposed transaction, the Savings Bank must submit written evidence, acceptable to the Regional Director, that the Savings Bank's Year 2000 efforts comply with the terms, milestone dates, requirements and conditions contained in the Year 2000 guidance issued by the OTS and/or the Federal Financial Institutions Examination Council.

In addition, the OTS hereby grants the Savings Bank an exception from the QTL provisions of 12 U.S.C. § 1467a(m) for a period of two years following consummation of the transaction. The Savings Bank must adhere to the phase-in schedule included in the Application, unless the Savings Bank receives prior written approval for a variation from the Regional Director.

Any time period specified herein may be extended by the Regional Director, for good cause, for up to 120 calendar days.

By order of the Director of the Office of Thrift Supervision, or her designee, effective

April 21, 1999.



Scott M. Albinson
Managing Director