

OFFICE OF THRIFT SUPERVISION

Approval of Application to Engage in a New Activity

Order No.: 2007-49
Date: October 12, 2007
Docket No.: 17944

Members Trust Company, Tampa, Florida (Savings Bank), a federal stock savings bank, has filed an application with the Office of Thrift Supervision (OTS) to engage in reverse mortgage activities. The Savings Bank is owned by Suncoast Schools Federal Credit Union, Tampa, Florida, and CUNA Mutual Insurance Society, Madison, Wisconsin. Pursuant to Condition No. 18 of OTS Order No. 2003-23, June 20, 2003 (2003 Order), approving the acquisition and organization of the Savings Bank, OTS approval is required for the Savings Bank to engage in activities other than trust activities authorized pursuant to section 5(n) of the Home Owners' Loan Act (HOLA).

The Savings Bank proposes to enter into the business of underwriting and servicing reverse mortgages for credit unions and other financial institutions. The Savings Bank intends to become a Department of Housing and Urban Development Supervised Mortgagee, which will allow it to sponsor credit unions and other financial institutions that want to invest in Federal Housing Administration (FHA) insured reverse mortgages. The Savings Bank will not market reverse mortgages to the general public, fund or hold the loans in its own portfolio, except in isolated instances when another financial institution fails to fund the loan. In such circumstances, the Savings Bank will provide funding until the loan can be sold to a permanent investor. The Savings Bank will also underwrite, process and service, but not fund, proprietary reverse mortgage loans, *i.e.*, reverse mortgages that are not insured by the FHA.

Condition 18 of the 2003 Order

Condition 18 of the 2003 Order (Condition 18) provides that OTS will review a request to engage in non-trust-related activities under the standards set forth in section 5(e) of the HOLA, the OTS regulations thereunder, and the Community Reinvestment Act (CRA).

Section 5(e) provides that OTS may grant a federal savings association charter only: (1) to persons of good character and responsibility; (2) if, in OTS's judgment, a necessity exists for such an institution in the community to be served; (3) if there is a reasonable probability of its usefulness and success; and (4) if the association can be established without undue injury to properly conducted existing local thrift and financing institutions. In addition, the OTS regulations implementing the HOLA require that OTS consider whether the association will promote credit for housing consistent with the safe and sound operation of a federal savings association.¹ Also, 12 C.F.R. § 563e.29(b) provides that an applicant for a federal thrift charter shall submit with its application a description of how it will meet its CRA objectives. OTS takes

¹ 12 C.F.R. § 552.2-1(b)(1)(v) (2007).

this description into account when considering the application and may deny or condition the application on CRA grounds.

With regard to the first standard, character and responsibility, OTS, as the Savings Bank's regulator, is familiar with the character and responsibility of the institution's management. The Savings Bank's management includes a senior officer with substantial experience dealing with reverse mortgage products. The Savings Bank's management will not change as a result of engaging in the proposed activity. OTS concludes that the Savings Bank and its management satisfy this standard. Similarly, OTS, as the regulator of the Savings Bank's holding companies, is familiar with their character and responsibility, and we conclude they are satisfactory.

With regard to whether a necessity exists for the institution in the community to be served, the Savings Bank is an established entity that is currently providing wealth management services that the proposed reverse mortgage operation will augment. Moreover, one of the Savings Bank's holding companies currently underwrites reverse mortgages, and a number of other financial institutions have expressed interest in utilizing the services that the Savings Bank proposes to provide. Accordingly, OTS concludes that there is a necessity for the Savings Bank's proposed activity.

With regard to the probability of usefulness and success, based on OTS's review of the Savings Bank's business plan and its current operations, the OTS concludes the application has demonstrated a reasonable probability of usefulness and success.

With regard to whether the institution can be established without undue injury to properly conducted existing local thrift and financing institutions, the Savings Bank's proposed activities are designed to provide a service to other lenders and should not cause harm to any properly conducted existing local thrift or home financing institution.

With respect to the provision of credit for housing, the Savings Bank does not directly extend credit for housing, but indirectly extends credit for housing by purchasing mortgage-backed securities. The purchase of such mortgage-backed securities enables, and will continue to enable, the Savings Bank to satisfy the qualified thrift lender test. The Savings Bank's management is competent to conduct such purchases in a safe and sound manner. Accordingly, OTS concludes that the application satisfies this approval criterion.

With respect to the CRA, OTS concludes that the Savings Bank will continue to operate as a "special purpose savings association," as defined in 12 C.F.R. § 563e.11(c)(2). Accordingly, OTS concludes that the Savings Bank will continue to be exempt from the OTS CRA regulations.

Conclusion

Based on the foregoing, OTS concludes that the application satisfies all applicable approval standards and criteria, provided that the following conditions are complied with in a

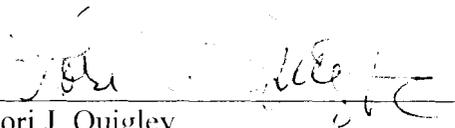
manner satisfactory to the Southeast Regional Director, or his designee (Regional Director). Accordingly, the applications are hereby approved, subject to the following conditions:

1. The Savings Bank must receive all required regulatory approvals for the activity prior to engaging in the activity with copies of all such approvals supplied to the Regional Office;
2. The proposed activity must be commenced within 120 calendar days of the date of this Order;
3. On the business day prior to the date on which the new activity is commenced, the chief financial officer of the Savings Bank must certify in writing to the Regional Director that no material adverse changes have occurred with respect to the financial condition or operation of the Savings Bank as disclosed in the application. If additional information having a material adverse bearing on any feature of the application is brought to the attention of the Savings Bank or OTS since the date of the financial statement submitted with the Application, the transaction must not be consummated unless the information is presented to the Regional Director, and the Regional Director provides written nonobjection to consummation of the transaction; and
4. The Savings Bank must not materially deviate from any of the activities and representations described in the Application, except with the prior written nonobjection of the Regional Director;

The Regional Director may, for good cause, extend for up to 120 calendar days any time period set forth herein.

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

1/12/2007



Lori J. Quigley
Managing Director
Examinations and Supervision - Operations