About the OTS

Agency Profile

TThe OTS is the federal bank regulator and supervisor of a dynamic and diverse industry of savings associations and their subsidiaries across the nation. The OTS also oversees domestic and international activities of the holding companies and affiliates that own these thrift institutions.

The OTS is an office within the Department of the Treasury. The agency oversees 831 thrift institutions with assets of $1.57 trillion, as well as 470 thrift holding companies with U.S. domiciled assets of about $8.5 trillion.

OTS Director John M. Reich (front, center) with the OTS senior management team. Clockwise along exterior: Robert W. Russell, Counsel to the Director; Thomas A. Barnes, Regional Director, OTS Central Region; Wayne Leiss, Chief Information Officer and Chief Financial Officer; Timothy T. Ward, Deputy Director for Examinations, Supervision and Consumer Protection; Darrel W. Dochow, Regional Director, OTS West Region; Michael E. Finn, Regional Director, OTS Northeast Region; John E. Ryan, Regional Director, OTS Southeast Region; Frederick R. Casteel, Regional Director, OTS Midwest Region; Montrice G. Yakimov, Managing Director for Compliance and Consumer Protection; Lori J. Quigley, Managing Director for Examinations and Supervision Operations; Scott M. Polakoff, Senior Deputy Director and Chief Operating Officer. Clockwise along interior (from front, center): Grovetta Gardineer, Managing Director for Examinations and Supervision Policy; Sharon L. Stark, Senior Economic and Policy Advisor; Kevin Petrasic, Managing Director of External Affairs; John E. Bowman, Deputy Director and Chief Counsel; C.K. Lee, Managing Director for Complex & International Operations.

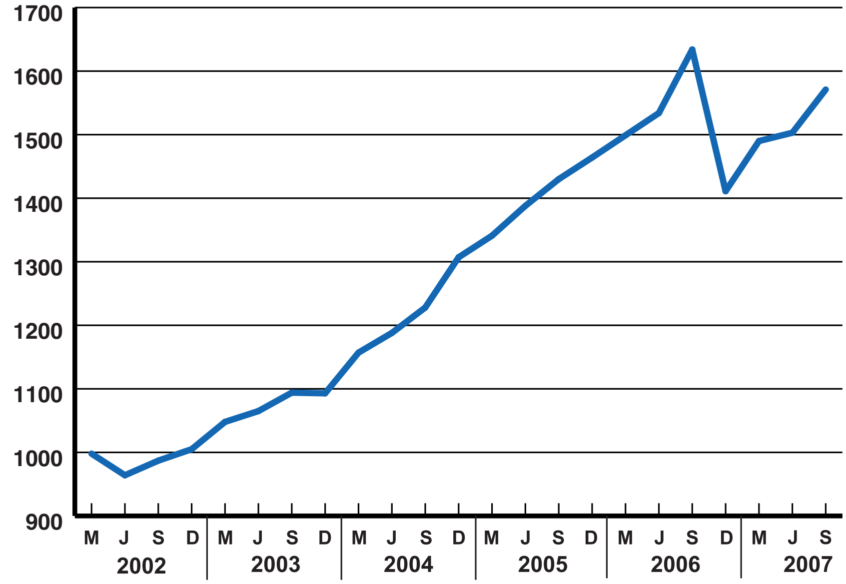
John M. Reich, the Director of the OTS, took the oath of office in August 2005 for a five-year term. Reich, who was appointed by the President and confirmed by the Senate, also serves as a member of the Board of Directors of the Federal Deposit Insurance Corporation (FDIC) and the Federal Financial Institutions Examination Council (FFIEC). In addition, he serves as a director of NeighborWorks America, a congressionally chartered non-profit organization dedicated to the availability of housing for low- and moderate-income Americans.

The OTS has a highly skilled staff of more than 1,000 employees operating out of its headquarters in Washington, D.C., and five regional offices in Jersey City, Atlanta, Chicago, Dallas and San Francisco. The agency also has field offices within its regions that provide the OTS with a nationwide presence. Three quarters of the agency's staff works out of the regional offices.

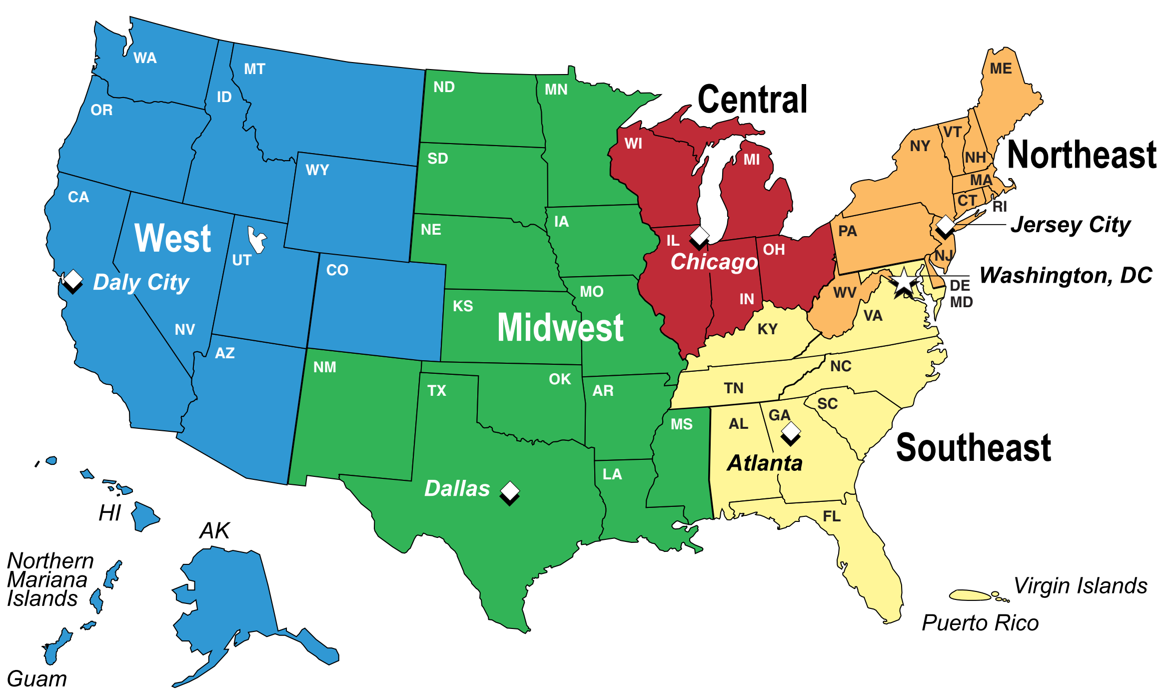
The OTS examines each savings association every 12-to-18 months to assess the institution's safety and soundness, and compliance with consumer protection laws and regulations. In addition, examiners monitor the condition of thrifts through off-site analysis of regularly submitted financial data and regular contact with thrift personnel. OTS examinations and its ongoing supervisory oversight are tailored to the risk profile of each institution.

The OTS receives no appropriations from Congress; the agency's operating budget is funded by periodic assessments to the thrift industry ■

Assets of OTS-Regulated Thrifts:
in Billions of Dollars



OTS Regional Structure



Agency History

Local townspeople pooled their money to accomplish together what they lacked the financial resources to do alone—buy their own homes.

In early 1831, three town leaders in Frankford, Pennsylvania, outside of Philadelphia, met in a local tavern to plan how local townspeople could pool their money to accomplish together what they lacked the financial resources to do alone — buy their own homes. In doing so, they established the nation's first savings association, the Oxford Provident Building Association, modeled after mutual building societies in England. Each member paid an initial fee of $5 per share and $3 per month thereafter. As their savings grew, association members were able to finance their American dream of homeownership. The association provided its first mortgage in April 1831 to a local lamplighter named Comly Rich, who obtained a loan for a $375 home that still stands on Orchard Street in Philadelphia County, Pennsylvania.

By the late 1890s, there were more than 5,000 savings associations across the country. These institutions were typically founded by people who lived in the same neighborhoods or worked in the same factories. Thrifts continued to thrive in the early 1900s and, by the 1920s, there were about 12,000 savings institutions (known by various names, including savings and loans, building and loans, thrift and loans, thrifts, savings banks, building associations, thrift associations and savings associations). Industry growth during this time was fueled largely by the influx of Americans into the cities from rural areas, driving up the demand for housing.

The end to these boom times came in the early 1930s when the Great Depression devastated the housing market and caused many savings associations to fail. The federal government soon stepped in with a series of laws to support

The Comly Rich House in Pennsylvania

homeownership. The first law established the Federal Home Loan Bank System of 12 regional Federal Home Loan Banks that provided mortgage funding for savings associations across the country. Next, Congress created the Federal Home Loan Bank Board, the predecessor agency of the OTS, to grant federal charters for savings associations and establish a regulatory system to

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promote homeownership. A third law founded the Federal Savings and Loan Insurance Corporation to insure deposits at the nation's savings and loan institutions.

Strong industry growth returned after World War II when veterans sought homes and large suburban communities took root. Savings and loan associations, or S&Ls, were the major players in the growth of the housing markets and the housing economy during this time, providing mortgages for individual homes and entire new housing developments. Demand remained strong throughout the 1950s and 1960s, when S&Ls originated two-thirds of the nation's home mortgages. At the time, most savings associations held more than 80 percent of their assets in home loans, relying on a business model that hinged on interest received from mortgages being comfortably higher than the interest paid out to depositors.

In the late 1970s, interest rates rose sharply and competition for deposits increased dramatically. Consumers seeking better deposit-rate returns had more choices among financial services providers. Also, a federal ban on adjustable-rate mortgages locked S&Ls into long-term, fixed-rate mortgage loans that produced below market-rate returns as interest rates rose.

In the early 1980s, interest rates climbed to unprecedented levels, undermining the viability of the S&L business model. Many institutions were economically insolvent. In an effort to help the industry "grow" out of its problems, the government deregulated the lending and investment powers of savings and loans, and gave them full access to federally insured deposits to fund their new lending and investment powers. Marginally profitable and unprofitable savings and loans began to engage in aggressive and risky investment and lending strategies that compounded their existing problems. As a result, hundreds of S&Ls failed and closed in the late 1980s and early 1990s.

In 1989, Congress passed a law that dramatically restructured the banking business, moved deposit insurance for savings associations to the Federal Deposit Insurance Corporation and established the OTS to supervise, charter and regulate the thrift industry.

Today, the thrift industry has fewer institutions than during its peaks in the past, but industry assets remain close to the historic high reached in late 2006. In addition, the industry stands on a solid foundation of profitability and strong capital. Although many savings associations continue to focus mainly on home lending, the industry has grown far more diverse and now includes an array of modern financial service enterprises that operate from coast to coast and, at the holding company level, are active players internationally ■