

West Region

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Number of thrifts:
70
Total thrift assets:
\$360.7 billion
Number of employees:
174
Number of new employees in FY 2008: 23



Darrel W. Dochow
Regional Director



The West Region, headquartered near San Francisco, contains a wide expanse of states across the American West, along the Pacific Coast and outside the continental U.S. in Alaska, Hawaii, and Guam. The region includes some of the states hardest hit by the national housing slump and financial fallout.

As the economic climate worsened in FY 2008, employment and home prices across the region declined by more than the national average — most markedly in California and Nevada — and OTS-regulated thrifts felt the impact.

Home prices declined in all states of the region, except Montana. Five states — California, Nevada, Arizona, Oregon and Washington — showed the largest drops. Of the nation's 10

metropolitan areas with the highest year-over-year home price declines, the West Region had six. In fact, in September 2008, the California cities of Los Angeles, Oakland and Riverside had the highest 12-month home price declines in the country — about 28 percent. Nationally, homes prices declined 11 percent during the period.

Housing starts also continued to drop across the region and inventories of unsold homes grew, while mortgage delinquencies and foreclosures were at all-time highs for all types of borrowers in all states of the region.

In addition to high unemployment and persistent home price declines, the West Region's significant mortgage lenders suffered severe liquidity pressures when the secondary market virtually dried up and public confidence was shaken.

In this stressed environment, the financial performance of West Region thrifts declined dramatically. Ripple effects from the housing crisis hit auto lending, consumer loans and commercial lending, manifested in the form of growing problems in asset quality, increased need for allowances for loan losses and reduced earnings. Compared with a year ago, nonperforming assets tripled, troubled assets doubled and return on assets declined by half.

This deteriorating performance required the supervision staff of the West Region to intensify its financial monitoring and examination efforts throughout the fiscal year. These efforts resulted in downgrades in many institutions' safety-and-soundness ratings and upticks in the number of supervisory actions and enforcement actions, formal and

informal, taken by the OTS. Regional managers worked closely with financially distressed thrifts to develop and execute strategies for raising capital and otherwise

information and institution ratings, frequent information-sharing briefings with senior OTS leaders at headquarters in Washington, D.C., and close coordination with other



regulators. The West Region also sponsored workshops, seminars, forums and meetings on the predominant issues of the housing crisis.

In early 2008, the West Region addressed the weakening economy, housing sector and mortgage market by issuing a regional bulletin on credit risk management, which became the centerpiece of discussion during the OTS's inaugural Credit

resolving their difficulties. Although supervising thrifts during the crisis posed an extreme challenge, the West Region's seasoned, experienced workforce and recently hired specialists rose to the occasion by meeting the demand for sensible and responsive oversight.

Forums for Chief Credit Officers in Seattle, Denver, San Francisco and Los Angeles during April and May. Industry participants heard regulatory perspectives about emerging risks and problem asset management, and shared information about their challenges, experiences and best practices.

During these unprecedented times and rapidly changing economic landscape, strong and frequent communication with external and internal stakeholders of the OTS was critical. The West Region made an extraordinary effort in fiscal 2008 to keep every line of communication open through frequent case reviews among OTS's regional supervision staff members, regular contacts by OTS relationship examiners with institution managers, more frequent field visits to thrifts, improved communication during examinations, close monitoring of all available financial information to ensure up-to-date supervisory

The West Region collaborated with other federal banking agencies in March 2008 to sponsor the biennial National Interagency Community Reinvestment Conference in San Francisco. The conference



focused on loan modifications, foreclosure prevention, financial education and opportunities for thrifts to strengthen their communities. The conference was timely in view of the



stresses in the housing market, rising mortgage delinquencies and related foreclosures.

In July 2008, the West Region hosted four workshops on the Community Reinvestment Act and compliance requirements, covering hot topics such as Bank Secrecy Act

enforcement, unfair and deceptive credit card practices, flood insurance and reducing home equity lines of credit.

A Directors Forum in July 2008 for members of thrifts' boards of directors dealt with corporate governance, fiduciary responsibilities, management compensation and managing risk and liquidity.

The region also held three Financial Seminars in September 2008 on accounting for loan modifications, troubled debt restructuring, loan loss allowances, regulatory capital, capital markets issues and liquidity monitoring.

As in years past, the West Region reached out to thrift chief executive

officers through several annual Town Meetings, where CEOs received regional economic overviews, heard regulatory updates and participated in discussions on emerging issues and examination-related topics. During the trying economic times, CEOs welcomed the opportunity to communicate freely with their regulators ■

