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Executive Summary

Environmental Scan

The overall financial condition and performance of the thrift industry is strong. Earnings are at near record levels, profitability measures are healthy, troubled asset ratios are at record lows and capital ratios are just below peak levels. For the first nine months of 2000, the OTS-regulated thrift industry earned $6.1 billion, down slightly from the $6.2 billion earned in the first nine months of 1999. Return on assets, a key measure of profitability, averaged 0.93 percent in the first nine months of 2000, down slightly from 0.99 percent in the first nine months of 1999. Return on equity, another important measure of profitability, averaged 12.0 percent, down from 12.3 percent in the comparable year-ago period.

The profitability of the thrift industry has been supported by the industry’s strong asset quality. Key measures of asset quality problems are at or near historical lows. The ratio of troubled assets (noncurrent loans and repossessed assets) to total assets, was 0.58 percent at the end of the third quarter, essentially unchanged from the prior quarter’s record low. The volume of troubled assets stood at $5.3 billion as of the end of the third quarter.

Measures of capital adequacy are strong, relatively stable, and well in excess of minimum requirements. Among OTS-regulated thrifts, 98 percent exceeded well-capitalized standards, and only two thrifts were less than adequately capitalized at the end of the third quarter. Equity-to-assets ratios have been stable since 1997 and as of September 30, 2000, the average equity-to-assets ratio was 7.9 percent. The number of problem thrifts—those with examination ratings of 4 or 5—fell by one institution to 13 during the third quarter. Assets of problem thrifts declined to $7.2 billion from $7.6 billion at mid-year.

Despite expanded lending powers, thrifts have remained heavily committed to the residential mortgage market. Over 49 percent of thrift assets are invested in 1-4 family mortgage loans. (By comparison, commercial banks hold approximately 15 percent of their assets in 1-4 family mortgages.) Another 30 percent of thrift assets consist of other types of mortgages, mortgage-related securities, and mortgage derivative securities.

The number of thrift institutions regulated by OTS declined to 1,082 at the end of the third quarter, a net decline of 21 for the first nine months of 2000. During the third quarter, 17 thrifts left OTS supervision, and eight—including seven start-ups—came under OTS regulation for the first time. While the number of institutions under OTS supervision declined slightly, total industry assets increased at an annualized rate of 9 percent to $908.3 billion at the end of the third quarter, the highest level since 1991.

Risk in the Thrift Industry

Growing competition in the financial services market—from non-bank competitors for mortgage loans, consumer loans, and investment products—and the continuing development of secondary markets and securitization of basic thrift products, continue to put pressure on the thrift industry to diversify into less commoditized activities. The current flat to inverted yield curve squeezes profit margins and forces thrifts into new business lines. Changes in technology, and the emergence of the Internet as a vehicle for providing financial services, are changing the competitive landscape and the way thrifts do business.

These pressures have led many individual thrift institutions to expand higher-risk lending activities (subprime credit cards, subprime mortgages, construction lending, real estate development lending, etc.). The aggregate investment in higher-risk assets remains relatively small. However, there is notable growth in both the level of investment and the number of institutions participating in higher-risk lending.
**Current and Future Challenges**

One of OTS’s strategic goals is to maintain a safe and sound thrift industry. To help accomplish this goal, OTS worked with the other financial system regulators and Congress to develop legislation that would effectively modernize financial services. The Gramm-Leach-Bliley Act (GLB Act) which was signed on November 12, 1999, was the culmination of this effort. Among other things, the Act prevents new affiliations between commercial firms and thrifts; places significant restrictions on the sharing of non-public customer information with unaffiliated third parties; requires public disclosure of certain types of CRA agreements; and mandates the concept of functional regulation which limits OTS’s ability to examine insurance and securities affiliates of thrifts.

As a result of this new legislation, OTS has been required to write a number of new regulations and review existing ones. In addition, in keeping with the concept of functional regulation, OTS continues to develop and enter into information sharing agreements with state insurance regulators and other functional regulators. This marks a milestone of cooperation in delivering considered, coordinated government regulation on time. New and revised regulations will continue to be written as appropriate during 2001. OTS is also engaged in a comprehensive strategy to improve its supervision of thrift holding companies.

Another OTS strategic goal is to improve the availability of financial services by encouraging safe and sound lending in the areas of greatest need. Despite the controversy that the Community Reinvestment Act (CRA) has generated over the past several years, its success is clear. CRA has helped encourage insured depository institutions to increase their focus on rebuilding their communities and promoting economic revitalization. OTS’s Community Affairs Program has helped to promote sound community investment by OTS-regulated institutions. In December, 2000, OTS together with the Comptroller of the Currency, Board of Governors of the Federal Reserve System, and Federal Deposit Insurance Corporation, approved the issuance of final regulations implementing the CRA Sunshine Requirements of the Federal Deposit Insurance Act, which were enacted by the GLB Act. In the coming year OTS’s community affairs staff will concentrate on promoting home ownership, affordable multi-family housing, economic development, and responsible lending in under-valued and emerging markets, and on promoting community reinvestment as part of a sound business strategy.

As part of OTS’s consumer compliance oversight and supervisory mission, OTS continues its efforts to combat predatory lending practices. OTS pursues three interrelated approaches to combat this problem: 1) examination for and enforcement of, applicable laws and regulations; 2) encouragement of responsible subprime lending, and 3) education of consumers, institutions, and investors. While OTS has no reason to believe there is any appreciable amount of predatory lending engaged in by the thrift industry, we must remain vigilant in our effort to assure that these practices do not take root among thrift institutions in the future. In November, 2000 the OTS and OCC alerted national banks and federal thrifts that the agencies have significant safety and soundness, compliance and consumer protection concerns with banks and thrifts entering into contractual arrangements with vendors to fund “title loans” and “payday loans.” (Both of these types of loans are short term loans with extremely high interest rates and/or fees.)

Unnecessary regulatory burden on insured depository institutions has become more significant as heightened competition in the financial services industry has compelled institutions to streamline and improve their efficiency in order to survive. For several years OTS has had a goal of reducing regulatory burden on the thrift institutions it regulates. However, OTS’s ability to do so is affected by statutory requirements for new regulations and by the need to respond to increased complexity and changing risk in the industry.
Strategic Context for the 2001 Performance Plan

Background

OTS was established by Congress as a bureau of the Department of the Treasury on August 9, 1989. OTS’s primary statutory authority is the Home Owners’ Loan Act (HOLA). Under HOLA, OTS is responsible for chartering, examining, supervising, and regulating federal savings associations and federal savings banks. HOLA also authorizes OTS to examine, supervise, and regulate state-chartered savings associations belonging to the Savings Association Insurance Fund (SAIF) and provide for the registration, examination, and regulation of savings association affiliates and holding companies. The authority over holding companies is unique among the four federal banking agencies in that OTS is the only federal banking agency that oversees both the depository institutions it charters and most of their holding companies.

OTS is headed by a Director who is appointed by the President, with Senate confirmation, for a 5-year term. OTS’s Director also serves on the boards of the Federal Deposit Insurance Corporation (FDIC) and the Neighborhood Reinvestment Corporation.

OTS is headquartered in Washington D.C. and has five regional offices located in Jersey City, Atlanta, Chicago, Dallas and San Francisco. The Washington D.C. office develops nationwide policies and programs for the agency and coordinates the operations of OTS. The regional offices, each headed by a Regional Director, are OTS’s front line, examining and supervising institutions, and processing most applications.

OTS’s Mission Statement

OTS’s 2001 Performance Plan is based on its 2000 – 2005 Strategic Plan which was published in August 2000. OTS’s Mission Statement is as follows: To effectively and efficiently supervise thrift institutions to maintain their safety and soundness in a manner that encourages a competitive industry to meet America’s housing, community credit and financial service needs and to provide access to financial services for all Americans.

OTS Values Statement

Integrity: All OTS actions, both internal and external, are conducted with the highest degree of honesty and fairness, fostering confidence in OTS by the public, the thrift industry and our employees as we perform our mission.

Teamwork: OTS’s greatest strength is its workforce, which consists of highly qualified individuals who represent America’s diversity. They work in an environment built on trust, respect, teamwork, communication, creativity and empowerment.

Efficiency: OTS is committed to excellence and efficiency, and continually seeks new and better ways to accomplish its mission through greater productivity and service. Management provides quality-focused leadership as well as technical excellence to enable OTS to meet its regulatory responsibilities in the most cost-effective and timely manner.

Partnerships: OTS works with the other depository institution regulators to achieve consistency in policy and regulation. When developing and executing these policies, we seek to minimize regulatory burden to the extent consistent with effective supervision.
**Responsiveness:** OTS listens to, learns from, and collaborates with the institutions we regulate and the public they serve on how best to address their needs. OTS deals in a proactive, efficient and effective manner with all risks discovered in the industry as a whole as well as individual thrift institutions.

**Benefits to the Public Realized by OTS’s Strategic Plan and Annual Performance Plan**

Our society places a high value on a safe and accessible financial system, decent and affordable housing, and increased availability of financial services for housing and businesses for all Americans, including those located in distressed areas. The goals and objectives of OTS’s plans bolster these values by emphasizing a safe and sound thrift system that delivers services to meet societal needs. To individuals, thrifts provide a place for their savings, a medium for payments and other financial transactions, and a source of credit for real estate and consumer loans. Increasingly, thrifts also perform these functions for small businesses.

Credit plays a vital role in our economy as it is an engine for economic growth and revitalization. Businesses need credit to expand; consumers need credit to obtain goods and services; families need credit for housing; and communities need credit to fund the development and maintenance of their infrastructure. Mortgage and housing credit, which is essential to fulfilling the national goal of a decent home and a safe living environment for every household, as well as other forms of credit, will continue being provided by thrifts if OTS’s strategic plan and annual performance plans are carried out.

Because a smoothly operating thrift industry is important to the nation’s economy, the centerpieces of OTS’s plans are the goals and objectives guiding the agency toward proactive supervision, improved credit availability, reduced regulatory burden, and good relations.

**OTS’s Employees**

The capability to attract and retain a highly skilled workforce is vital to OTS’s ability to achieve its mission in today’s rapidly changing financial environment. Successfully competing for and retaining staff with the requisite knowledge and skills is one of the more challenging tasks faced by OTS. Although OTS has developed an experienced and well-trained corps of examiners (safety and soundness examiners have an average of 15 years of experience), the agency faces staff replenishment challenges as more become eligible for retirement, as well as skill enhancement challenges as examiners confront a fast-changing industry. Thus, the agency faces a situation that tests the skill of management to maximize employees’ knowledge, skills and potential.

To respond to these challenges, OTS has begun a series of initiatives. Starting in 1998, OTS began to hire entry-level examiners for the first time in approximately eight years in order to supplement the examiner ranks. The five regions have hired approximately 70 examiners since this initiative began. In 1998, OTS piloted a telecommuting program for examiners and since that time has made it a permanent option for all regional staff. In 2000, OTS piloted a professional development pilot program to offer a wide range of individually-tailored development activities that go beyond job-related training and enable employees to succeed in an increasingly complex environment. It also introduced specialty examiner tracks for post-accreditation examiner advancement in areas where OTS requires special expertise.
To Achieve the Aforementioned Benefits, OTS has Developed the Following Performance Goals that Relate to its Strategic Goals

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<th>OTS's Long-Term Strategic Goals</th>
<th>Year 2001 Annual Performance Goals</th>
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<tr>
<td>1. Through efficient and effective supervision, maintain a safe and sound industry that meets its responsibilities to its customers and communities.</td>
<td>1a - Conduct at least 95% of safety and soundness exams; 95% of compliance exams; 90% of holding company exams; 90% of trust exams and 90% of information systems exams for all institutions scheduled to receive such examinations.</td>
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<td>1b - Ensure that 100% of OTS-regulated thrift institutions operate in a safe and sound manner or that OTS has taken appropriate supervisory or enforcement action.</td>
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<td>1c - Ensure that at least 99% of OTS examination reports reviewed comply with OTS examination policies and procedures.</td>
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<td>1d - Ensure that at least 95% of OTS-regulated thrift institutions rate the value of the examination process as “satisfactory” or above.</td>
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<td></td>
<td>1e - Ensure that 100% of OTS-regulated thrift institutions comply with consumer protection, fair lending, community reinvestment, bank secrecy and other public policy laws and regulations or that OTS has taken appropriate supervisory or enforcement action.</td>
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<tr>
<td></td>
<td>1f - Ensure that 100% of OTS-regulated thrift institutions are at least “adequately capitalized” or are under a Prompt Corrective Action Directive or are recapitalized to at least the “adequately capitalized” level or operating within an approved Capital Plan within 150 days of becoming undercapitalized.</td>
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<tr>
<td>2. Actively support the thrift industry’s efforts to expand the full range of housing, other credit, and financial services to all segments of the community through outreach programs, industry partnerships, and proactive supervision.</td>
<td>2a - Provide educational and technical assistance to industry representatives, the OTS examination staff and other relevant parties on community development issues, needs and opportunities; key players and programs, and investment authority or regulatory barriers.</td>
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<td>2b - Promote and help facilitate partnerships between financial institutions, community organizations and others as a means of improving the availability of and access to credit and financial services.</td>
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<td>3. Utilize in the most complete and efficient way the talents, knowledge and enthusiasm of the agency to keep regulatory operations at the minimum level consistent with effective supervision.</td>
<td>3a - Reduce regulatory burden whenever possible, consistent with effective supervision.</td>
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<tr>
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<td>3b - Develop and maintain an OTS workforce capable of providing assistance to thrift institutions in meeting the thrifts’ regulatory responsibilities.</td>
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<td>4. Provide exceptional service to all major groups with which we interact, including the thrift institutions regulated by OTS and members of the public that deal with those thrift institutions, to make government more responsive.</td>
<td>4a - Develop, distribute and monitor adherence to service plans for major agency functions.</td>
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OTS 2001 Performance Plan

February 2001
Plan Highlights

Means Used to Accomplish OTS’s Four Strategic Goals

1. Operating Capital and FTEs

Assessments charged to the thrift industry provide approximately 88 percent of OTS’s operating funds. Other sources of operating funds include application fees, interest, rents and subleases, exam fees and other miscellaneous sources.

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<tr>
<td>Operating Expenses (in millions)</td>
<td>$147.8</td>
<td>$143.8</td>
<td>$153.7</td>
<td>$156.9</td>
<td>$162.3</td>
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<tr>
<td>Year-end FTE</td>
<td>1,318</td>
<td>1,264</td>
<td>1,270</td>
<td>1,247</td>
<td>1,218</td>
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2. Staff Skills

OTS requires a highly skilled and trained staff due to the complexity of its supervisory role for the thrift industry. The heightened competition from other federally insured depository institutions, federally sponsored enterprises supporting the secondary housing markets, and other domestic financial intermediaries has increased pressures on thrifts to maintain profitability without incurring excessive risk. In order to responsively supervise thrifts, OTS staff must evaluate thrift business characteristics such as capital adequacy, identify when risk becomes unacceptable, and take immediate corrective measures to mitigate problems.

The increasing operational complexity of thrifts has changed the nature of OTS’s supervisory activities. OTS must evaluate the credit, interest rate, and other market risk dimensions of new lines of business, financial instruments, risk management strategies and corporate structures used by the entities it supervises. Such evaluations require complicated financial analyses, incorporating the use of econometric models, that subject individual thrift portfolios to “stress tests” or other forms of sensitivity analysis. OTS requires a highly trained and experienced legal staff to address the complex questions concerning these issues.

The increasing industry interest in using electronic banking technologies has produced a need for OTS’s staff to develop an electronic banking safety and soundness program that will help examiners evaluate an institution’s planning, administration and internal controls with regard to electronic banking technology. The increasing industry interest in obtaining fiduciary powers has also produced a need for OTS to augment its national trust examination program by enhancing examiner training and changing the focus of its trust examinations to embrace a risk-sensitive scoping methodology.

Convergence within the financial services sector is a reality in the market place. As of year-end 2000, there were 14 applications pending for federal thrift charters; of those, 2 were from insurance companies, 2 were conversions from credit unions, and 2 (grandfathered under Gramm-Leach-Bliley) were from the manufacturing industry. As a result of the new types of applications being filed, OTS’s staff is being presented with new challenges and opportunities; the need to adjust, invent and innovate; and an ever greater need to work in partnership with all stakeholders.
3. Information Technology:

OTS embraces recent management reforms, such as the Clinger-Cohen Act, the Paperwork Reduction Act, and the Government Performance and Results Act, which require agencies to establish a process for maximizing the value of IT investments. OTS’s information technology management process is based on the underlying principle that OTS’s ability to improve its services and performance depends heavily upon how well information technology can be integrated into fundamental business and mission needs.

Effective use of information technology enhances OTS’s ability to accomplish its mission and goals. Five strategic goals were identified in the IT Strategic Plan developed for 2000 – 2002:

- Deliver IT systems that best align with the OTS business goals,
- Manage OTS information to maximize business use and value,
- Attain e-government vision to improve public service,
- Implement systems that improve workforce performance,
- Develop and retain required IT skills through staffing and outsourcing.

OTS’s IT initiatives are identified and approved annually to address emerging and strategic OTS needs. Quality reviews by an Investment Review Board consisting of senior Washington and regional officials regularly enhance the quality of the agency’s significant investment in Information Technology. OTS-wide strategic IT planning ensures investments in IT are effectively targeted in direct support of OTS business priorities.

**Link Between OTS’s Performance Plan and its Budget**

OTS operates on a calendar year basis (rather than on a fiscal year basis) and is not funded by Congress. The Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA) of 1989 granted to OTS the authority to raise its operating capital through assessments on the thrift industry. These assessments are based on each institution’s size, financial condition, and the complexity of its operations, with healthy institutions paying less than similar-sized troubled institutions.

**OTS Budget Divided by Strategic Goal**

- Maintain a safe and sound industry. 85%
- Reduce regulatory burden. 12%
- Provide exceptional service. 1%
- Expand housing, credit and financial services. 2%

OTS 2001 Performance Plan

February 2001
External Factors that Could Affect Achievement of OTS’s Four Strategic Goals

OTS’s ability to accomplish its four major goals will be directly affected by the following external factors:

1. U.S. Economic Environment and the Thrift Industry

The thrift industry today is strong, profitable and well-capitalized. Many factors have contributed to the existing health of the industry, including the general prosperity in the underlying economy, strict Congressionally-mandated improvements in the industry’s capital levels and business practices, and increased regulatory oversight.

Even though the thrift industry is as healthy today as it has ever been, a sharp downturn in the U.S. economy, or an increase in interest rates could impact the economic performance of the industry. Based on data from OTS’s model estimating thrift exposure to interest rate risk, as of June 30, 2000, 51.6 percent of OTS-regulated thrifts would incur at least a 20 percent loss in their economic value if interest rates increased sharply (i.e., increased by 200 basis points). While of concern, this should not cause a significant number of institutions to drop below the “adequately capitalized” level.

A substantial decline in the thrift industry’s economic performance, derived from a general economic downturn, could impede OTS’s ability to achieve its goals of maintaining and supporting a competitive and financially sound industry in a dynamic marketplace, and supporting the thrift industry’s efforts to expand the full range of housing and financial services to all segments of the community. Aggregate credit availability and the overall safety and soundness of the industry would, of course, become regulatory focal points during a period of general economic stress. However, the thrift industry could be under sufficient economic stress, from its vulnerability to interest rate shocks that it would be difficult to maintain its safety and soundness. Finally, because a substantial amount of thrift assets are concentrated on the West Coast, an area with an historically volatile real estate market, the thrift industry is vulnerable to significant regional economic downturns.
2. Financial Modernization

Inter-industry consolidation is occurring in the marketplace. This activity presents both challenges and opportunities for OTS. With respect to effective financial supervision and regulation, consolidation requires OTS to supervise and examine larger institutions doing non-traditional activities over a wider geographic area, and in unusual corporate structures. For example, although insurance companies have owned thrifts for years, new entrants have quite different and frequently more complex corporate structures and strategies. For example, in August 2000 OTS approved a triple-step transaction in which an OTS-supervised institution converted from a state charter to a federal charter; then its parent company executed a second-step conversion to a stock holding company and simultaneously acquired another thrift. The resulting institution is a multi-billion dollar institution with branch offices in two states. This transaction is considered to be one of the most complex charter actions OTS has ever handled. OTS is aware that consolidation can limit consumer choice, the reach of CRA, and the availability of local civic leadership. By working closely with these institutions, however, OTS often has the opportunity to assist them in bringing more—and different types of—resources to under-served areas.

Intra-industry consolidation is also occurring, although the pace seems to be slowing somewhat. From 1994 through 1997, an annual average of 140 institutions left OTS’s jurisdiction (mostly through acquisition by commercial banks and conversion to commercial banks). In 1998 the number of OTS-regulated thrifts fell by 70 (with 109 exits and 39 entrants). During 1999, 42 thrifts left OTS jurisdiction and during the first 9 months of 2000 the number of thrifts fell by 21 to 1,082. Approximately 50% of the thrift industry’s assets are held by 11 institutions, each with assets in excess of $14 billion. Major charter changes or acquisitions could materially reduce industry assets and the OTS assessment base.
Accomplishing the Annual Performance Goals Associated with OTS’s Strategic Goals

**Strategic Goal 1: Through efficient and effective supervision, maintain a safe and sound industry that meets its responsibilities to its customers and communities.**

Projected 2001 Expenditures: $137,955,000

Through the examination process, OTS assesses the financial condition and risk profile of thrift institutions and identifies violations of law and regulation and potential financial and economic problems. The OTS examination process assists in preventing the development or continuation of unsafe operating practices and effects timely resolution of identified problems or weaknesses, consumer protection, and Community Reinvestment Act (CRA) weaknesses.

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<tr>
<td><strong>Performance Goal 1a: Conduct at least 95% of safety and soundness exams; 95% of compliance exams; 90% of holding company exams; 90% of information systems exams for all institutions scheduled to receive such examinations.</strong></td>
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<tr>
<td>Safety and Soundness</td>
<td>96.2%</td>
<td>96.6%</td>
<td>97.9%</td>
<td>95%</td>
<td>98.3%</td>
<td>95%</td>
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<tr>
<td>Compliance (including CRA)</td>
<td>98.3%</td>
<td>98.3%</td>
<td>99.3%</td>
<td>95%</td>
<td>98.6%</td>
<td>95%</td>
</tr>
<tr>
<td>Holding Company</td>
<td>83.2%</td>
<td>86.7%</td>
<td>87.8%</td>
<td>90%</td>
<td>91.1%</td>
<td>90%</td>
</tr>
<tr>
<td>Information Systems</td>
<td>77.7%</td>
<td>(a)</td>
<td>(a)</td>
<td>85%</td>
<td>102% #</td>
<td>90%</td>
</tr>
<tr>
<td>Trust</td>
<td>63.3%</td>
<td>87.5%</td>
<td>82.8%</td>
<td>80%</td>
<td>91.3% #</td>
<td>90%</td>
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(a) During 1998 and 1999 Information Systems examinations were diverted to Y2K issues.

Performance Measure 1b-1: The percentage of thrift institutions that, within sixty days of having received an unsatisfactory safety and soundness rating, are either subject to a formal or informal enforcement action or as to which such action has been waived.

*NA*  NA*  86.7%  100%  100%  100%

# OTS exceeded the 2000 target for this measure as explained on page 16 in the section entitled “CY 2000 Program Performance Report.”
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<td><strong>Performance Goal 1c: Ensure that at least 99% of OTS examination reports reviewed comply with OTS examination policies and procedures.</strong></td>
<td>100%</td>
<td>99%</td>
<td>100%</td>
<td>99%</td>
<td>100%</td>
<td>99%</td>
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<tr>
<td>Performance Measure 1c-1: The percentage of examination reports reviewed that are deemed generally consistent with OTS examination policies and procedures.</td>
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<td><strong>Performance Goal 1d: Ensure that at least 95% of OTS-regulated thrift institutions rate the value of the examination process as “satisfactory” or above.</strong></td>
<td>98%</td>
<td>99%</td>
<td>98.4%</td>
<td>95%</td>
<td>98.96%</td>
<td>95%</td>
</tr>
<tr>
<td>Performance Measure 1d-1: The percentage of thrift survey responses that rate the examination process as being “satisfactory” or “better than satisfactory.”</td>
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<td><strong>Performance Goal 1e: Ensure that 100% of OTS-regulated thrift institutions comply with consumer protection, fair lending, community reinvestment, bank secrecy and other public policy laws and regulations or that OTS has taken appropriate supervisory or enforcement action.</strong></td>
<td>NA*</td>
<td>NA*</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Performance Measure 1e-1: The percentage of thrift institutions that, within sixty days of having received an unsatisfactory compliance rating, are either subject to a formal or informal enforcement action or as to which such action has been waived.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Performance Goal 1f: Ensure that 100% of OTS-regulated thrift institutions are at least “adequately capitalized” or are under a Prompt Corrective Action Directive or are recapitalized to the “adequately capitalized” level or operating within an approved Capital Plan within 150 days of becoming undercapitalized.</strong></td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Performance Measure 1f-1: The number of OTS-regulated thrift institutions that are at least “adequately capitalized” or are under a Prompt Corrective Action Directive or are recapitalized to at least the “adequately capitalized” level within 150 days of becoming undercapitalized, or that have received prior approval by the Deputy Director for exceeding the 150-day timeframe for issuance of the PCA Directive, divided by the total number of OTS-regulated thrift institutions, minus those that are operating under an approved Capital Plan or that have been undercapitalized for less than 150 days.</td>
<td>NA*</td>
<td>NA*</td>
<td>99.9%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

*NA indicates the performance measure was not or will not be used during the specified year.*
CY 2001 PERFORMANCE PLAN EXPLANATION

Means to Accomplish the Annual Performance Goals Related to Strategic Goal #1

- **Processes**

  OTS conducts risk-focused Safety and Soundness, Compliance (including CRA), Information Systems, Holding Company and Trust examinations in accordance with statutory requirements and/or agency policy. OTS employs a seasoned staff of examiners. Examiners undergo continuing training in areas of emerging risks, higher risk consumer and commercial lending, electronic banking, securitizations and consumer protection laws and regulations. OTS is revising policies on the supervision of thrift holding companies as new business strategies are being implemented by insurance companies and other new entrants into the business. Similarly, OTS is revising its approach to trust examinations. We have implemented an automated examination process, and have trained examiners in its use. This is enhancing the efficiency of examiners and reducing regulatory burden, because more analytical and focused examination work is performed off site.

  In addition to on-site examinations, OTS performs off-site financial monitoring of each institution. Staff base their off-site analysis on quarterly Thrift Financial Reports, the Uniform Thrift Performance Report, holding company and SEC reports, and other information, noting adverse trends, financial performance, and changes in business strategies and risk taking. Policy staff in Washington develop new policies, many in coordination with other financial regulatory agencies, and communicate guidance to examiners in easily understood terms and often by electronic means. OTS will continue to monitor closely institution capital levels and apply regulatory solutions to ensure that institutions remain adequately capitalized or to achieve timely resolution of inadequately capitalized institutions.

- **Staff Skills**

  OTS management is committed to maintaining a high degree of competence and skill for OTS employees. It recently revised the examiner accreditation program to incorporate changes in industry practice and regulatory oversight for the new examiners hired since 1998. OTS also implemented a professional development program, which provides skill development beyond traditional training; and examiner specialty tracks, which challenge examiners to reach greater proficiency in emerging risk areas.

  In 2001, OTS expects to deliver new training options in credit scoring, housing and economic development, fair lending, financial analysis of insurance operations and emerging trust issues. In all of its training curriculum, OTS is exploring opportunities for shared resources among the financial regulatory agencies and for delivery of training through new technological forums (e.g. compact disks, the internet, videos).

- **Technological Resources**

  OTS staff use several systems to help accomplish strategic goal 1 as set forth below:

  - The **Interest Rate Risk System** consists of a model that calculates measures of interest rate risk and produces interest rate risk reports that are used by Washington and Regional staff. Copies of the reports are also sent to the individual institutions.

  - **Examination Data System** provides for the collection and dissemination of data pertaining to the examination process (the exam type, rating, and critical tracking dates.) It collects information for Safety and Soundness, Compliance, IT, Trust, and Holding Company exams.

  - The **Thrift Information Management System (TIM)** integrates several regulatory systems, grouping data entry and reporting functions by subject matter.
The **Thrift Examiner Support System** (TESS) supports the Report of Examination (ROE) process and works with Microsoft Word. TESS allows examiners to prepare consistent reports of examination using Microsoft Word by providing a preformatted word processing shell at the commencement of an examination. A number of examination specific items, including predefined financial data pertaining to the institution and its peer group, are provided within the shell. The data elements are extracted from OTS’s database of financial information filed by the regulated institutions. Examiners can easily insert into the report of examination previously prepared charts based on institution-specific and peer group financial data. Completed reports of examination are uploaded to a central repository. Authorized OTS employees have electronic access to the completed reports of examination.

The **Regulatory Action Data System** is used to track enforcement and supervisory actions. This system also provides data for the regular public and congressional reporting requirements on initiated or completed formal enforcement actions.

The **National Financial Monitoring System/UTPR** provides standardized reports which are used to monitor and analyze regulated institutions. One key report is the Uniform Thrift Performance Report (UTPR). Data from the UTPR are incorporated into the Regulatory Profile and Report of Examination. The UTPR is provided in a five quarter or a three year format and is provided to the Federal Deposit Insurance Corporation (FDIC) quarterly.

The **Thrift Edit System** collects and edits quarterly financial data for all OTS-regulated institutions. Through the Generic Electronic Transfer System it controls the flow of electronically filed data from thrift institutions. The data is used for analysis and monitoring of industry trends and for performing financial analysis of individual institutions. Information collected by this system is provided to several OTS systems including the **Thrift Time Series** and the **National Financial Monitoring System**.

The **Information Technology Database (ITD)** was developed in 1999 to allow staff to identify, qualify and quantify technology risk of products and services offered or used by federal savings associations and third-party vendors. Information collected in the database is used to report on technology risks and trends to OTS senior management and the other FFIEC agencies; share information on an interagency basis, as recommended in a recent GAO report on electronic banking; report specific information on thrifts and service providers to improve monitoring of an individual institution’s use of technology; and monitor examination schedules and human resource requirements.

The **Prompt Corrective Action Monitoring Report** provides OTS senior management with updates regarding compliance with the Prompt Corrective Action requirements and regulatory actions and strategies applied to inadequately capitalized institutions, and institutions that could potentially become inadequately capitalized.

The **Customer Service Measurement System** was developed to support OTS’s Customer Service Program. This system is used to collect and report the results of surveys sent to thrift institutions following an examination.

The **Branch Office Survey System** collects and processes information on the deposits/savings and geographic location of the branches of all OTS-regulated institutions. This information is used in competitiveness analysis and in efforts to resolve problem institutions.

The **Thrift Monitoring System** (TMS) provides supervisory staff in OTS with the capability of viewing selected examination and financial information on institutions throughout the country. The system is a tool for detecting existing problems and potential risks in the thrift industry. TMS provides standardized monitoring reports to the agency. This system will be replaced with the Regulatory Monitoring System being developed in 2001.

The **Regulatory Profile System** provides a brief narrative of information on high profile institutions and is updated quarterly by regional employees. The narratives consist of 4 sections: (1) Operating Profile, (2) Enforcement Action, (3) Identified Risks and (4) Supervisory Strategy.
Strategies for Achieving Annual Performance Goals Related to Strategic Goal #1

Train examiners and direct examination support staff to deal with emerging issues, new financial instruments, electronic banking, risk management and trust activities.

Hire a diverse group of highly qualified, entry-level examiners and provide them with the best possible basic training and specialty training, including up-to-date risk-based guidance.

Improve supervision of nontraditional institutions, including diversified unitary holding companies.

Improve the examination and supervision process to provide more oversight of the risks associated with the industry’s use of securitizations, complex financial instruments (including equity instruments), and off-balance-sheet transactions.

Review the examination follow-up and corrective action process for greater efficiency and effectiveness, as well as more consistency among regions.

Expedite the use of formal enforcement actions by issuing a revised Enforcement Policy Statement.
⇒ Follow up with integration activities for all relevant staff.

Enhance the agency’s capacity to monitor, identify, and access risk factors affecting the thrift industry.
⇒ Improve existing systems for monitoring risk trends on a frequent and systematic basis.
⇒ Improve systems for delivering monitoring results on a timely basis to the appropriate staff in a manner they feel would be useful.
⇒ Assess and revise Regulatory Plan to increase usefulness.

Improve the consistency and quality of examinations by using the full knowledge base of the Agency to develop an appropriate supervisory approach for each institution.
⇒ Use enhanced monitoring system and exam results to take anticipatory steps to avoid potential problems.
⇒ Identify task force to assess pre-exam planning process and develop a risk focused strategy for each exam based on monitoring results.
⇒ Encourage and support full implementation of a flexible, risk-focused examination process.
⇒ Monitor exam feedback and make adjustments to procedures.
⇒ Provide additional training as needed.

OTS will strive to minimize the occurrence and resolve inadequately capitalized institutions through:
⇒ intensive intervention,
⇒ development of regulatory solutions to prevent financial deterioration that could lead to inadequate capitalization.

Strengthen the regulatory and administrative policy development process.
⇒ In order to capture emerging issues and involve all staff with relevant knowledge, develop a process to create inter-disciplinary teams of experienced examiners, field managers, and knowledgeable Washington staff to assist senior OTS management in internal development of agency policy and direction.
⇒ Define a process to identify “best practices” and emerging risks as topics for “white papers” to be written by internal and, possibly, external subject experts.
⇒ Joint team of Supervision and Office of Research and Information Systems staff will develop a consolidated Holding Company Data Base that will include financial data on holding company structures to facilitate OTS examination and off-site monitoring of these entities. This will help implement an internal OTS task force recommendation to strengthen OTS’s supervisory ability to respond to new risks and challenges posed by thrift holding companies engaging in non-banking activities, including commercial activities. Consolidated structural data to be compiled in 2001. Holding Company consolidated financial
data will be collected beginning March 2001.
⇒ Extended use of national mortgage delinquency data, with subprime mortgage data added in 2000. OTS will identify emerging trends in credit quality; reports will periodically be published on OTS’s internet site on mortgage market trends.

Crosscutting Efforts with Other Federal Financial Regulatory Agencies Related to Achieving Strategic Goal #1

OTS is involved in numerous efforts with the other financial institution regulatory agencies—FDIC, Office of the Comptroller of the Currency (OCC), Federal Reserve Board (FRB), and National Credit Union Administration (NCUA)—to develop common policies, programs and regulations. These crosscutting efforts are mandated by statute, best practices for the regulation of the banking industry, and public policy to reduce regulatory burden. The agencies are all members of the Federal Financial Institutions Examination Council (FFIEC). The Council develops common examination policies and procedures. FFIEC has numerous committees and task forces that focus on specific areas of the examination process.

The FFIEC Reports Task Force has developed a working draft of core output schedules for banks, savings associations, and bank holding companies. The Uniform Core Report will provide a common baseline output of financial information for all financial institutions. Several definitional and other issues affecting the form and content of the core schedules have been resolved at the task force level. Implementation of the core report is projected to occur in June 2001.

OTS is a member of a number of interagency working groups, outside of FFIEC, that develop common policies. The Results Act Banking Regulatory Working Group is endeavoring to develop common agency goals for examination, agency outreach, as well as planning and budgeting. Each agency’s performance plan will include strategic goals and performance goals in these areas. OTS and the bank regulatory agencies use a common Report of Examination, and all financial institution regulators use the CAMELS examination rating system. The Directors of both OTS and OCC are members of the FDIC Board. This structure facilitates crosscutting policy development and regulatory practices among the FDIC, OTS, and OCC.

Key External Factors Potentially Affecting Achievement of Strategic Goal #1

Industry consolidation - Continued industry consolidation will require unique examination mechanisms and modified supervisory techniques to assess and monitor the increasingly complex structure of thrifts. More cross-regional OTS cooperation and increased cooperation with the other federal regulatory agencies and state authorities will also be needed to adequately examine the largest thrifts.

Single event risk - The current economic environment has had a positive effect on the thrift industry. Institution failures have been almost nonexistent; thus, little OTS intervention has been required. However, a significant single event such as a stock market crash or international financial crisis could significantly impact the health of the thrift industry, increase OTS’s examiner workload, and alter current staffing projections for both examiners and legal and investigative personnel.

Competitive disadvantages in the labor market - As with many other public and private sector employers, OTS has difficulty keeping pace with salary escalation in the relevant labor markets for the knowledge and skill sets needed by OTS. Nevertheless, OTS offers a highly competitive benefits package, including a series of worker-friendly features to attract and retain critical staff. OTS recently introduced a comprehensive professional development program to enhance its overall competitiveness by enriching the professional experiences of its staff.

Emerging technology - Emerging technology has introduced new ways for thrifts to offer traditional products and services. Future advances that could significantly affect the OTS’s examination function include the expansion and use of electronic banking initiatives, in particular the use of Internet banking, and the development of new and complex non-deposit investment products.
CY 2000 PROGRAM PERFORMANCE REPORT

**Performance Measure 1a-1 (trust examinations):** The success rate for conducting trust examinations improved primarily as a result of an increase in staffing resources and through the hiring of a number of new, experienced, trust examination specialists. OTS has increased the 2001 target for trust examinations to 90%.

**Performance Measure 1a-1 (Information Systems examinations):** OTS was able to complete significantly more IT exams during 2000 than was originally projected as a result of the completion of the Y2K program. The Millennial rollover had minimal impact on the thrift industry; thus, OTS was able to emphasize IT exams by February 2000 rather than during the 2nd quarter, as originally projected. OTS is raising the 2001 target for IT exams to 90%.
<table>
<thead>
<tr>
<th>Strategic Goal 2: Actively support the thrift industry’s efforts to expand the full range of housing, other credit, and financial services to all segments of the community through outreach programs, industry partnerships, and proactive supervision.</th>
<th>Projected 2001 Expenditures</th>
</tr>
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<tr>
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<td>$3,246,000</td>
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In December 1993, OTS established the Community Affairs Program as a way to assist the thrift industry’s efforts to help meet the credit and financial services needs in their communities, particularly for those areas and individuals in greatest need. The objectives of the Community Affairs program include providing educational and technical assistance to the industry, the OTS staff, and others about community development needs, issues and opportunities; promoting and facilitating partnerships among financial institutions, community organizations, local governments and others for the purpose of addressing credit needs and improving the availability of credit and financial services; and identifying and addressing regulatory barriers to community development.

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<tbody>
<tr>
<td>Performance Goal 2a: Provide educational and technical assistance to industry representatives, the OTS examination staff and other relevant parties on community development issues, needs and opportunities; key players and programs; and investment authority or regulatory barriers.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Performance Measure 2a-1: The percentage of thrifts with less than satisfactory CRA ratings assigned to which OTS offers or provides one-on-one community development related outreach and technical assistance to within 60 days of completion of the examination.</td>
<td>NA*</td>
<td>NA*</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td></td>
</tr>
<tr>
<td>Performance Measure 2a-2: The percentage of identified community development-related regulatory barriers addressed (either investment authority or CRA).</td>
<td>NA*</td>
<td>NA*</td>
<td>73%@</td>
<td>85%@</td>
<td>57%@#</td>
<td>65%</td>
</tr>
<tr>
<td>Performance Goal 2b: Promote and help facilitate partnerships between financial institutions, community organizations and others as a means of improving the availability of and access to credit and financial services.</td>
<td></td>
<td></td>
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*NA indicates the performance measure was not or will not be used during the specified year.
@ These performance measures have been recalculated to reflect actual percentages or actual numbers rather than reflecting the percentage of the target achieved.
# The shortfall in meeting the 2000 target is explained below (see page 21) in the section entitled “CY 2000 Program Performance Report.”
<table>
<thead>
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<tbody>
<tr>
<td><strong>Performance Measure 2b-1:</strong> The percentage of planned outreach, training, or partnership building events OTS sponsored or participated in. The goal is 90%.</td>
<td>NA*</td>
<td>NA*</td>
<td>NA*</td>
<td>90%</td>
<td>100%</td>
<td>90%</td>
</tr>
<tr>
<td><strong>Performance Measure 2b-2:</strong> The percentage of targeted new areas or groups reached. The goal is 90%.</td>
<td>NA*</td>
<td>NA*</td>
<td>NA*</td>
<td>90%</td>
<td>96.5%</td>
<td>90%</td>
</tr>
<tr>
<td><strong>Performance Measure 2b-3:</strong> The percentage of thrift participants to those targeted. The goal is 50%.</td>
<td>NA*</td>
<td>NA*</td>
<td>NA*</td>
<td>50%</td>
<td>45% #</td>
<td>50%</td>
</tr>
<tr>
<td><strong>Performance Measure 2b-4:</strong> The number of new partnerships formed, activities/programs commenced or investments made as a result of OTS’s outreach, training, or partnership building activities. The goal is the 1999 baseline.</td>
<td>NA*</td>
<td>NA*</td>
<td>26 new partnerships/activities or investments were achieved. @</td>
<td>26 @</td>
<td>28@ partnerships/activities or programs.</td>
<td>26</td>
</tr>
<tr>
<td><strong>Performance Measure 2b-5:</strong> The events participated in or presentations given by senior management on community development related topics. The planned number of events/speeches is 25.</td>
<td>NA*</td>
<td>NA*</td>
<td>25 @</td>
<td>25 @</td>
<td>23 speeches given. @ #</td>
<td>25</td>
</tr>
</tbody>
</table>

*NA indicates the performance measure was not or will not be used during the specified year.
@ These performance measures have been recalculated to reflect actual percentages or actual numbers rather than reflecting the percentage of the target achieved.
# The shortfall in meeting the 2000 target is explained below (see page 21) in the section entitled “CY 2000 Program Performance Report.”

**CY 2001 PERFORMANCE PLAN EXPLANATION**

**Means to Accomplish the Annual Performance Goal Related to Strategic Goal #2:**

- **Processes**

  OTS will continue to work with other banking regulatory agencies to enhance the efficacy of the Community Reinvestment Act and CRA regulations encouraging lenders to provide credit, service and investments to low and moderate income communities and households and other areas of greatest need. OTS will continue to work with financial institutions through the Community Affairs Program.

- **Staff Skills**

  OTS management is committed to maintaining a high degree of competence and skill for OTS employees. The OTS Community Affairs staff have a mix of regulatory experience and experience in the community development area. Those with regulatory backgrounds have received supplemental training from the
National Development Council and have received or are pursuing certifications as Housing Development Finance Professionals and Economic Development Finance Professionals. All staff attend various training forums throughout the year as a means of staying abreast of current issues, best practices, etc. in the area of community and economic development. OTS compliance examination staff have regulatory and supervisory experience implementing the CRA regulations and the consumer protection laws. They also receive high-level training on these laws.

- Technological Resources

The Home Mortgage Disclosure Act System collects and edits detailed loan data required by the Home Mortgage Disclosure Act. The data is used to analyze the practices of all mortgage lending institutions regulated by OTS and their mortgage lending affiliates. OTS provides edited data to the Federal Financial Institutions Examination Council (FFIEC) which further reviews the data and produces public releases of the analyses and raw data.

The Community Affairs and Compliance Examination staff subscribe to a number of community development related publications. They also use, as needed, the HMDA data, and CRA Wiz and HUD Community 2020 software for demographic information and lending patterns. Staff also use a number of websites as technical resources.

Strategies for Achieving Annual Performance Goal Related to Strategic Goal #2

The Community Affairs Program defines a number of strategies each year to encourage and stimulate more thrift lending, investment and service in under-served markets. Those strategies are focused in three principal areas: outreach, training/education, and partnership building. In order to accomplish program strategies in these areas, the CA staff actively partners with the other banking agencies, other federal agencies, Neighborhood Reinvestment Corporation, the GSEs, the Federal Home Loan Banks, State Housing Finance Agencies, Indian Tribal Councils, and others.

CRA

Engage in a series of “town meetings” in several cities nationwide, with the goal of understanding concerns of both the industry and the communities about the current CRA regulations; and provide nontraditional institutions with guidance that will maximize their contribution to neighborhood reinvestment wherever they do business.

Education

Encourage innovative solutions to obstacles that impede affordable housing and other credit and financial services needs.
- Identify and collect data on profitability and efficiency.
- Share information about profitability and efficiency of affordable housing programs to assist thrifts in meeting housing needs.
- Implement program to educate industry and examination staff on economic benefits and potential long term profitability of expanding access to other credit and financial services to under-served segments of their communities.
- Solicit from the industry what OTS is doing to impede their efforts to meet the financial services needs of their communities.
- Identify incentives to encourage expansion of services.
- Work on interagency basis to develop exam procedures and other means that would serve as incentives for the industry to better serve their communities.
- Offer programs to educate the industry regarding fair lending issues.
- OTS will sponsor a Thrift Industry Leadership Conference in April 2001 focused on strategic planning, identifying new market opportunities, and managing long-term customer relationships.
Outreach

Within each region, establish relationships with local thrifts, community based organizations, state, local and federal government agencies, community development practitioners and others to ascertain needs, best practices, and partnership opportunities for thrifts.

Training and Partnership Building

Sponsor or co-sponsor training for financial institutions through national and regional conferences and local forums on various community development topics and partnership opportunities.

Encourage a partnership approach to building and maintaining viable and healthy communities whose housing, credit and financial services needs are met by:
⇒ Developing a plan to broaden responsibility for outreach to many OTS positions including assistant regional directors and many staff members in Washington, where appropriate;
⇒ Assess staffing levels in light of broader commitment; assess need for additional training;
⇒ Make community outreach a part of senior management performance objectives;
⇒ Increase and encourage employee volunteerism;

Develop Regional conferences and/or seminars with non-profit organizations and thrifts to foster partnerships;
⇒ Encourage thrifts to attend other partnership efforts sponsored by non-profit organizations. Report on efforts and actual attendance by thrifts at these events;
⇒ Hold conferences with mutual institutions to assess viable options to remaining mutual.

Provide information to the industry (via publications, the newsletter, the CA webpage) about current community development issues, best practices, investment authority, training opportunities, subsidy resources, reference materials, etc.

Policy

Clarify or change (as needed) the community development investment authority for thrifts and their service corporations.

Identify and help address regulatory barriers associated with CRA issues.

Work with other bank regulators to revise the CRA regulation to make it more flexible in addressing business strategies of, in particular, non-branch-based institutions, mid-sized institutions, and institutions focusing on service and/or investments.

Crosscutting Efforts with Other Federal Financial Regulatory Agencies Related to Achieving Strategic Goal #2

OTS will work closely with the other banking regulators on CRA implementation and regulatory issues. OTS CA staff will work with various entities at the federal, state and local level in its outreach, training and partnership building activities.

Key External Factors Potentially Affecting Achievement of Strategic Goal # 2

Economy: A downturn in the economy may impact thrifts’ appetite for and ability to engage in certain community development endeavors. It may also impact existing loan and investment portfolios. A downturn in the economy, however, will likely increase the need for credit, services and affordable housing in underserved or distressed markets.
Availability of Other Resources Targeting Community Development: Much of what the private sector does in community development is dependent on the availability of other resources to supplement or leverage private sector resources.

Demographics: The aging baby boomer generation and the growing immigrant population will likely impact credit needs and resources over the next decade, particularly in certain geographic locations around the country.

**CY 2000 PROGRAM PERFORMANCE REPORT**

**Performance measure 2a-2:** Three of the seven barriers that were not successfully resolved by year end 2000 were matters beyond OTS’s immediate control:

⇒ OTS is working with an interagency group on a CRA regulation review project. This project should conclude in 2002.
⇒ A question regarding whether debt obligations issued by community development non-profit organizations are “corporate debt securities” was referred to the FDIC for an interpretive opinion.
⇒ A question regarding whether a low income housing tax credit limited partnership is a thrift affiliate is awaiting feedback from the OCC.

OTS will continue to seek a resolution of these issues. OTS has determined that the original target of 85% for this measure is unrealistic given the fact that many of the barriers identified are not within OTS’s sole control. OTS has, therefore, lowered the target to 65% for 2001.

**Performance measure 2b-3:** OTS had a 45% success rate for this measure as not as many thrifts attended the events scheduled as were targeted. In some instances the number of thrifts targeted was very aggressive. OTS’s West Region co-hosted a CRA Conference and targeted approximately 148 thrifts (a very aggressive attendance record for any given event). Only 67 thrifts actually attended this event (a good turnout). The OTS regions that targeted a very aggressive number of thrifts skewed the results for the rest of the OTS Regions.

**Performance measure 2b-5:** Senior management, other than OTS’s Director, did not participate in as many community affairs events or community development related speaking engagements as anticipated. The Community Affairs staff will continue to provide opportunities for OTS senior managers to participate during 2001.
One of OTS’s continuing initiatives is to reduce the regulatory burden on thrifts while maintaining effective supervision. This includes initiatives to enhance the efficiency of the financial reporting process and to improve the application process. During the coming years, Supervision will continue to streamline the examination process. OTS has already significantly reduced the amount of on-site examination time; streamlined reporting requirements by moving to consolidated reports; redesigned approximately 71 percent of OTS’s regulations to make them easier to understand; and eliminated unnecessary restrictions.

### Performance Goals and Measures that Support Strategic Goal 3:

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<tbody>
<tr>
<td>Performance Measure 3a-1: Meet the application processing timeframes (either 30 or 60 days excluding time to deem complete) except when an application contains an issue of law or policy.</td>
<td>99%</td>
<td>98.9%</td>
<td>98.3%</td>
<td>98%</td>
<td>98.1%</td>
<td>98%</td>
</tr>
<tr>
<td>Performance Measure 3a-2: The percentage of planned regulatory reinvention projects completed in question-and-answer plain language format.</td>
<td>NA*</td>
<td>80%</td>
<td>100%</td>
<td>80%</td>
<td>100% #</td>
<td>85%</td>
</tr>
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<thead>
<tr>
<th>Performance Goal 3b: Develop and maintain an OTS workforce capable of providing assistance to thrift institutions in meeting the thrifts’ regulatory responsibilities. Ensure that at least 60% of regulatory staff receive at least 30 hours of training annually.</th>
<th>1997</th>
<th>1998</th>
<th>1999</th>
<th>2000 Target</th>
<th>2000 Actual</th>
<th>2001 Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performance Measure 3b-1: The percentage of regulatory staff who will receive at least 30 hours of training designed to keep them current in regulatory issues and industry developments. The target for this measure is that 60% of OTS’s regulatory staff will receive this training.</td>
<td>NA*</td>
<td>NA*</td>
<td>NA*</td>
<td>60% @</td>
<td>69%</td>
<td>60%</td>
</tr>
</tbody>
</table>

*NA indicates the performance measure was not or will not be used during the specified year. @ These performance measures have been recalculated to reflect actual percentages or actual numbers rather than reflecting the percentage of the target achieved. # OTS exceeded the 2000 target as explained below (see page 25) in the section entitled “CY 2000 Program Performance Report.”
CY 2001 PERFORMANCE PLAN EXPLANATION

Means to Accomplish the Annual Performance Goals Related to Strategic Goal #3

❖ Processes

OTS will continue to revise its regulations to reduce regulatory burdens consistent with safety and soundness. OTS will also continue to streamline the application process to be more simple, consistent and regionally based with respect to applications that do not raise new issues, to reach policy decisions on new issues as quickly as possible, and to enhance the application process to expand credit, service and investment in underserved communities.

❖ Staff Skills

OTS management is committed to maintaining a high degree of competence and skill for OTS employees. All OTS staff complete an Individual Development Plan each year. This plan includes detailed activities that the employee will complete during the year in order to achieve identified developmental objectives. Formal courses are a primary method of achieving these objectives; however, strong emphasis is placed on using alternative resources and means of development. For example, employees might follow up training in project management with an assignment to actually manage a project. Mentoring, cross-training, assignments to other offices or departments, research, reading, and self-study programs are other examples of OTS’s broad approach to employee development.

❖ Technological Resources

The Consumer Complaint System collects and tracks data on complaints filed by individuals against institutions regulated by OTS.

The Corporate Structure System maintains a record of all institutions regulated by OTS. Most of the updates come automatically from the National Application Tracking System. It contains both current and historic information about an institution such as its name, docket number, address, charter type, acquisitions, etc. This system is essential for the proper functioning of most of OTS’s automated information systems such as the Thrift Edit, Thrift Time Series, Examination Data, National Application Tracking System, and Assessment Billing System.

The National Application Tracking System provides a central file of all applications processed. The system was expanded to allow applications that impact the corporate structure of a savings association to electronically interface with the Corporate Structure System.

The Regulatory Profile System provides a brief narrative of information on high profile institutions and is updated quarterly by regional employees. The narratives consist of 4 sections: (1) Operating Policy, (2) Enforcement Actions, (3) Identified Risks and (4) Supervisory Strategy.

Strategies for Achieving Annual Performance Goals Related to Strategic Goal 3

Provide staff with the opportunity to develop the knowledge and skills necessary for proficient job performance and professional development; utilize technological best practices to provide opportunities.
⇒ Implement a program that promotes, brokers and monitors individually-tailored professional development opportunities for the OTS staff.
⇒ Reassess content of training and methods of delivery, and use technology to create flexibility in training.
⇒ Integrate training with policy decisions.
⇒ Make available to a wide audience training material that is searchable.
Implement career tracks that encourage supervision staff to develop and maintain expertise in specialized risk areas.
⇒ Administer the Specialty Examination Program.

Use existing and developing tools to communicate timely and continuously with staff in a useful way.
⇒ Continue to work with staff to find most efficient way to use the Intranet to communicate.
⇒ Make effective use of video-conferencing to allow for discussions among regional personnel, and between Washington and the regions.
⇒ Use the Investment Review Board to better align information technology with the supervision process.

Increase responsiveness to internal customers.
⇒ Create internal customer service guidelines, including time frames.

Regulations will continue to be rewritten using “plain English” techniques. Since 1996, all OTS-only regulations that have affected an entire part or subpart of the Code of Federal Regulations pertaining to the OTS (12 C.F.R. Parts 500 - 599) have been written using these techniques. OTS has encouraged the other banking regulators to use plain English in interagency rules as well.

The Office of External Affairs will work with House and Senate Banking Committee staff to promote OTS’s regulatory burden reduction initiatives. Legislation pending in the House and Senate includes many of the regulatory burden reforms supported by OTS. The Office will continue to educate and to promote these initiatives to secure successful enactment.

OTS will continue to seek input from the industry, community groups, and front-line OTS staff (using focus groups, town meetings, and public comment periods) on ways that regulations can be revised to:
⇒ address real issues facing the thrift industry;
⇒ give thrift management the room to exercise business judgment;
⇒ be flexible enough to allow the industry to evolve safely and soundly;
⇒ recognize where differential regulation (based on size, condition, or other relevant considerations) may be appropriate; and
⇒ be as clear as possible.

OTS will continue to publish proposed regulations, supervisory guidance, and legal opinions on the OTS website. In addition, applications being processed are listed under the following categories:
⇒ Significant New Applications in Process - a listing of applications from entities or individuals whose institutions are or would be regulated by OTS; the list is updated daily.
⇒ Applications for New Thrift Charters Detail Report - includes non-banking activity applications (e.g., insurance companies) dating from January 1, 1997; the list is updated monthly.
⇒ Applications in Process Database - A searchable database of applications from entities or individuals whose institutions are or would be regulated by OTS. Contains all applications in process as well as those completed within the last 12 months; this list is updated daily.

OTS will communicate to the industry and members of the public how they may submit comments on proposed regulations, suggestions for regulatory improvements, and requests for legal opinions and other agency advice electronically.

In regulatory and supervisory documents, OTS will routinely ask for public input about opportunities for reducing regulatory burden and how OTS can communicate more clearly and effectively on regulatory and supervisory issues.
Utilize Department of Justice findings pertaining to competitive effects of a merger when analyzing the merger’s impact on affected communities.

Facilitate discussion between interested members of an affected community and the applicants to ensure a full and fair understanding of a merger and the effect it will have on communities.

Carefully evaluate all merger applications to consider the loss of service in single-family and multifamily lending, community outreach and access to financial services, and mitigate any negative impact to the extent feasible, consistent with statutory standards.

Use the application process to encourage non-predatory, non-abusive provision of credit, including home equity lending and consumer credit, to low- and moderate-income individuals and neighborhoods.

OTS will review the outstanding delegation of applications to the Regional Offices and, based on recent experience with application types, determine whether additional applications may be delegated. Application types that have become standard in terms of content, and where processing has become frequent and consistent in terms of treatment or resolution of issues, are candidates for delegation to the appropriate Regional office. The delegation of standard applications significantly reduces processing timeframes.

Provide for annual application staff meetings to ensure topical training, the opportunity for an in-depth exchange of ideas and to reinforce consistency in processing and analysis.

Ensure the close coordination of, and continual dialogue among, application processing, legal and compliance staffs.

**Crosscutting Efforts with Other Federal Financial Regulatory Agencies Related to Achieving Strategic Goal #3**

OTS will continue working with the other banking agencies to respond fully to the requirements of Section 303 of the Riegle Community Redevelopment and Regulatory Improvement Act of 1994 to streamline and modify regulations and improve interagency consistency.

OTS will work with the other banking agencies in using “plain English” techniques in interagency regulations consistent with Section 722 of the Gramm-Leach-Bliley Act.

**Key External Factors Potentially Affecting Achievement of Strategic Goal #3**

Reliance on various Federal agencies and other groups - OTS often partners with the OCC, the FRB, the NCUA, and the Federal Deposit Insurance Corporation when developing regulations and policy statements. Thus, OTS cannot assure that regulatory burden will always be reduced.

The need to impose additional regulatory requirements is necessitated by new legislation and increasing complexity and changing risk profiles of institutions.

**CY 2000 PROGRAM PERFORMANCE REPORT**

**Performance Measure 3a-2:** OTS achieved a 100% success rate for this measure as only 3 proposed regulations were scheduled to be written in the question and answer format. No final regulations issued during 2000 were suitable for the question and answer format, thus, none were written in that format.
Strategic Goal 4: Provide exceptional service to all major groups with which we interact, including the thrift institutions regulated by OTS and members of the public that deal with those thrift institutions, to make government more responsive.

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<th>Projected 2001 Expenditures</th>
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OTS primarily interacts with the thrift institutions it charters, examines and supervises and the customers these institutions serve. OTS also provides the general public with statistical reports, securities filings of stock institutions, chartering records and other information. It helps thrift customers with inquiries and complaints concerning thrift institutions, and provides thrifts with opinions on thrift law. To provide excellent service (in compliance with Executive Order 12862 dated September 11, 1993) without compromising safety and soundness, OTS has developed service standards for the Examination process, Congressional Correspondence, Interpretive Opinions, and Consumer Assistance. OTS expects that the revised service plan for “Applications Processing” will be approved shortly. Every program with a published service plan sends a quarterly report to the OTS Ombudsman regarding its progress in meeting its stated service standards. The Ombudsman reviews the information, meets with the appropriate office to review the data, and suggests ways to improve service.

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<td>Performance Measure 4a-1: The number of service plans that met their standards divided by the total number of service plans. (The goal is that all service plans will meet their standards at least 80% of the time; if this goal is met, OTS will report a 100% success rate for this measure.)</td>
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CY 2001 PERFORMANCE PLAN EXPLANATION

Means to Accomplish the Annual Performance Goals Related to Strategic Goal #4

Processes

The OTS Ombudsman is an independent, accessible, neutral source of assistance to thrift institutions and their customers. The Ombudsman troubleshoots and proposes different ways to improve the delivery of OTS services. He encourages the resolution of issues between thrifts and OTS directly with regional examination and supervisory staff. The Ombudsman can materially improve public satisfaction with OTS, and in the process, increase the level of voluntary compliance and cooperation, reduce litigation, and provide OTS decision-makers with the information needed to identify problems and resolve them.
Staff Skills:

OTS management is committed to maintaining a high degree of competence and skill for OTS employees. All OTS staff members are aware of the importance of providing excellent customer service. Staff enrolls in training classes such as Making Presentations; Conducting Effective Meetings; Leadership, Change and Empowerment; Telephone Service Skills; Managing Multiple Priorities; Listening and Memory Development; Interpersonal Communications; Time Management; Problem Solving and Decision Making; Speaking with Confidence; Ethics for Litigators, as well as courses to enhance computer, verbal and writing skills including Plain Language.

Technological Resources

Surveys are electronically supported by an Internet service provider or with the use of the Raosoft COTS product.

Strategies for Achieving Annual Performance Goals Related to Strategic Goal #4

The OTS Ombudsman will work to further problem resolution assistance across organizational lines of responsibility through mediation, facilitation, negotiation, or other alternative resolution methods appropriate to a particular issue. The Ombudsman will work with each of the divisions to explore possible changes in policies, procedures or processes in response to problems or trends that have developed. To accomplish this goal, the Ombudsman will:

Work with Supervision Policy, the Chief Counsel’s Office and OTS’s regional offices to ensure that the new editions of Directors Guide to Responsibilities, and Directors Guide to Management Reports are distributed to the directors of all OTS regulated institutions. These pamphlets will also be made available, via the OTS website, to the management, boards of directors, attorneys and consultants of all OTS-regulated thrifts.

Continue to offer a program of instruction to assist thrift directors in becoming more aware of the best practices of efficient boards of directors.

Make a professionally edited videotape, Directors’ Responsibilities, available to thrift institutions, especially newly-chartered thrifts. This videotape will provide both new and experienced directors with hands-on opportunities to develop the tools they need to understand how well management is operating their institution.

Crosscutting Efforts with Other Federal Financial Regulatory Agencies Related to Achieving Strategic Goal #4

The OTS Ombudsman’s efforts will primarily focus on problem resolution, communication and training. During 2001, the Ombudsman will organize and coordinate an interagency supervision conference dealing with current topics of mutual interest to the four federal banking agencies. During 2002, the Ombudsman will sponsor Directors’ Forums for thrift directors and senior thrift officers. These forums will rely on the resources of OTS regional leaders, university instructors, OTS Washington staff and regional directors.
Verification and Validation of Annual Performance Measurement Data

Baseline for All Performance Measures: The projected success rate for all of OTS’s performance measures is determined after taking into consideration the measures’ past success rate, analyzing mission priorities for the coming year and budget constraints, and considering possible effects from external factors.

Performance Data Quality for All Performance Measures: The quantitative values reported for OTS’s performance measures are accurate and auditable. Several of the quantitative values are generated with the help of OTS’s automated systems, which are routinely validated to ensure they produce accurate information. For example, the Examination Data System (EDS) supports the measure that reports the number of examinations completed to scheduled. The Thrift Information Management system (TIM) integrates information from the Examination Data System (EDS), Report of Examination (ROE), Regulatory Action Data System (RAD), Corporate Structure, Holding Company Structure, and National Application Tracking System (NATS). TIM provides access to those systems, ensures the data is consistent among the systems, and produces integrated reports. NATS supports the performance measure dealing with the application processing timeframes.

For each performance measure, a “contact person” is assigned. The contact person is responsible for ensuring that the “level of success” for his or her measure as reported in OTS’s Performance Report is accurate; the contact person is also responsible for keeping auditable records. In addition, the OTS quality assurance program, which has been in place since 1991, provides internal quality control for the examination process and for administrative functions performed in the five regional offices. OTS’s Quality Assurance Reviews determine the accuracy, reliability and fairness of information and financial data produced within the regions and ensures that all regional information complies with Federal Managers’ Financial Integrity Act (FMFIA) standards. FMFIA requires the heads of departments and agencies to establish internal accounting and administrative control programs in accordance with standards prescribed by the Comptroller General. The Quality Assurance program has been further enhanced through establishment of a new Office of Internal Review and Evaluation, reporting directly to the OTS Director.

The methodology used to capture the level of performance for each performance measure is described below:

Measure 1a-1: The percentage of thrifts that received each type of examination to those scheduled to be examined.

Definition: OTS performs safety and soundness examinations of its regulated institutions based on the OTS Examination Policy consistent with the requirements in the Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA) as amended by the Riegle Community Development and Regulatory Improvement Act of 1994. Compliance (including Community Reinvestment Act), trust, holding company, and information systems examinations, are conducted pursuant to internally generated examination frequency requirements. When an institution is examined, OTS staff enters into the Examination Data System (EDS) the examination type, examination beginning and completion dates, report of examination mail date, and CAMELS or equivalent ratings.

OTS staff with access to the TIM System can access the EDS examination information at any time. Performance Tracking Reports are generated monthly and reviewed by OTS’s Deputy Director and all five Regional Directors. Any examination or institution that falls outside of the specified guidelines for the examination time frame or duration is identified. When necessary, management will determine why standards are not being met and will initiate steps to improve performance. The quantitative value for this measure will be calculated separately for each examination type by dividing the number of examinations that were conducted by the number of examinations that were scheduled to be conducted.
**Data Accuracy:** Reasonable accuracy; data for this measure meets the accurate and auditable standards set forth under the above section entitled “Performance Data Quality for all Performance Measures.”

**Measure 1b-1:** The percentage of thrift institutions that, within sixty days of having received an unsatisfactory safety and soundness rating, are either subject to a formal or informal enforcement action or as to which such action has been waived.

**Definition:** OTS employs its enforcement powers to advance the agency’s supervisory mission of maintaining a safe and sound thrift industry. Most new enforcement cases focus on correcting unsafe and unsound practices in thrifts before they result in the institution becoming undercapitalized.

OTS’s CAMELS system is the same as the CAMELS rating system used by the other financial regulators (FDIC, OCC, NCUA, and Fed) for describing the condition of banks and credit unions. CAMELS is an acronym for Capital Adequacy, Asset Quality, Management, Earnings and Liquidity/Risk Management, and Sensitivity. OTS uses five CAMELS classifications: Those with CAMELS ratings of 1 or 2 are the healthiest thrifts; those with ratings of 3 are experiencing some difficulty, but their overall strength makes failure unlikely; and those with ratings of 4 or 5 are problem thrifts presenting the highest degree of concern. The number of problem thrifts and their combined assets are currently at post-FIRREA lows. Not only are there few problem thrifts, but their financial condition is much stronger than that of problem thrifts during the early 1990’s.

OTS will measure this standard using a management report prepared monthly with information taken from the Regulatory Action Data System (RADS) which tracks institutions that are rated 4 or 5 and indicates whether these 4 or 5 rated institutions have received an enforcement action or decision for enforcement action within 60 days of the examination report.

**Data Accuracy:** Reasonable accuracy; data for this measure meets the accurate and auditable standards set forth under the above section entitled “Performance Data Quality for all Performance Measures.”

**Measure 1c-1:** The percentage of examination reports reviewed that are deemed generally consistent with OTS examination policies and procedures.

**Definition:** OTS believes that examination reports should effectively communicate safety and soundness concerns to boards of directors, and that our supervisory efforts should be responsive to thrift managers’ concerns. Through the Quality Assurance Program, OTS reviews a statistical sample of examination reports for clarity and consistency with national examination policies. Reviews are conducted on Safety and Soundness and Compliance examinations. The National examination policies are contained in the examination handbooks which are updated to reflect new statutes, policies, and activities being undertaken by the thrift industry.

OTS will measure this standard through the review of examination reports by the regional QA analysts, all of whom are seasoned examiners. The performance measure will be calculated by dividing the number of examination reports found to be consistent with national policy by the total number of examination reports reviewed. During 2000, the Quality Assurance analysts selected 13 Compliance and 13 Safety and Soundness reports of examination. These reports of examination represented approximately 50% of the total thrift assets, and a stratified random statistical sample of the remaining Compliance and Safety and Soundness examination reports.
Data Accuracy: Reasonable accuracy; data for this measure meets the accurate and auditable standards set forth under the above section entitled “Performance Data Quality for all Performance Measures.”

Measure 1d-1: The percentage of thrift survey responses that rate the examination process as being “satisfactory” or “better than satisfactory.”

Definition: The service plan for the examination process was published in September 1994. Since then, when an institution receives a Safety and Soundness, Compliance, Community Reinvestment Act, or Information Systems examination, it also receives a survey form, the purpose of which is to assess OTS’s performance against the service plan. The current survey form contains 11 questions. Each question measures one aspect of the performance of the examination team during the examination. Each of the 11 questions is answered either “yes” (signifying “satisfactory” or “better than satisfactory” performance), or “no” (signifying “less than satisfactory performance”). In addition, five of the questions allow qualitative responses (“very satisfied,” “somewhat satisfied,” “somewhat dissatisfied,” and “very dissatisfied”).

The results from the service surveys are entered into a database. The regional service coordinator, who enters the results into the database, also enters an assessment as to whether the survey received an overall positive or negative response, based on the answers to each of the questions, plus any narrative comments in the survey. The performance measure will be calculated by dividing the number of surveys that received a positive response by the number of surveys received during the period. The time frame for calculating this measure is November 1 through October 31; OTS changed the time frame for calculating this measure due to a suggestion made by Treasury’s Office of Inspector General. The survey response rate is about 60 percent.

Data Accuracy: Reasonable accuracy; data for this measure meets the accurate and auditable standards set forth under the above section entitled “Performance Data Quality for all Performance Measures.”

Measure 1e-1: The percentage of thrift institutions that, within sixty days of having received an unsatisfactory compliance rating, are either subject to a formal or informal enforcement action or as to which such action has been waived.

Definition: Each institution receives a compliance rating from 1 to 5 following its compliance examination, and the ratings are entered into the Examination Data System (EDS). The Regulatory Action Data System (RAD) contains supervisory and enforcement action data.

OTS will measure this standard using a Thrift Information Management (TIM) report with information taken from EDS and RAD, which tracks institutions with compliance ratings of “4” or “5” and whether these institutions have received an enforcement action or decision for enforcement action within 60 days of the day that the examination report was mailed to the institution.

Data Accuracy: Reasonable accuracy; data for this measure meets the accurate and auditable standards set forth under the above section entitled “Performance Data Quality for all Performance Measures.”
Measure 1f-1: The number of OTS-regulated thrift institutions that are at least “adequately capitalized” or are under a Prompt Corrective Action Directive or are recapitalized to at least the “adequately capitalized” level within 150 days of becoming undercapitalized, or that have received prior approval by the Deputy Director for exceeding the 150-day timeframe for issuance of the PCA Directive, divided by the total number of OTS-regulated thrift institutions minus those that are operating under an approved PCA Capital Plan or that have been undercapitalized for less than 150 days.

Definition: OTS has adopted a measure that addresses both of the objectives of PCA: 1) to recapitalize undercapitalized thrifts at the least cost to the deposit insurance fund; and 2) to do it “promptly.” The statute requires that institutions submit capital restoration plans within 45 days of becoming “undercapitalized,” and for the agency to act on the capital plan generally not later than 60 days after submission. The OTS policy is to formally act on capital plans through the issuance of a PCA directive. The measurement adopted allows 150 days from the thrift becoming “undercapitalized,” to issue the PCA Directive. This time frame includes notification, capital plan submission, review, decision on the capital plan, and issuance of the PCA Directive. Alternatively, OTS can also comply with the measurement if the institution does not fail and is recapitalized, even if the 150 day time frame is exceeded.

OTS will measure its performance against this standard through the PCA Monitoring Reports prepared quarterly by the regional operations division of Supervision located in Washington using a report prepared by Research and Analysis, “List of Institutions by PCA Category.” The PCA monitoring reports aggregate data on the number of thrifts in the three PCA undercapitalized categories, an analysis of each PCA undercapitalized institution, the cause of contain the problem, and the strategy to recapitalize, including the appropriate time frames. The PCA Monitoring Reports also contain information on institutions that are just above the PCA adequately capitalized levels.

The measure will be calculated by adding a) the total number of institutions that are at least adequately capitalized, b) the institutions that are under a PCA directive or have been recapitalized to the “adequately capitalized” level and c) the institutions that are operating within an approved Capital Plan within 150 days of becoming undercapitalized, and then dividing that number by the total number of OTS-regulated institutions.

Data Accuracy: Reasonable accuracy; data for this measure meets the accurate and auditable standards set forth under the above section entitled “Performance Data Quality for all Performance Measures.”

Measure 2a-1: The percentage of thrifts with less than satisfactory CRA ratings assigned in 2001 to which OTS offers or provides one-on-one community development related outreach and technical assistance to within 60 days of completion of the examination.

Definition: Since part of OTS’s long term strategic goal is to support the industry’s efforts to meet its CRA obligations, OTS will offer technical assistance to each institution that receives a “Needs to Improve” or lower CRA rating this year. We will always offer our assistance and then actively work with those who want our assistance. The assistance will be offered by either the Community Affairs program staff or the Compliance Examination staff.

Data Accuracy: Reasonable accuracy; data for this measure meets the accurate and auditable standards set forth under the above section entitled “Performance Data Quality for all Performance Measures.”
Measure 2a-2: The percentage of identified community development-related regulatory barriers addressed (either investment authority or CRA). The goal in 2001 will be 65%.

**Definition:** These regulatory barriers would include barriers pertaining to both investment authority and CRA. Interpretations of, changes to, and guidance about the subject regulations would be an acceptable means for addressing the regulatory barriers. With respect to CRA, such guidance is generally done on an interagency basis, which frequently requires extensive consultations.

**Data Accuracy:** Reasonable accuracy; data for this measure meets the accurate and auditable standards set forth under the above section entitled “Performance Data Quality for all Performance Measures.”

Measure 2b-1: The percentage of planned outreach, training, or partnership building events OTS sponsored or participated in. The goal is 90%.

**Definition:** Each year the Community Affairs staff establishes a program agenda and individual work plans for Washington and the regional offices that set forth goals for the year and are approved by senior management. Each activity is targeted to some portion of the OTS-regulated thrift industry, since the purpose of the Community Affairs program is to further OTS’s long term goal of supporting the thrift industry’s efforts to meet their CRA obligations, and to provide safe and sound loans, investments and financial services for low and moderate income individuals, communities, and other areas of greatest need. OTS will measure how much was accomplished relative to what was planned in the areas of outreach, training, and education. OTS will also measure the extent to which we were able to reach the targeted portions of the thrift industry through these efforts (number of institutions participating compared to those targeted).

**Data Accuracy:** Reasonable accuracy; data for this measure meets the accurate and auditable standards set forth under the above section entitled “Performance Data Quality for all Performance Measures.”

Measure 2b-2: The percentage of targeted new areas or groups reached. The goal is 90%.

See measure 2b-1 for Definition and Data Accuracy.

Measure 2b-3: The percentage of thrift participants to those targeted. The goal is 50%.

See measure 2b-1 for Definition and Data Accuracy.

Measure 2b-4: The number of new partnerships formed, activities/programs commenced or investments made in 2000 as a result of OTS’s outreach, training, or partnership building activities. The goal is the 1999 baseline.

**Definition:** Each OTS regional office will follow up periodically with thrifts and others with whom it has worked directly (through outreach, training, partnership building and one-on-one assistance) to determine whether an investment was made, partnership was formed or activity commenced as a result of the office’s work. OTS will report on those investments, partnerships or activities that it becomes aware of.

**Data Accuracy:** Reasonable accuracy; data for this measure meets the accurate and auditable standards set forth under the above section entitled “Performance Data Quality for all Performance Measures.”
Measure 2b-5: The percentage of presentations given or events participated in by senior management on community development-related topics. (The targeted number of speeches is 25.)

Definition: Each regional office and Washington will track and report on the number of speeches given or community affairs related activities participated in by senior management that include significant discussion of community development related topics.

Data Accuracy: Reasonable accuracy; data for this measure meets the accurate and auditable standards set forth under the above section entitled “Performance Data Quality for all Performance Measures.”

Measure 3a-1: Meet the application processing timeframes except when an application contains an issue of law or policy.

Definition: OTS regulations require thrift institutions to file an application before engaging in certain activities. Most applications are reviewed and acted upon at OTS’s five Regional Offices. Certain complex transactions and those containing issues of policy or law are reviewed and acted upon in Washington. The mission of the applications program is to ensure that applications are processed within established timeframes and that application decisions are consistent with current OTS regulations and policies. All applications, unless eligible for expedited treatment, should be processed to a decision within 60 days from the date they are deemed complete, unless they raise issues of law or policy. Expedited applications should be processed to a decision within 30 days from the date they are deemed complete.

The performance measure will be calculated by dividing the number of applications that were processed within the established timeframes by the total number of applications received.

Data Accuracy: Reasonable accuracy; data for this measure meets the accurate and auditable standards set forth under the above section entitled “Performance Data Quality for all Performance Measures.”

Measure 3a-2: The percentage of planned regulatory reinvention projects completed in question-and-answer plain-language format.

Definition: One of OTS’s continuing initiatives is to reduce the regulatory burden on thrifts and to rewrite our regulations in plain language question and answer format. This format makes our regulations easier to understand and enables savings institutions to find the information they need more quickly.

The quantitative value for this performance measure will be obtained by dividing the number of regulatory projects completed in plain language question and answer format by the number of OTS regulatory projects planned to be completed in that format.

Data Accuracy: Reasonable accuracy; data for this measure meets the accurate and auditable standards set forth under the above section entitled “Performance Data Quality for all Performance Measures.”
Measure 3b-1: The percentage of regulatory staff who will receive at least 30 hours of training designed to keep them current in regulatory issues and industry developments. The target for this measure is that 60% of OTS’s regulatory staff will receive this training.

**Definition:** OTS will calculate this measurement by dividing the number of regulatory staff who received at least 30 hours of training by the total number of regulatory staff. OTS will retrieve the raw data from the training data base of the Office of Professional Development (OPD).

**Data Accuracy:** Reasonable accuracy; data for this measure meets the accurate and auditable standards set forth under the above section entitled “Performance Data Quality for all Performance Measures.”

Measure 4a-1: The percentage of service plans that met their standards at least 80% of the time. If this goal is met, OTS will report a 100% success rate for this measure.

**Definition:** On September 11, 1993, President Clinton issued an Executive Order entitled “Setting Customer Service Standards.” The purpose of the Order was to facilitate the establishment and implementation of service standards within the government. The order requires agencies to survey their customers to understand their needs and expectations. Agencies must then set forth and publish standards that address needs. OTS subsequently established set standards for core external groups in response to the Executive Order.

OTS believes its primary stakeholders are the thrift institutions it charters, examines and supervises and the customers these institutions serve. OTS published a service plan in 1994 for the examination process. The standards for the examination process can be grouped by pre-examination process, examination fieldwork, and post-examination process. OTS measures the standards set forth in this plan by conducting formal surveys and participating in town meetings and focus groups throughout the nation.

Service plans for Congressional Correspondence, Interpretive Opinions, Applications Processing and Consumer Assistance have also been published. Other service plans will be created as needed. Every office with a published service plan reports to the OTS Ombudsman on a quarterly basis regarding whether it is meeting its stated service standards. The OTS Ombudsman analyzes the information and presents a detailed report to the agency’s senior managers.

The quantitative value for this performance measure will be obtained by dividing the number of service plans that met their stated goals 80 percent of the time by the total number of service plans. The OTS goal is that all of OTS’s service plans will meet their specified goals at least 80 percent of the time; if all customer service plans reach the 80% goal, a 100% success rate will be reported for this measure.

**Data Accuracy:** Reasonable accuracy; data for this measure meets the accurate and auditable standards set forth under the above section entitled “Performance Data Quality for all Performance Measures.”
Special Analysis

Program Evaluations of OTS Activities

OTS lists one program in its annual OMB budget submission - the supervision of thrift institutions. Both internal and external program evaluations and reviews are conducted periodically to determine whether or not specific OTS activities are accomplishing their stated objectives and ultimately contributing to OTS’s overall mission.

OTS’s four strategic goals guide the agency’s day-to-day activities and core processes and help ensure that resources are used to support mission-related outcomes. As the thrift environment changes, OTS may alter its strategic goals, performance goals and activities to meet any new challenge and to enable OTS to continue to effectively and efficiently accomplish its mission in the immediate thrift environment. OTS measures the progress of achieving its performance goals through the development and quarterly tracking of outcome-oriented performance measures. See page 20 of OTS’s Strategic Plan (2000 – 2005) for a description of diagram of OTS’s program evaluation process.

Regional Quality Assurance (QA) Program - OTS’s Quality Assurance Program provides an internal review process that exceeds FMFIA standards; it provides OTS’s Director with an independent firm basis for assurance that the examination and supervision programs are being carried out in an efficient and effective manner. The QA Program is headed by an experienced manager in each of OTS’s five regions. QA staff perform independent reviews of national and regional priorities and various studies at the request of OTS’s Director and other senior level staff. QA staff coordinate their reviews and share best practices from reviews and studies with all regions through the Director of Internal Review. QA managers also assist the Director of Internal Review with Treasury’s Inspector General and General Accounting Office audits and studies.

Yearly Financial Statement Audit: The foundation of OTS’s financial management control program is its annual financial statement audit. Between 1990 and 1999 OTS has received ten consecutive unqualified opinions on its financial statements. In addition, no material weaknesses or instances of nonconformance are pending. OTS expects to continue receiving unqualified opinions from its independent auditors.

Financial Management Systems - OTS uses an off-the-shelf accounting system purchased from Computer Data Systems as the key component of its financial management system. OTS’s financial management system is comprised of the Primary Accounting System (which operates on a calendar-year basis), the Assessment Billing System, the Budget System, the Payroll/Personnel System, the Positions/Personnel Reporting System and the Time Activity Reporting System. Other critical components of the financial management system are the National Application Tracking System, and the Furniture, Fixtures, and Equipment Tracking System.

OTS’s financial management system produces accurate, relevant and timely information. Summary financial reports and budget variance reports are provided to senior management on a monthly basis to assist in decision making. OTS has received an unqualified audit opinion on all of its audited financial statements since 1990.
**OIG Audits and GAO Reviews** - The most recent OIG audits and GAO reviews are listed below. *Unless stated otherwise, the study or review contained no findings requiring OTS action.*

<table>
<thead>
<tr>
<th>GAO Evaluations</th>
<th>Date Opened</th>
<th>Status</th>
<th>Comments if Any</th>
</tr>
</thead>
<tbody>
<tr>
<td>FEMA Flood Insurance</td>
<td>9/7/00</td>
<td>Open</td>
<td>Preliminary audit survey in process.</td>
</tr>
</tbody>
</table>

<p>| Treasury IG Audits and Reviews                                                  |             |               |                                                                                  |
| Audit of Department of Treasury’s activities relating to the collection of personal data about individuals who access Departmental internet sites (P.L. 106-554, Consolidated Appropriations Act, 2001 H.R. 5658)). | Engagement letter dated 1/24/01 | Open | Audit in progress. |
| Audit of Treasury’s Financial Crimes Enforcement Network (FinCEN)              | Entrance Conference 2/6/01 | Open | Audit in progress. |
| Audit of OCC’s and OTS’s Suspicious Activity Reports (SARs) as a spin-off of the OIG’s planned audit of Treasury’s Office of Foreign Asset Control (OFAC). | Entrance Conference 8/10/2000. | Open | Auditors from West Region are working directly with Fin CEN to obtain information about SARS. |</p>
<table>
<thead>
<tr>
<th>Treasury IG Audits and Reviews</th>
</tr>
</thead>
<tbody>
<tr>
<td>Review of Thrifts’ Compliance with Community Reinvestment Act.</td>
</tr>
<tr>
<td>Audit of the Office of Foreign Assets Control’s OFAC Foreign Sanction Program</td>
</tr>
</tbody>
</table>

**Office of Internal Review** - The Director of Internal Review reports directly to OTS’s Director and oversees the work of the Quality Assurance Program. Internal Review oversees all internal controls and works with the General Accounting Office and Treasury’s Inspector General. Internal Review analyzes OTS’s financial management reports and ensures that all OTS staff are working as effectively and efficiently as possible. Internal Review also meets with other financial regulatory agencies to share best practices.

**FMFIA** - The Federal Manager’s Financial Integrity Act (FMFIA) mandated the establishment of internal controls to protect federal programs from fraud, waste and abuse. OTS maintains strong internal controls, comprehensive financial management controls, personnel security controls, computer security controls, and strong asset accountability programs. OTS maintains budgetary integrity through the continual oversight and monitoring of its annual budget. Generated reports allow the budget staff to regularly analyze the status of all accounts, review all expenditures, and make recommendations to senior management regarding potential savings and/or possible overages in the various accounts.

OTS’s Annual Assurance Statement for the fiscal year ending September 30, 2000, as required by FMFIA, indicated that OTS’s management control systems are adequate and ensure that programs achieve their intended results; resources are used consistent with the OTS mission; programs and resources are protected from waste, fraud, and mismanagement; laws and regulations are followed; and reliable and timely information is obtained and used for decision making.

In addition, none of the quality assurance and other reviews, audits, management studies, or program and annual evaluations conducted during FY 2000 identified any Section 2 (programs and administrative functions) significant or “material” weaknesses, or Section 4 (financial systems) material nonconformances.

OTS reviews its existing FMFIA program annually to ensure that it satisfies all statutory requirements and OMB guidance, and that it facilitates managers’ participation and compliance. OTS’s FMFIA program will change as statutory requirements and OMB guidance change.

**Management Reviews:** OTS conducts periodic management reviews of its mission-critical programs, operations and functions based on the results of annual risk assessments as required by the Federal Managers’ Financial Integrity Act of 1982. The Management Reviews planned for 2001 and 2002 are shown below.
## Management Review Plans

<table>
<thead>
<tr>
<th>Office</th>
<th>Program, Operation or Function</th>
<th>Review Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Director's Office</td>
<td>Ombudsman</td>
<td>2001</td>
</tr>
<tr>
<td></td>
<td>FDIC Liaison</td>
<td>2001</td>
</tr>
<tr>
<td></td>
<td>Internal Reviews</td>
<td>2002</td>
</tr>
<tr>
<td></td>
<td>Management Controls (FMFIA)</td>
<td>2002</td>
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<tr>
<td>Regional Supervision</td>
<td>Safety and Soundness</td>
<td>2001</td>
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<tr>
<td></td>
<td>Compliance Examinations</td>
<td>2001</td>
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<tr>
<td></td>
<td>Information Technology Examinations</td>
<td>2001</td>
</tr>
<tr>
<td>Policy / Examinations / Supervision</td>
<td>Application Decisions Quality</td>
<td>2001</td>
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<tr>
<td></td>
<td>Accounting Policy</td>
<td>2001</td>
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<tr>
<td></td>
<td>Supervision Policy Affiliates</td>
<td>2001</td>
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<tr>
<td></td>
<td>Technology Programs</td>
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<td></td>
<td>Trust Programs</td>
<td>2001</td>
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<tr>
<td></td>
<td>Home Mortgage Disclosure Act</td>
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<td></td>
<td>Community Affairs</td>
<td>2001</td>
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<td></td>
<td>Consumer Complaint System</td>
<td>2001</td>
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<td></td>
<td>Compliance Policy</td>
<td>2002</td>
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<tr>
<td>Chief Counsel</td>
<td>Business Transactions</td>
<td>2001</td>
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<tr>
<td></td>
<td>Regulations &amp; Legislation</td>
<td>2001</td>
</tr>
<tr>
<td>Research and Information Systems</td>
<td>Corporate Systems</td>
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<tr>
<td></td>
<td>Business Systems</td>
<td>2001</td>
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<td></td>
<td>System Support</td>
<td>2001</td>
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<td></td>
<td>Records Management</td>
<td>2001</td>
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<td></td>
<td>Public Reference Room</td>
<td>2001</td>
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<tr>
<td></td>
<td>Financial Reporting Division - Data Collection and Editing of Financial Reports</td>
<td>2001</td>
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<tr>
<td></td>
<td>Industry Analysis</td>
<td>2001</td>
</tr>
<tr>
<td>External Affairs</td>
<td>Congressional Affairs</td>
<td>2002</td>
</tr>
<tr>
<td>Human Resources and Training</td>
<td>Training Program Administration</td>
<td>2001</td>
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<tr>
<td></td>
<td>Salary Administration</td>
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<td></td>
<td>Personnel Security Program</td>
<td>2002</td>
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<tr>
<td>Planning, Budget and Finance</td>
<td>Budget Management</td>
<td>2002</td>
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<td></td>
<td>Travel Management</td>
<td>2001</td>
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<tr>
<td>Procurement and Administrative Services</td>
<td>Property Management</td>
<td>2002</td>
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<tr>
<td></td>
<td>Facilities Management</td>
<td>2002</td>
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<td></td>
<td>Purchase Card Program</td>
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<tr>
<td></td>
<td>Regional Delegated Procurement Authority</td>
<td>2001</td>
</tr>
</tbody>
</table>
Supplemental Information

**Aid by non-Federal Parties:** No non-Federal persons or other entities were used in the preparation of this performance plan. The only outside assistance utilized was provided by the Department of the Treasury and the Office of Management and Budget, in the form of guidance to help OTS prepare this plan in accordance with OMB Circular A-11.

**Waivers:** OTS does not require any waivers of administrative requirements associated with the preparation of this performance plan.

**Adjustments:** No significant adjustments have been made to the wording of OTS’s mission statement, strategic goals or performance goals since the issuance of OTS’s 2000 – 2005 Strategic Plan.