

## Press Releases

---

January 7, 1998

OTS 98-01 - OTS Plans to Cut Red Tape for Capital Distributions

# Office of Thrift Supervision

# NEWS

FOR RELEASE at 10:30 a.m. EST

For further information

Wednesday, January 7, 1998

Contact: Paul Lockwood

OTS 98-1

202/906-6693

---

### **OTS Plans to Cut Red Tape For Capital Distributions**

WASHINGTON, D.C., Jan. 7, 1998 -- Well run, healthy savings associations that satisfy specified criteria would no longer have to notify their federal regulator before paying cash dividends under a rule proposed today by the Office of Thrift Supervision (OTS).

Institutions would not have to file a notice with OTS before making capital distributions if they meet the following requirements:

1. The institution is not a subsidiary of a holding company,
2. The institution is eligible for expedited treatment under OTS' Application Processing Regulation, in that it:
  - has a CAMELS rating of 1 or 2,
  - has a CRA rating of satisfactory or better,
  - has a compliance rating of 1 or 2,
  - meets all capital requirements before and after the capital distribution, and
  - is not considered a problem or troubled institution by OTS.
3. The institution will be at least adequately capitalized following the capital distribution,
4. The total amount of the proposed distribution plus all previous capital distributions for the fiscal year does not exceed net income to date for that year plus retained net income for the preceding two years,

5. The distribution does not involve the redemption or retirement of any part of a savings association's common or preferred stock, or debt instruments such as notes or debentures included in capital, and
6. The distribution does not violate any statute, regulation or agreement.

Other capital distributions would require either a notice to OTS or prior approval from the agency, depending on the condition of the institution and the amount and nature of the capital distribution.

Loans to affiliates to finance redemptions of stock or debt would be considered capital distributions, as would payments made in connection with a corporate restructuring, including cash-out mergers.

The proposed rule change would be the first update relating to dividend payments since 1990, and reflects the vastly improved capital position of the thrift industry. As of June 30th, 99.8 percent of all OTS-regulated thrifts met or exceeded required capital levels, and a record 98 percent were in the "well capitalized" category, the highest capital standard.

The proposed rule would bring OTS' capital distribution regulations into greater conformity with those of the other federal banking regulators. It conforms with the Regulatory Reinvention Initiative of the Vice President's National Performance Review.

The proposed rule was published in today's edition of the Federal Register. OTS invites public comment on the proposal for the next 60 days.

#### Capital Distributions

###

The Office of Thrift Supervision (OTS), a bureau of the U.S. Treasury, regulates and supervises the nation's thrift industry. OTS' mission is to ensure the safety and soundness of thrift institutions and to support their role as home mortgage lenders and providers of other community credit and financial services. For copies of news releases or other documents call PubliFax at 202/906-5660, or visit the OTS web page at [www.ots.treas.gov](http://www.ots.treas.gov).