

Office of Thrift Supervision



1999 Performance Plan

December 30, 1998

Table of Contents

Introduction	1
OTS' Annual Performance Plan is Based on its Five Year Strategic Plan	3
Strategies and Crosscutting Efforts	5
Means: OTS' Organizational Structure, Operational Processes, Skills, Revenue and Technologies will be Used to Achieve Goals	17
External Factors that Could Affect Achievement of Goals	24
Management Concerns	29
Annual Performance Plan Goals and Measures	33
Methodology Used to Verify Measured Values	39
The Link Between OTS' Performance Plan and its Budget	46
Use of non-Federal Parties, Adjustments to Strategic Plan, and Requests for Waivers	47
Minor Adjustments to Wording of Strategic Plan Goals	48
Appendix: OTS Strategic Goals Link to Treasury Objectives	50

Introduction

The OTS

The Office of Thrift Supervision (OTS) was established as a bureau of the Department of the Treasury on August 9, 1989, by the Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA). It oversees the activities of the federal and state-chartered savings associations and federally chartered savings banks. The OTS is headed by a Director who is appointed by the President, with Senate confirmation, for a 5-year term. The Director also serves on the boards of the Federal Deposit Insurance Corporation (FDIC) and the Neighborhood Reinvestment Corporation.

The Thrift Industry

The thrift industry posted record quarterly earnings of \$2.2 billion in the third quarter of 1998, eclipsing the prior record of \$2.1 billion set in the second quarter. Absent one-time events, earnings in each of the first three quarters of 1998 were approximately \$1.8 billion - a strong level for the industry. Third quarter earnings reflect a continued strong role for thrifts in the robust single-family mortgage market.

Total mortgage originations during the third quarter were \$78.61 billion, a new record, slightly higher than the prior record of \$78.58 billion in the second quarter. Bolstered by refinancing activity, third quarter single-family mortgage originations accounted for \$67.5 billion, or 86 percent of total mortgage originations. Equity capital also reached a record high of 8.58 percent in the third quarter and 98 percent of OTS-supervised thrifts met or exceeded the requirements for the highest capital category - well capitalized.

As of September 30, 1998, there were 1,170 OTS-regulated thrifts with assets totaling \$795.44 billion. As of year-end 1997, there were 1,216 OTS regulated thrifts with assets totaling \$777 billion. Thus, during the first 9 months of 1998, the number of thrifts declined by 3.78 percent but their assets increased by 2.32 percent.

Benefits to the Public Arising from the OTS' 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 equity in dwellings and businesses for all Americans, including those located in distressed areas. The goals and objectives of the OTS 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, will continue being provided by thrifts if OTS' strategic plan and annual performance plans are carried out.

Relations between thrifts and their customers are improving, as evidenced by a relative decrease in complaints filed with the OTS by thrift customers. If the OTS strategic plan and performance plans work as they should, this progress will be sustained. Relations between the OTS and the thrifts it regulates—already improved by the recent designation of supervisory teams who are on call to discuss issues between examinations—will continue evolving. The plans do not envision that a thrift raising issues and concerns is always right, but that regulated entities always deserve a straight answer and a timely response.

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

OTS' Annual Performance Plan is Based on its Five Year Strategic Plan

OTS' Mission Statement

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.

Five Year Strategic Goals

Maintain and enhance OTS' risk-focused, differential and proactive approach to the supervision of thrift institutions in order to contribute to a safe and sound industry.

Actively support the thrift industry's efforts to meet its 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.

Maintain competitiveness of the thrift industry to ensure its safety and soundness.

Conduct operations efficiently to keep regulatory burdens on the thrift system at the minimum level consistent with effective supervision.

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.

Values Statement

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

Efficiency: Committed to excellence and efficiency, the OTS continually seeks new and better ways to accomplish its mission through greater productivity and service.

Integrity: All OTS' actions, both internal and external, are conducted with the highest degree of honesty and integrity fostering confidence in each other and in how we perform our mission.

Leadership: Management provides quality-focused leadership as well as technical excellence to enable the OTS to meet its regulatory responsibilities in the most cost-effective and timely manner.

Supervision: OTS deals in a proactive, efficient and effective manner with all risks discovered in both the industry as a whole and in individual thrift institutions.

Partnerships: The agency works with the other depository institution regulators to achieve consistency in policy and regulation. When developing and executing these policies, the OTS seeks to minimize regulatory burden to the extent consistent with effective supervision.

Stakeholders: The OTS listens to, learns from, and collaborates with the institutions we regulate and the public they serve on how best to address their needs.

Strategies and Crosscutting Efforts to Achieve Strategic Goals

Goal: Maintain and enhance OTS' risk-focused, differential and proactive approach to the supervision of thrift institutions in order to contribute to a safe and sound industry.

Through the examination process (including off-site monitoring activities), the 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, including Community Reinvestment Act (CRA) weaknesses.

Strategies

OTS conducts risk-focused Safety and Soundness, Compliance, CRA, Information Systems, Holding Company, Trust, and Y2K examinations, in accordance with statutory or agency policy intervals. OTS employs a seasoned staff of examiners who average more than fifteen years of experience. To better balance the workforce, the OTS hired 23 entry-level examiners during 1998—the first such hires since 1992. All examiners undergo continuous training in areas of emerging risks, in particular Y2K, higher risk consumer and commercial lending, electronic banking, and securitizations. In response to industry consolidation, we are revising policies on supervision of thrift holding companies and new business strategies being implemented by insurance companies and other new entrants into the business. We have recently implemented an automated examination process, and have trained examiners in its use. This will enhance the efficiency of examiners and reduce regulatory burden, because more analytical and focused examination work can be 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.

1999 Initiatives

- Train examiners and direct examination support staff to deal with emerging issues, such as Year 2000 testing and validation, 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.
- Intensify enforcement actions against any institution that, at June 30, 1999, appears seriously likely not to survive the Year 2000 rollover.
- Complete the Year 2000 process, with only minor and isolated incidents at the millennial rollover.
- Establish skilled teams of professionals and develop contingency plans, in coordination with the FDIC and other bank regulators, for dealing with institutions that have problems with the Year 2000 rollover on January 3, 2000, but that are not short of capital or otherwise candidates for liquidation.

Crosscutting Efforts

OTS is involved in numerous efforts with the other financial institution regulatory agencies—FDIC, OCC, FRB, and 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. Recently, the FFIEC took the lead in developing detailed examination procedures for Y2K; this effort continues. 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 schedules for banks, savings associations, and bank holding companies. The Uniform Core Report will provide a common baseline of financial information for all financial institutions. It is scheduled to be implemented in March 2001. The Uniform Core Report will supersede the Thrift Financial Report and the Bank Call Report, and provide a common baseline of financial information for all financial institutions.

OTS is a member of a number of interagency working groups, outside of FFIEC, which develop common policies. The Results Act Banking Regulatory Working Group is developing common agency performance standards for examination, agency outreach, planning and budgeting. Each agency's performance plans will include strategic goals and performance measures 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 the OTS and the Comptroller of the Currency are members of the FDIC Board. This structure facilitates crosscutting policy development and regulatory practices, among the FDIC, OTS, and OCC.

Goal: Actively support the thrift industry's efforts to meet its 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.

In December 1993, the 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: 1) providing educational and technical assistance to the industry, OTS staff, and others about community development needs, issues and opportunities; 2) promoting and facilitating partnerships between 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, 3) identifying and addressing regulatory barriers to community development.

Strategies

OTS will continue to work with other banking regulators to enhance the efficacy of the Community Reinvestment Act and CRA regulations in encouraging lenders to provide credit, service and investments in low and moderate income communities and households. We will use the examination and policy-making processes as well as the Community Affairs Program in this effort.

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 and education; and partnership building. During 1999, these strategies will specifically target such underserved markets as rural communities, Indian reservations, and small and micro business lending and development in low/moderate income areas and to minority-owned businesses.

In order to accomplish program strategies in the areas of training and education and partnership building, the Community Affairs staff will actively partner with organizations such as the Neighborhood Reinvestment Corporation, the CDFI Funds, the SBA, Fannie Mae, Freddie Mac, the Federal Home Loan Banks, the state housing finance agencies, Indian tribal councils, and OTS' bank regulatory agency counterparts.

The first step in helping to stimulate more investment, lending and service is outreach to determine needs and opportunities in targeted communities. The second step is education and training to the thrift industry and others regarding identified needs and opportunities. The third step is partnership-building initiatives to promote alliances between financial institutions and others to help address credit and service needs and take advantage of lending and investment opportunities.

1999 Initiatives

CRA:

- Engage in an interagency focus group process in several cities nationwide, with the goal of understanding concerns of both the industry and the communities about the current CRA regulation, and developing strategies to accomplish more without increasing regulatory burden; be more fair to small institutions; and provide nontraditional institutions with guidance that will maximize their contribution to neighborhood reinvestment wherever they do business.

Outreach:

- Within each region, establish relationships with local Fannie Mae, Small Business Association (SBA), Neighborhood Reinvestment Corporation (NRC), and Rural Housing Services (RHS) offices, and others where prior relationships do not currently exist and where the potential for partnership initiatives exist.
- Each region will target at least two new geographic areas within their regions for outreach to financial institutions, community organizations, and local government agencies.
- Continue to forge relationships at the national level with other government agencies and national offices for the purpose of pursuing interagency community development initiatives.

Training and Partnership-Building:

- In conjunction with the RHS, Rural Local Initiatives Support Corporation (Rural LISC), Federal Home Loan Bank System (FHLB System), NRC and other banking regulatory agencies, conduct at least four workshops around the country on the RHS leverage loan guarantee programs, and the Rural Home Loan Partnership (RHLP).
- Work with the national RHLP partners to develop a means (video, Internet, teleconferencing) to better target training to more remote rural sites.
- In conjunction with the SBA, cosponsor six workshops around the country on the SBA's Small Business Investment Company (SBIC) program.
- Work with the Corporation for Enterprise Development (CFED) in the planning and implementation of their national Individual Development Account (IDA) conference in February.
- Organize and sponsor an interagency community affairs conference for agency staff aimed at better coordinating interagency community affairs activities.
- Work with RHS to sponsor a national training event for the banking agency community affairs staff on the RHS loan programs.
- Sponsor a series of workshops around the country on the Community Development Financial Institution (CDFI) and BEA programs.
- Sponsor a series of forums around the country on the SBA lending programs and outreach to minority businesses.
- Sponsor a series of workshops around the country on lending on tribal lands.
- Work with the interagency task force on micro-enterprise programs, and establish consistent regulatory terminology among the various federal programs.

- Work with the interagency task force to identify educational resources and streamline the mortgage lending process on tribal lands.

Other:

- Offer technical assistance to all newly designated “Needs to Improve” CRA-rated thrifts.
- Issue at least four issues of the Community Liaison newsletter.
- Work with legal staff and Congressional Relations staff to further clarify or change (as needed) the community development investment authority or thrift service corporations.
- Identify and help address regulatory barriers associated with CRA issues.
- Establish a Community Affairs Program website.
- Work with appropriate trade groups to establish minority-owned thrift performance analysis reports.

Crosscutting Efforts

OTS will continue to work with other banking regulators on CRA implementation and regulatory issues.

OTS will continue to work with other banking regulators, the Neighborhood Reinvestment Corporation, the Community Development Financial Institutions Fund and others on outreach, training and partnership building.

Goal: Maintain competitiveness of the thrift industry to ensure its safety and soundness.

During 1999 a key OTS objective will be to ensure that efforts of Congress and the Administration to create a modern financial services charter for insured depository institutions maintain charter flexibility and the ability of thrifts to continue to meet current and anticipated customer credit needs and compete effectively with other financial services providers. The OTS is uniquely positioned to address some of the fundamental issues involved in the financial modernization debate. For decades, thrifts have maintained relationships with commercial firms engaged in a wide variety of businesses. Strict limits on affiliate transactions, anti-tying protections, and restrictions on dividends—as well as our examination and supervision program—assist OTS in managing the risks involved when an insured institution affiliates with commercial entities.

Strategies

As the financial modernization debate continues, OTS' Office of External Affairs will continue to conduct meetings and briefings with House and Senate Banking Committee staff, federal banking agency representatives and industry groups to educate them on the operations of thrifts and thrift holding companies to improve the likelihood that thrift institutions will retain options to remain viable depository institutions, including institutions focused on home mortgage lending, under any financial services sector reform. Additionally, we will develop position statements and talking points, and arrange briefings, meetings and testimony appearances for the Director of OTS to adequately communicate the OTS mission to the press and public.

1999 Initiatives

- Ensure that modernization legislation:

preserves powers of thrifts or thrift holding companies whether in their current configuration or under a new charter;

protects the opportunity for depository institutions to choose a housing and community oriented focus;

preserves measures to protect safety and soundness and community reinvestment and consumer protection;

provides any authorities needed to supervise and examine non-traditional thrifts.

Crosscutting Efforts

To the extent possible, OTS' Office of External Affairs will coordinate its efforts on legislative initiatives with the other federal banking agencies and the Treasury.

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

Goal: Conduct operations efficiently to keep regulatory burdens on the thrift system at the minimum level consistent with effective supervision.

One of OTS' continuing initiatives is to reduce the regulatory burden on thrifts while maintaining tools needed for effective supervision. This includes initiatives to enhance the efficiency of the financial reporting process and to improve the application process. During the coming years, one of Supervision's goals will be to continue streamlining the examination process. Supervision has already significantly reduced the amount of on-site examination time; streamlined reporting requirements by moving to consolidated reports; redesigned over 60 percent of OTS' regulations to make them easier to understand; and eliminated unnecessary restrictions.

Strategies to Reduce the Regulatory Burden of OTS Regulations

During 1999, OTS will continue its ongoing efforts to revise its regulations to reduce regulatory burdens as far as possible consistent with safety and soundness.

1999 Initiatives

- Regulations will continue to be rewritten using "plain English" techniques. Since 1996, all OTS-only regulations that have affected an entire part or subpart have been written using these techniques.
- 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;

⇒

⇒ be legally enforceable.

OTS will continue to publish proposed regulations, supervisory guidance, and legal opinions on the OTS website.

- 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 the OTS can communicate more clearly and effectively on regulatory and supervisory issues.

OTS will implement its revised assessment fee structure to more effectively relate assessments to the cost to examine individual institutions.

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

OTS will work to encourage the other banking agencies to use “plain English” techniques in interagency regulatory and guidance documents.

During 1999, OTS will further streamline the application process to be more simple, consistent and regionally based with respect to applications that do not raise new issues, to bring to the surface and reach policy decisions on new issues as underserved communities.

1999 Initiatives

- OTS will review the outstanding delegation of applications to the Regional Offices and, based on recent Agency experience with application types, determine whether additional applications may be delegated. Application types that have become standard in terms of content and where Agency 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 between, application processing, legal and compliance staffs.
- Utilize Department of Justice findings pertaining to competitive effects of a merger when analyzing the merger's impact on affected communities.
- Facilitate discussion between community activists 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 application 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 maximum extent feasible, consistent with statutory standards.
- Use the application process to enhance high-quality, non-predatory, non-abusive provision of credit, including home equity lending and consumer credit, to low- and moderate-income individuals and neighborhoods.

Goal: Provide exceptional service to all major groups with which we interact, including the institutions, to make government more responsive.

OTS primarily interacts with 1) the thrift institutions it charters, examines and supervises and, 2) the customers these reports, securities filings of stock institutions, chartering records and other issuances. It helps thrift customers with inquiries and complaints concerning thrift institutions, and provides thrifts with opinions on thrift law.

Examination process, Congressional Correspondence, Interpretive Opinions, Public Information, and Consumer Assistance. Every program with a published service plan sends a quarterly report to the OTS Ombudsman regarding its progress in the data, and suggests ways to improve service.

The OTS Ombudsman is an independent, accessible, neutral source of assistance to thrift institutions. The Ombudsman between thrifts and the OTS directly with regional examination and supervisory staff. The Ombudsman can materially improve public satisfaction with the OTS, and in the process, increase the level of voluntary compliance and cooperation,

1999 Strategies

During 1999 the OTS Ombudsman will work to further problem resolution assistance across organizational lines of issue. The Ombudsman will work with each of the divisions to explore possible changes in policy, procedures or process in response to problems or trends that have developed. To accomplish this goal, the Ombudsman will:

Work with Supervision Policy to ensure the updating of the Director Information Guidelines (“Guidelines”) publication. These Guidelines will then be distributed to each OTS-regulated institution. Additionally the Guidelines will be made

- Offer a program of instruction to help thrift directors fulfill their responsibilities and understand how the examination process works during the fall and winter of 1998 and the spring of 1999. This program will provide both new and experienced directors with hands-on opportunities to develop the tools they need to understand how management is operating their institution.

Crosscutting Efforts

The OTS Ombudsman's efforts will primarily focus on problem resolution, communication and training. Specifically, in 1999, the Ombudsman will:

- Sponsor programs for thrift directors and senior thrift officers on the topic of the "Nuts and Bolts of Board Responsibilities: A Prerequisite to Success in the New Millennium". These programs will build on the resources of OTS Regional leaders, university instructors, FDIC staff and state commissioners.

Results Act Banking Regulatory Working Group

In addition to the crosscutting efforts cited above, the OTS is a member of a number of interagency working groups which develop common policies. The Results Act Banking Regulatory Working Group includes representatives from the Comptroller of the Currency, Federal Deposit Insurance Corporation, the National Credit Union Administration and the OTS. The Group is developing common agency performance standards for examination, agency outreach, planning and budgeting. Each agency's performance plans will include strategic goals and performance measures in these areas. The group has been valuable to its participants as a means for sharing information and ideas with regard to the Results Act compliance. The Directors of both the OTS and the Comptroller of the Currency are also members of the FDIC Board. This structure facilitates crosscutting policy development and regulatory practices, among the FDIC, OTS, and OCC.

Means: OTS' Organizational Structure, Operational Processes, Skills, Revenue and Technologies Will Be Used to Achieve its Goals

Organizing to Achieve Goals

The OTS is organized to efficiently carry out its mission using the most effective operational and management processes:

- ◇ The Director, with the assistance of the Deputy Director, determines policy for the OTS and makes final decisions on regulations, policies and administrative adjudications governing the thrift industry as a whole and on many measures affecting individual institutions.
- ◇ The Office of Supervision (OS) oversees the Supervision Policy, Accounting Policy, and Examination and Supervision program areas. The responsibilities of the office include: gathering, analyzing and reporting on information and issues relating to the regulation of the industry; managing the applications process; examination consistency; development of examination and supervisory policy; accounting policies and procedures; and examination appeals.*
- ◇ The Office of Compliance Policy and Specialty Examinations (OCP&SE) oversees Community Affairs, Compliance Policy, Consumer Affairs, Trust Programs, and Technology Risk Management. It responds to consumer and discrimination complaints against savings associations and manages the Community Affairs program, which helps thrifts improve their service to under-served markets and individuals.*

*The policies of both OS and OCP&SE are implemented through OTS' five regions, each headed by a Regional Director reporting directly to the Deputy Director of OTS.

- ◇ The Office of Information Systems is responsible for retaining the bureau's records, providing for the privacy and security of electronic data, fulfilling the requirements of the Freedom of Information Act (FOIA), and the Paperwork Reduction Act, and maintaining the agency's nationwide computer system.
- ◇ The Office of Administration directs policy development for administrative operations including contracting and procurement, facilities management and labor relations, training, human resources, and financial management.
- ◇ The Office of Chief Counsel provides a full range of legal services to the Director, the OTS and other agency staff . The Office provides legal advice and opinions on regulatory and administrative matters, drafts regulations, advises on

transactional matters, represents the OTS in court, and prosecutes enforcement actions related to thrift institutions and institution-affiliated parties.

- ◇ The Office of External Affairs communicates information concerning OTS regulations, policies and key developments within the agency to the thrift industry, the public, the press, government agencies and other key constituencies. External Affairs also maintains a liaison between the OTS and Congress and coordinates all Congressional testimony.
- ◇ The Office of Research and Analysis collects and analyzes thrift industry and general economic data. It tracks and reports on the financial condition of the thrift industry, assesses savings associations' interest rate risk exposure, provides quarterly reports to most thrift institutions describing their exposure, and conducts research related to the thrift industry and housing markets.

The OTS Director, in conjunction with senior staff, communicates OTS' goals and objectives to staff and assigns accountability to managers and staff for the achievement of objectives.

Operating Capital

The OTS receives no appropriated funds. FIRREA granted to the 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. Since the establishment of the OTS in 1989, the thrift industry has experienced a dramatic decline in the number of institutions and the level of industry assets. In December 1990 there were 2,539 thrift institutions holding \$1,129 billion in consolidated assets. By September 30, 1998 the thrift industry had declined to 1,170 institutions holding \$795.44 billion in consolidated assets, a 53.9 percent reduction in the number of institutions, and a 29.5 percent reduction in the dollar value of assets during this period.

In 1990, OTS assessment revenue totaled \$266 million. Since that time, assessment revenues have declined due to an overall decline in the number of institutions. During 1998 assessment income fell to \$126.6 million, a decrease of 52.4 percent in eight years. In addition to assessment fees, the OTS also receives funds from application fees, interest, the recovery of enforcement expenses, rental leases, and other miscellaneous sources. Due to the continuing decrease in revenue, OTS operating expenses have been cut significantly from \$267 million in 1990 to approximately \$140 million in 1998, or by approximately 47.6 percent.

During 1998, the OTS examined its assessment regulation and determined that the current assessment structure could be improved to: 1) keep the assessment rates as low as possible while providing the OTS with the resources essential to effective supervision of a changing industry, and 2) more closely tailor rates to the agency's increased costs in supervising certain types

of institutions. The proposed changes should initially result in decreased assessments for healthy institutions that operate as traditional thrifts. In the future, OTS' revenue would increase or decrease as the size, activities, and condition of OTS-regulated institutions change. The new assessment regulation will be effective on January 1, 1999.

Staff

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

The increasing operational complexity of thrifts has changed the nature of the OTS' supervisory activities. OTS staff must evaluate the credit, interest rate, and other market risk dimensions of new lines of business, financial instruments, risk management strategies and corporate structure used by the entities it supervises. Such evaluations require more complicated financial analyses incorporating the use of econometric models that subject individual thrift portfolios to "stress tests" or other forms of sensitivity analysis. OTS also 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 the OTS staff to develop an electronic banking safety and soundness program. This program, when completed, will help examiners evaluate an institution's planning, administration and internal controls with regard to electronic banking technology.

Convergence within the financial services sector is a reality in the market place. As of the end of June 1998, there were 46 applications pending for federal thrift charters. Of those, 16 were from insurance companies, 8 were from limited-service trust-only operations and the remainder were seeking full-service charters. As a result of the new types of applications being filed, the OTS 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.

Technology

Technology presents some serious challenges to OTS. OTS must be aware not only of what's going on today, but must anticipate where technology is leading us. How will Internet banking operations impact safety and soundness? How can institutions continue to serve all of their community when they cut back on traditional means of access? OTS has chartered

several thrifts that will operate through the Internet. On November 30, 1998, a rule was finalized which states that thrifts may do electronically what they are authorized to do through more traditional means, consistent with safety and soundness.

One of the most important technological challenges facing OTS and the thrift industry is preparing for the Year 2000 computer changeover. OTS is meeting this challenge by conducting a special series of examinations of OTS-regulated institutions so that thrifts will be able to successfully continue business operations after January 1, 2000. The OTS has also joined with the other banking regulators in examining service providers and software vendors. OTS has held two major conferences and countless smaller forums on Y2K issues and publishes a monthly newsletter, Mmilleennium, to ensure that both thrifts and OTS staff are aware of the latest developments in this area.

Information Technology

Effective planning, use and management of current and future information technologies are significant factors in support of the OTS mission and goals. OTS information systems must be positioned to effectively apply emerging technology in a dynamic industry environment, while maintaining a solid base of core operations.

The objectives of Information Technology in supporting OTS goals are to:

- Maintain and improve the effectiveness of OTS supervision.
- Minimize the burden of necessary supervision on the industry.
- Maximize the quality of OTS information services within budget constraints.
- Maintain the integrity, confidentiality and security of industry information resources and systems.
- Improve the overall effectiveness and productivity of OTS.
- Provide quality information services to the thrift industry, the public, OTS workforce and other regulators.

Investing in Information Technology Infrastructure

The OTS' information technology (IT) management process provides the overall direction for how IT should contribute to OTS' goals and lays the foundation for establishing investment priorities. The process of identifying major IT initiatives anticipated during 1999 through 2001 began in June 1998. The 1999 budget formulation represents a concerted effort to identify, prototype and review significant investments in IT and to develop an overall OTS IT strategic plan framework.

OTS IT Issues

Fulfilling the strategic IT objectives occurs through a dual emphasis on maintaining ongoing, established corporate information systems and services on the one hand, and developing new systems and services that respond innovatively to evolving supervisory and industry needs on the other. The OTS IT program is largely defined by the following individual systems and services that constitute its major investments:

- **IT Year 2000 (Y2K)**

OTS will continue its Y2K program to assure that the systems supporting the thrift industry will operate correctly in the next millennium. This issue impacts the supervision of thrifts and their service providers, as well as the systems and services provided by OTS itself. Resources have been planned to complete the validation and certification testing of internal OTS systems in 1999.

- **Information Services Delivery**

The effective delivery of information products and services both internally and externally is key to the accomplishment of OTS' mission. This is largely dependent upon the network and telecommunications infrastructure through which these products and services are accessed by the industry, the OTS workforce and other regulators. Enhancements are proposed in these areas to maintain the overall effectiveness of the client-server platform and to better serve the examiner workforce with improved remote access.

Making OTS information easily available to the public remains a priority. Initiatives in the electronic communication area include enhancements to the agency's web site and investigating the collection of its industry data through the Internet. In all cases, the agency will exercise its commitment to producing documents written in "plain language."

- **Security, Integrity and Confidentiality of Information**

The increasing dependency upon electronic communications and the increasing complexity of networks directly impacts the security, integrity and confidentiality of the information that OTS obtains and provides. OTS cannot remain a viable regulator if it allows sensitive information to be compromised. OTS ensures that adequate safeguards are designed in the evolving IT architecture environment by implementing and updating appropriate security measures. Initiatives to improve security have been proposed for 1999. OTS continues to maintain and provide

automated data processing contingency planning. Disaster recovery tests are completed annually to ensure quick recovery in the case of a disruption.

- **Data and Information Management**

In substantial degree, the business of OTS' IT program is the collection, processing, storage, dissemination and application of financial information. OTS' IT program effectively deals with changes in both the types of information it manages and the techniques used for data management. It continues to maintain its core, legacy data while identifying and developing new ways of making its data and information more accessible and useful. An OTS data sharing work group is completing a "proof of concept" evaluation of the application development tools and a query and reporting tool. Based on the final evaluation recommendation, OTS plans to select and acquire the software tools in 1999.

Another important emphasis in the data and information management area is the preservation of electronic records. An OTS-wide electronic records management system to facilitate identification, retention, tracking, and retrieval of OTS records is being piloted with plans to implement in 1999-2000.

- **Organizational Effectiveness**

Information Technology is key to improving the administrative and management processes of OTS, as well as the overall productivity of its workforce. Developments such as e-mail, integrated client-server software, web application and the OTS Intranet offer tremendous potential for continued improvements in overall organization effectiveness. This area is of particular strategic importance to OTS, given its regional and highly mobile workforce. To facilitate sharing of information among OTS staff, an Intranet pilot is under way. A multiyear program to modernize the OTS national systems is planned to begin in 1999. Goals of the effort include redesign of business processes, easier data access and a common user and development platform.

- **Training and Competency**

OTS invested significant funds training staff in connection with the introduction of new information technology over the last few years. The rapid rate of change of information technology and the degree to which it can leverage human resources makes this an agency-strategic IT issue. The necessary resources are allocated for timely and effective training in order to gain full return on IT investments. Individual training plans are prepared each year.

- **Maintenance and Operations**

OTS systems will continue to be maintained at a high standard of performance. This means timely maintenance, replacement and upgrades. A program to systematically replace and upgrade examiner laptops is being considered for 2000. A strong emphasis is consistently placed on the maintenance of the agency's existing IT systems and platforms.

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. The Primary Accounting System, which operates on a calendar-year basis, integrates the Procurement, Budget Execution, Accounts Payable, Accounts Receivable, General Ledger, and financial reporting functions and directly interfaces with the Payroll/Personnel System. Other critical components of the financial management system are the National Application Tracking System, the Assessment Billing System, and the Furniture, Fixtures, and Equipment Tracking System.

OTS' 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.

OTS continually enhances its financial management systems based on changing user needs. Regular updates incorporate changes in OPM and IRS rules and regulations. The overall adequacy of data processing systems is re-evaluated in three-year intervals, and each interval is made up of a maintenance period, a system review period, and a significant enhancement period.

External Factors That Could Affect Achievement of Strategic Goals

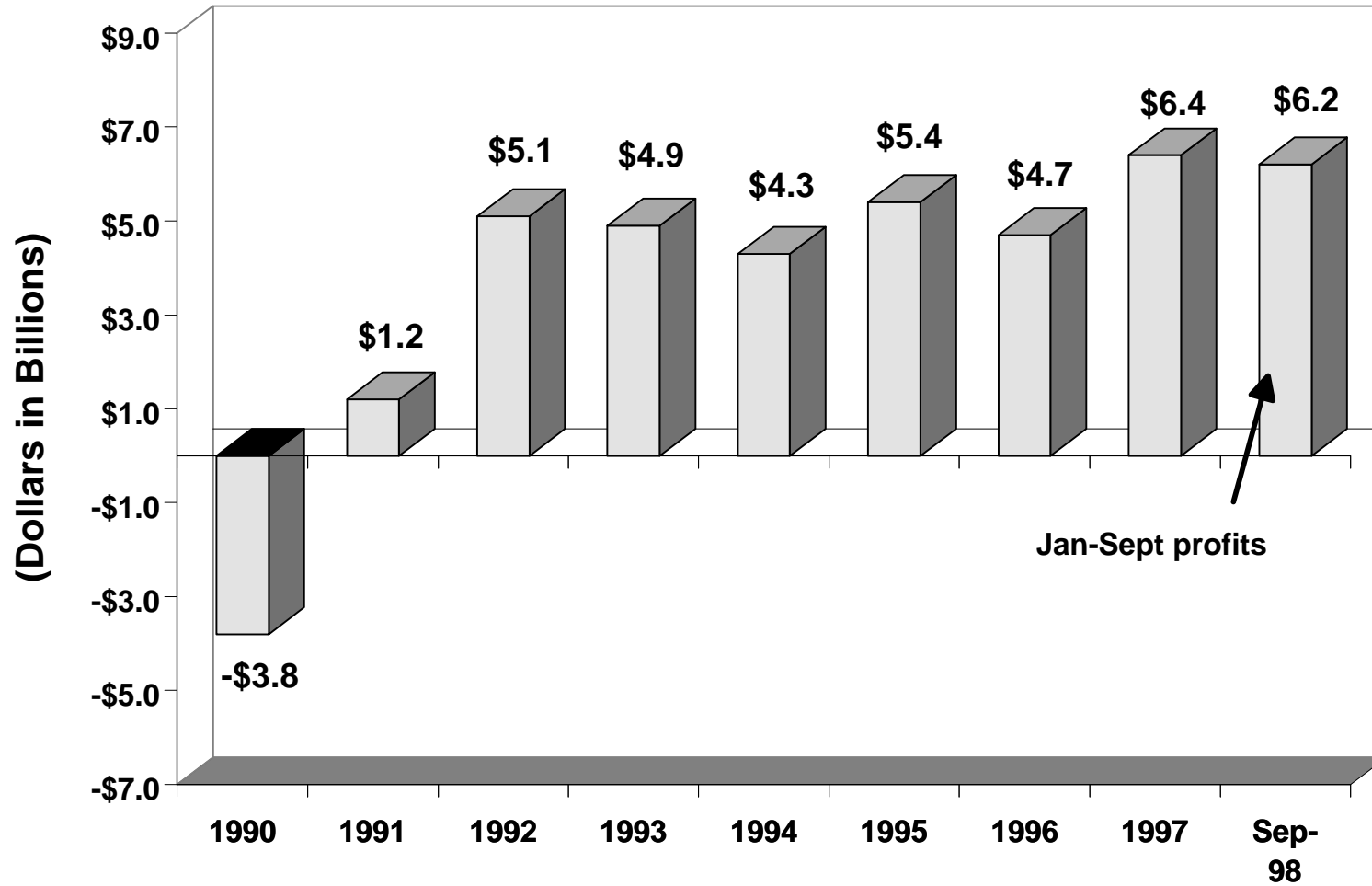
OTS' ability to accomplish its five major goals for 1999 will be directly affected by the following external factors:

Economic Performance

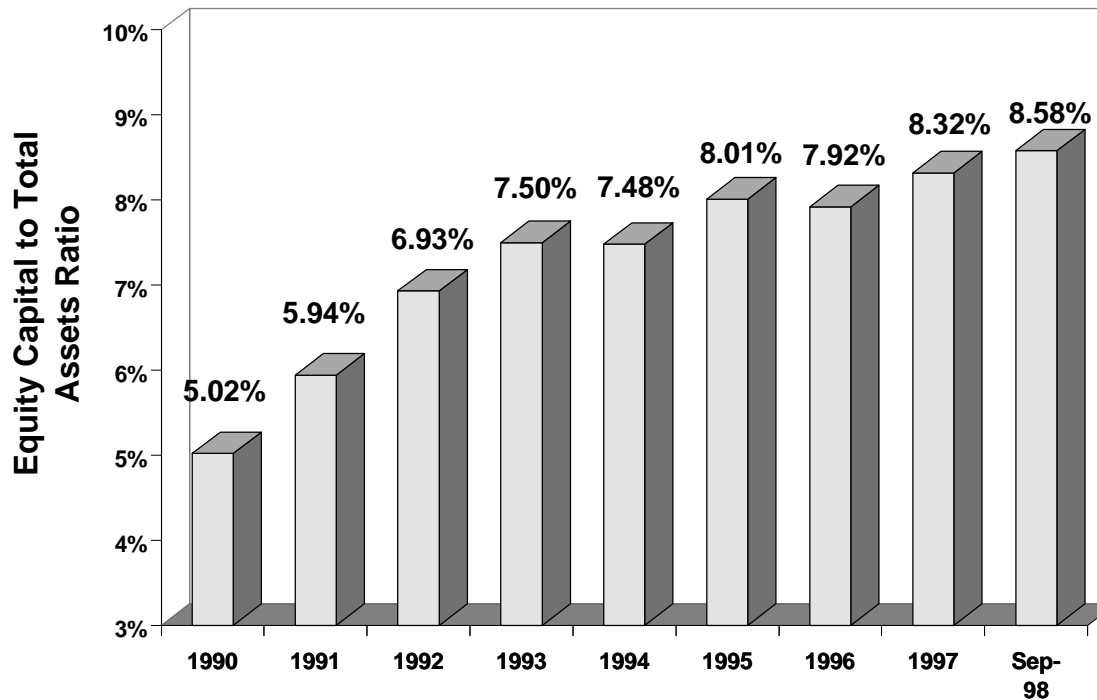
The thrift industry today is strong, profitable and well-capitalized. Many factors have contributed to the existing health of the industry, including the general prosperity in the underlying economy, strict Congressionally-mandated improvements in the industry's capital levels and business practices, and increased regulatory oversight. Thrift industry earnings for the first nine months of 1998 set a new record and totaled \$6.2 billion while aggregate industry return on assets (ROA) was 106 basis points during the first nine months. Equity capital reached a record high of 8.58 percent in the third quarter and troubled assets totaled only 0.80 percent of total assets as of September 30, 1998. As in the first two quarters of 1998, thrifts' third quarter mortgage origination and sale activity was brisk, setting a new record of \$78.6 billion augmented by loan refinancings.

As of September 30, 1998, the OTS had oversight over 1,170 institutions with assets of approximately \$795.4 billion. While the overall number of OTS-regulated institutions has declined steadily since 1990, the OTS is experiencing an increase in applications to form new thrifts. Some of these applications pose new supervisory issues requiring policy development.

Annual Profits and Losses of the OTS-Regulated Thrift Industry (1990 - Sept 1998)



Ratio of Equity Capital to Total Assets for the OTS Regulated Thrift Industry (1990 - Sept 98)



Even though the thrift industry today is healthier than it probably has ever been, a sharp downturn in the U.S. economy, accompanied by an increase in interest rates (or prolonged continuation of a low, flat yield curve), would impact the economic performance of the industry. Based on data from the OTS' econometric model estimating thrift exposure to interest rate risk, over 48 percent of the OTS-regulated thrifts would realize 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 the OTS' ability to achieve its goals of 1) improving credit availability in areas of greatest need, and 2) enhancing competitiveness of the thrift industry. 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. Similarly, the thrift industry would be under sufficient economic stress from its vulnerability to interest rate shocks that it would be difficult to maintain, much less enhance, its competitiveness.

Further, because a substantial amount of thrift assets are concentrated on the West Coast, the thrift industry is vulnerable to significant regional economic downturns. This vulnerability was demonstrated in the early 1990's when the economic problems confronting California impacted the thrift industry. Depressed housing markets, especially house price depreciation, significantly reduced the profitability of those thrifts. The poorer performance of these thrifts reduced the aggregate economic performance of the industry relative to commercial banks during the 1992 - 1994 period.

Financial Modernization

- **Legislation**

The current Congressional debate on the complex issues surrounding financial services modernization poses several unique challenges to both the thrift industry and OTS. A key concern for the OTS and the thrift industry is the uncertainty regarding the future focus and strength of the federal thrift charter. OTS-regulated thrifts have almost half of their assets in 1 - 4 family mortgages. Such institutions have proved their value by enabling more Americans to own their own homes. It is important that we not make structural changes in financial services that would work against sustaining and increasing the rate of home ownership in America.

Their commitment to the community has led more and more thrifts into teaming with other financial service providers, the Federal Home Loan Banks, Fannie Mae and Freddie Mac, and other businesses and community groups to finance housing for low- and moderate-income families. Increasingly, thrifts are helping finance other aspects of community economic development, including businesses and social services. Their commitment to community reinvestment is essential in meeting a critical need in the nation, and is consistent with a safe and sound financial system.

The flexibility of the holding company charter that permits non-bank entities, particularly other types of financial institutions, to be affiliated with thrifts, is another key attribute. The financial modernization goals of one-stop shopping and increased consumer choice are represented in this structure.

- **Marketplace**

With or without legislation, modernization and 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. Consolidation can also limit consumer choice, the reach of CRA, and the availability of local civic leadership. On the other hand, by working closely with these institutions, the OTS often has the opportunity to bring 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 jurisdiction (mostly through acquisition by commercial banks and conversion to commercial banks). At the same time, the average annual gain in new institutions was 22. In 1998 the OTS is on pace for about 100 exits and over 30 entrants. Intra-industry consolidation presents some supervisory challenges, especially with respect to systems conversion for Y2K and exceptionally large institutions, and also presents challenges to CRA, particularly with respect to local civic leadership and commitment to under-served areas in all markets served.

Management Concerns

Retaining Capable Staff

The capability to attract and retain a highly skilled workforce is vital to OTS' ability to achieve its mission in today's rapidly changing regulatory arena. Successfully competing for staff with the requisite knowledge and skills is one of the more challenging tasks faced by the OTS.

The average OTS safety and soundness examiner has 15 years' experience. While an experienced and well-trained corps of examiners is a valuable asset, many OTS employees are currently at the top of their salary range, at the upper end of their occupational group, and—often—eligible for retirement. Thus, the agency faces a situation that tests the skill of management to energize employees.

To respond to this concern, OTS has begun a series of initiatives to determine employee expectations and make OTS a more productive and satisfying place to work. An all-employee survey was sent out in March 1998 to ascertain workplace expectations. The suggestions received from the survey were analyzed and preliminary budget estimates for a number of suggestions are currently being developed so that a determination can be made regarding the most feasible and beneficial options for 1999 and 2000. A number of employee benefits have already been added, including enhanced opportunities to use sick leave in conjunction with childbirth, adoption and foster care; increased savings opportunities; and telecommuting opportunities, especially for regional staff who travel extensively.

Some of the employee benefits that may be added during 1999 include:

- ensuring that the OTS remains competitive with the other regulators by paying staff with critical skills the level of compensation necessary to retain them.
- revising the current recognition program to reward the best performers and those staff members that are the most critical to retain.
- providing staff with opportunities for education and professional development beyond job-related training.

During 1998 OTS added modestly to its examiner staff, hiring approximately 25 examiners, the first group hiring of examiners in about eight years. Although the number of new examiners is modest, the OTS will continue such entry-level hiring in future years, as well as recruiting for more experienced personnel in areas such as technology.

Increasing Employee Productivity Through Training

Other critical areas emphasized by OTS management are employee training and professional development. The OTS has recently made a substantial investment in employee competence and skills through training. OTS' overall training budget increased nearly 30 percent between 1996 and 1997, and an additional 6 percent was added for 1998. Training in 1998 comprises 3 percent of the total agency budget, a significant investment when compared with the private sector and other federal financial regulators.

OTS has adopted training priorities through Year 2000 in both regulatory and nonregulatory subjects. As a result, four new regulatory courses—commercial lending, retail lending, emerging information technology and an advanced compliance examiner school—have been added to the regular examiner curriculum. In addition, modifications were made to three existing regulatory courses in capital markets, mortgage lending, and advanced examiner topics. Programs have been established to train examiners to use the new automated examination process and additional applications related to examination analysis.

OTS management is strongly committed to the professional development of the OTS staff through the use of state-of-the-art computer technology and other training vehicles. OTS' priorities determine staff training needs which, in turn, provides the skills needed to accomplish the agency's mission and goals. During 1999 one of the training objectives will be to provide courses that teach OTS staff to draft communications in "plain language."

Effecting a Smooth Millennial Rollover

One of the most important challenges facing the thrift industry and OTS is preparing for the Year 2000 computer changeover. The goal is to get the OTS-regulated thrift industry to Year 2000 compliance before the Year 2000 rollover. To reach this goal, the OTS and the other banking regulators have established guidelines and examination plans that leave the bulk of 1999 for implementation, including retesting where necessary. OTS management believes that the combination of its examination efforts, active outreach to the industry, plus effective supervision and monitoring should minimize and contain problems.

During 1997, OTS examiners conducted special off-site examinations of OTS-regulated institutions to assess thrift management's awareness of the Year 2000 issues and their commitment to resolving those issues in a timely manner. While the industry was generally making good progress, about one-fourth of the industry appeared to be lagging behind in

preparing for the approaching changeover. During the latter half of 1997, OTS began a second round of examinations that were finished in mid-1998. These on-site examinations focused principally on the assessment phase of Year 2000 readiness. A third round of examinations (again on-site) started in September 1998, and will focus on testing and implementation.

OTS has also joined with the other banking regulators in examining service providers and software vendors. Until March 1998, OTS lacked the statutory authority of the banking agencies to examine service providers; that changed with the passage of the Examination Parity and Year 2000 Readiness for Financial Institutions Act, giving the OTS equal authority. The law strengthened the OTS' hand in dealing with service providers that supply thrift computer needs.

To ensure the continuity of OTS mission-critical processes in the event of an unanticipated failure of an automated information system due to a Year 2000 problem, Y2K Information Technology Contingency Plans have been developed for 14 of the 15 mission critical systems. The last contingency plan is currently under development. The applications' Year 2000 Information Technology contingency plans are being reviewed by the OTS business recovery team for finalization.

All infrastructure items, such as copiers, phone systems, and security card systems that require Y2K testing and certification have been identified in the Washington office and the five regional offices. Replacement and upgrade of those items which are non-compliant has been scheduled and, in some cases, already completed. None of the six mission-critical building systems are expected to require renovation. Testing and certification of those systems will be completed in 1998. In the regions, where OTS staff are housed in leased facilities, the progress of Y2K activities by the building owners/managers in assessing and renovating their building systems is being monitored.

Internal Management Controls

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.

The foundation of the OTS' financial management control program is its annual financial statement audit. The 1997 audit was conducted by the independent, certified public accounting firm of Deva & Associates, P.C. The audit was completed in February 1988. For the eighth consecutive year, the OTS was given an unqualified opinion on its financial statements.

OTS' Annual Assurance Statement for the fiscal year ending September 30, 1998, as required by FMFIA, indicated that OTS' 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 1998 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' FMFIA program will change as statutory requirements and OMB guidance change.

Annual Performance Plan Goals and Measures

(All data are presented on a calendar year basis.)

	1996 actual	1997 actual	1998 planned	1998 actual	1999 planned
Calendar Year Operating Expenses (\$000)	\$133,416	\$142,702	\$143,926	not available	TBD
FTE	1,401	1,363	1,300	not available	TBD
Strategic Goal: Maintain and enhance OTS' risk-focused, differential and proactive approach to the supervision of thrift institutions in order to contribute to a safe and sound industry.					
Performance Goal: Conduct safety and soundness, compliance, holding company, trust and information systems examinations of all thrift institutions scheduled to receive such examinations.					
Measure: The number of thrifts that received each type of examination divided by the number of thrifts scheduled to receive this type of examination.					
Safety and Soundness	98.2%	96.2%	95%		95%
Compliance	99.7%	98.3%	95%		95%
Holding Company	96.7%	83.2%	85%		85%
Information Systems	78.6%	77.7%	80%		75%
Trust	90.9%	63.3%	75%		80%

*The "1998 Planned" values were determined in June 1997. Thus, in some instances the "1998 Planned" is significantly less than the "1997 Actual."

**Indicates the goal is a cross-cutting goal.

December 30, 1998

1996 actual	1997 actual	1998 planned	1998 actual	1999 planned
----------------	----------------	-----------------	----------------	-----------------

Performance Goal: Ensure that OTS-regulated thrift institutions operate in a safe and sound manner or that the OTS has taken appropriate supervisory or enforcement action.

Measure: The number of thrift institutions rated "4" or "5" during the measurement period that have an enforcement action, supervisory action or waiver in place or have received a decision for waiver, enforcement action or supervisory action divided by the total number of thrift institutions that were rated "4" or "5" with examinations that were completed more than 60 days ago.

NA NA NA NA 100%

Performance Goal: Improve the consistency and quality of examinations.

Measure: The number of examination reports deemed generally consistent with OTS examination policies and procedures divided by the number of examination reports reviewed.

100% 100% 90.0% 95%

****Performance Goal: Perform on-site Year 2000 conversion reviews in accordance with FFIEC policies and timetables, of OTS-regulated institutions and outside service providers.**

Measure: The number of thrift institutions receiving a Year 2000 conversion review divided by the total number of thrift institutions scheduled for review.

NA NA 95% 98%

*The "1998 Planned" values were determined in June 1997. Thus, in some instances the "1998 Planned" is significantly less than the "1997 Actual."

**Indicates the goal is a cross-cutting goal.

1996 actual	1997 actual	1998 planned	1998 actual	1999 planned
----------------	----------------	-----------------	----------------	-----------------

****Performance Goal: Ensure that 100% of OTS-regulated thrift institutions are meeting the Y2K milestones by 9/30/99 or that OTS has taken appropriate supervisory action or enforcement action.**

Measure: The number of OTS-regulated thrift institutions that, as of 9/30/99 are rated "satisfactory" at their most recent Year 2000 examination or that are subject to appropriate supervisory action or enforcement action divided by the total number of OTS-regulated thrifts.

NA	NA	NA	NA	100%
----	----	----	----	------

Performance Goal: Improve the value of examinations to thrift institution directors and management.

Measure: The number of times thrifts rated the value of the examination process as being "satisfactory" or "better than satisfactory" divided by the total number of thrifts that responded to the examination survey.

98%	98%	90%		90%
-----	-----	-----	--	-----

Performance Goal: Ensure that OTS-regulated thrift institutions comply with the consumer protection, fair lending, and public interest laws and regulations.

Measure: Number of thrift institutions with a compliance rating of "4" or "5" during the measurement period and an enforcement action, supervisory action or waiver in place, or that have received a decision for waiver, enforcement action or supervisory action divided by the total number of thrift institutions rated "4" or "5" with examinations completed more than 60 days ago.

NA	NA	NA	NA	100%
----	----	----	----	------

Strategic Goal: Actively support the thrift industry's efforts to meet its 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.

*The "1998 Planned" values were determined in June 1997. Thus, in some instances the "1998 Planned" is significantly less than the "1997 Actual."

**Indicates the goal is a cross-cutting goal.

1996 actual	1997 actual	1998 planned	1998 actual	1999 planned
----------------	----------------	-----------------	----------------	-----------------

Performance Goal: Provide educational and technical assistance to industry representatives, OTS examination staff and other relevant parties on community development issues, needs and opportunities; key players and programs; and investment authority or regulatory barriers. 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. Address community development related regulatory barriers.

Measure: The number of outreach, training, or partnership building events held (or participated in) divided by the number of events planned (90%); the number of new areas or groups reached divided by the number targeted (85%); and the number of thrift participants divided by the number targeted (50%). (The OTS will report a 100% success rate if the stated targets are met.)

NA NA NA NA 100%

Measure: The number of new partnerships formed, activities/programs commenced or investments made in 1999 as a result of OTS' outreach, training, or partnership building activities.

NA NA NA NA To be determined

Measure: The percentage of thrifts with less than satisfactory CRA ratings assigned in 1999 that OTS offers or provides one-on-one community development related outreach and technical assistance to within 60 days of completion of the examination.

NA NA NA NA 100%

Measure: The number of community development related regulatory barriers addressed divided by the number identified (investment authority or CRA).

NA NA NA NA 85%

Measure: The number of speeches or presentations given by senior management on community development related topics divided by the number planned. (The 1999 targeted number of speeches is 25.)

NA NA NA NA 100%

*The "1998 Planned" values were determined in June 1997. Thus, in some instances the "1998 Planned" is significantly less than the "1997 Actual."

**Indicates the goal is a cross-cutting goal.

1996 actual	1997 actual	1998 planned	1998 actual	1999 planned
----------------	----------------	-----------------	----------------	-----------------

Strategic Goal: Maintain competitiveness of the thrift industry to ensure its safety and soundness.

Performance Goal: 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.

Measure: 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 divided by the total number of OTS-regulated thrift institutions minus those that have been undercapitalized for less than 150 days.

NA NA NA NA 100%

Performance Goal: Support efforts to create a modern financial services charter that will ensure that insured depository institutions continue to meet credit needs, effectively compete with other financial services providers and anticipate the needs of their customers. Work with Congress and the Administration to develop legislation consistent with the stated objective.

Measure: The number of outreach projects completed divided by the number of outreach projects planned, including Congressional projects.

NA NA 80% 100% 100%

*The "1998 Planned" values were determined in June 1997. Thus, in some instances the "1998 Planned" is significantly less than the "1997 Actual."

**Indicates the goal is a cross-cutting goal.

1996 actual	1997 actual	1998 planned	1998 actual	1999 planned
----------------	----------------	-----------------	----------------	-----------------

Strategic Goal: Conduct operations efficiently to keep regulatory burdens on the thrift system at the minimum level consistent with effective supervision.

Performance Goal: Reduce regulatory burden whenever possible.

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

98% 99% 95% 97%

Measure: The number of OTS regulatory reinvention projects completed in question and answer plain language format divided by the number of OTS regulatory reinvention projects planned to be completed in that format.

NA NA 80% 80%

Strategic Goal: 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.

Performance Goal: Develop, distribute and monitor adherence to service plans for all major agency functions.

Measure: 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.)

100% 100% 100% 100%

*The "1998 Planned" values were determined in June 1997. Thus, in some instances the "1998 Planned" is significantly less than the "1997 Actual."

**Indicates the goal is a cross-cutting goal.

Methodology Used to Verify Measured Values

Internal Review Office

During 1999 the OTS will set up a new Internal Review office. This office will be responsible for reviewing all of OTS' financial management and data collection systems for accuracy. In addition, the new office will ensure that the OTS effectively complies with all applicable laws including the Results Act, CFO Act, FMFIA, etc.

Verifying Measured Values

The quantitative values reported for OTS' performance measures are accurate and auditable. Several of the quantitative values are generated with the help of OTS' automated systems. 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) was implemented in 1997 and integrated: Examination Data System (EDS), Report of Examination (ROE), Regulatory Action Data System (RAD), Regulatory Plan System (RPS), Corporate Structure, Holding Company Structure, and National Application Tracking System (NATS). These systems continue to exist, but TIM provides access to those systems, ensures the data is consistent among the systems, and produces integral 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' 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' 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 methodology used to capture the level of performance for each performance measure is described below:

Measure: The number of thrifts that received each type of examination divided by the number of thrifts scheduled to receive this type of examination.

The 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, the OTS staff enters into the Examination Data System (EDS) the examination type, examination beginning and completion dates, report of examination mail date, and CAMELS ratings.

The 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' 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.

Measure: The number of thrift institutions rated "4" or "5" during the measurement period that have an enforcement action, supervisory action or waiver in place or that have received a decision for waiver, enforcement action or supervisory action divided by the total number of thrift institutions that were rated "4" or "5" with examinations that were completed more than 60 days ago.

The 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' 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. The 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.

The OTS will measure this standard using a management report prepared monthly with information taken from the Regulatory Action Data System (RADS) which tracks institutions which are rated 4 or 5 and which 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.

Measure: The number of examination reports deemed generally consistent with OTS examination policies and procedures divided by the number of examination reports reviewed.

The 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 management's concerns. The Examination Outreach Program (EOP) solicits input from thrift managers on examination issues, and the EOP conducts reviews of at least 20 percent of examination reports, annually, for clarity and consistency with national examination policies. Reviews are conducted on Safety and Soundness, Compliance/CRA, Trust, and Information Systems examination reports, before they are transmitted to the thrift institution. National examination policies are contained in the examination handbooks (Thrift Activities, Compliance Activities, Trust Activities, and the interagency EDP Examination Handbook). Examination handbooks are updated continuously to reflect new statutes, policies, and new activities being undertaken by the thrift industry.

The OTS will measure this standard through the review of the examination reports by the regional EOP managers, 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.

Measure: The number of thrift institutions receiving a Year 2000 conversion review divided by the total number of thrift institutions scheduled for review.

The OTS is aggressively and affirmatively responding to the challenge of ensuring that the thrift industry's operations and services are not disrupted by problems related to the millennial calendar year rollover. The OTS has completed two rounds of Year 2000 examinations and has begun a third round that focuses on testing and contingency planning. That round of examinations will be completed by March 31, 1999. OTS oversight of thrift preparations will continue thereafter until all issues are resolved. Time frames and procedures for Year 2000 examinations after March 31, 1999 will be developed with other federal banking agencies.

The measure will be calculated by dividing the number of thrifts that received an examination in 1999 that assessed testing efforts to the number of thrift institutions scheduled for such a review, i.e., all those without testing examination work in 1998. The raw data for the calculation will be retrieved from two national databases, Exam Data System (EDS) and the Time and Attendance Reporting System (TARS).

The OTS recognizes that although the ultimate responsibility for Year 2000 compliance rests with the thrift industry, many thrifts rely on outside data service providers. The examination plan for these service providers parallels the plan for thrift institutions except that some of the examinations will be conducted by other agencies or jointly with other agencies. National databases will again be used to track progress throughout the year and to calculate the performance measure at year-end.

Measure: The number of OTS-regulated thrift institutions that, as of September 30, 1999 are rated "satisfactory" at their most recent Year 2000 examination or that are subject to appropriate supervisory action or enforcement action divided by the total number of OTS-regulated thrifts.

The measure will be calculated by dividing the total of (a) thrifts with Year 2000 ratings of "satisfactory", (b) thrifts with Year 2000 ratings of "needs improvement" with formal or informal enforcement action(s) in place, and (c) thrifts with Year 2000 examination ratings of "unsatisfactory" with formal enforcement action or a waiver and informal enforcement action in place, by the total number of thrifts regulated by the OTS. The raw data for the calculation will be retrieved from two national data bases, the Exam Data System (EDS) and Regulatory Action Data System (RAD).

Measure: The number of times thrifts rated the value of the examination process as being "satisfactory" or "better than satisfactory" divided by the total number of thrifts that responded to the examination survey.

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 the OTS' 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 11 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 total number of surveys. The survey response rate approximates 60 percent.

Measure: Number of thrift institutions with a compliance rating of “4” or “5” during the measurement period and an enforcement action, supervisory action or waiver in place, or that have received a decision for waiver, enforcement action or supervisory action divided by the total number of thrift institutions rated “4” or “5” with examinations completed more than 60 days ago.

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 examination report.

Measure: The number of outreach, training, or partnership building events held (or participated in) divided by the number of events planned (90%); the number of new areas or groups reached divided by the number targeted (85%); and the number of thrift participants divided by the number targeted (50%). (The OTS will report a 100% success rate if the stated targets are met.)

Each year the Community Affairs staff establishes a program agenda and individual work plans for Washington and the regional offices that set forth our goals for the year and that are approved by senior management. The number of events and areas targeted are set forth in these plans and are summarized on pages 7 through 10 of this document. Each of our activities is targeted to some portion of the industry we regulate, since the purpose of the Community Affairs program is to further OTS' 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. Therefore, at the end of each quarter and year, OTS will measure how much we did relative to what we said we were going to do in the way of outreach, training, and education. We will also measure the extent to which we were able to reach the targeted portions of the thrift industry through these efforts (number participating relative to those institutions we targeted.)

Measure: The number of new partnerships formed, activities/programs commenced or investments made in 1999 as a result of OTS' outreach, training, or partnership building activities conducted.

OTS does not collect this data. Therefore the community affairs staff will solicit periodic feedback in order to compile this data. During 1999, we will evaluate ways to better collect this data through either the examination process or the examination outreach process. For purposes of this measurement, we will try to identify what occurred in 1999 relative to events that were conducted in that year or any prior years, since there is often a lag between when an institution learns about something and chooses to do something as a result of that information.

Measure: The percentage of thrifts with less than satisfactory CRA ratings assigned in 1999 that OTS offers or provides one-on-one community development related outreach and technical assistance to within 60 days of completion of the examination.

Since part of OTS' long term strategic goal is to support the industry's efforts to meet its CRA obligations, the 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.

Measure: The number of community development related regulatory barriers addressed divided by the number identified (investment authority or CRA).

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 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.

Measure: The number of speeches or presentations given by senior management on community development related topics divided by the number planned. (The 1999 targeted number of speeches is 25.)

Each regional office and Washington will track and report on the number of speeches and presentations given by senior management that includes significant discussion of community development related topics.

Measure: 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 divided by the total number of OTS-regulated thrift institutions minus those that have been undercapitalized for less than 150 days.

The 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, the 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.

The 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 contain aggregate data on the number of thrifts in the three PCA undercapitalized categories, an analyses of each PCA undercapitalized institution, the cause of 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.

Measure: The number of outreach projects completed divided by the number of outreach projects planned, including Congressional projects.

Through the Congressional Affairs office, the OTS works closely with the Congress to provide information and technical assistance on the thrift industry as requested and the impact of legislation on institutions regulated by the OTS. The Executive Director of External Affairs, Director of Press Relations and Director of Congressional Affairs (sometimes in conjunction with other executive directors and regional directors) will meet with industry representatives and Congressional staff regarding legislative and regulatory changes that may impact savings institutions' flexibility in providing financial services to their communities. Also important to this outreach effort is the agency's interaction with the press, which plays an important role in the educational aspects of this outreach effort. Current legislative efforts focus on proposed legislation intended to enhance the competitiveness of the financial services industry and reduce regulatory burdens.

The performance measure will be calculated using two components: 1) Dividing the number of meetings held by the total number of meetings planned; and 2) Dividing the number of times the OTS responds to requests for technical assistance by the total number of requests for such assistance.

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

OTS regulations require thrift institutions to file an application before engaging in certain activities. Most applications are reviewed and acted upon at the OTS' 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. 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.

Measure: The number of OTS regulatory reinvention projects completed in question and answer plain language format divided by the number of OTS regulatory reinvention projects planned to be completed in that format.

One of OTS' 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.

Measure: 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.)

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. The OTS subsequently established set standards for core, external groups in response to the Executive Order.

The OTS believes its primary stakeholders are the thrift institutions it charters, examines and supervises and the customers these institutions serve. The 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. The 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, and Public Information were published between July 1995 and August 1996. Each of these plans set forth both qualitative and quantitative standards. Other service plans will be created as needed. A service plan for Consumer Assistance has been active since 1991; it was revised, enhanced and published in 1996.

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 Executive Committee.

This 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 the OTS' service plans will meet their specified goals at least 80 percent of the time.

The Link Between OTS' Performance Plan and its Budget

OMB's A-11 guidance indicates in Section 220.8(b) that the annual Performance Plan should be directly linked to an agency's budget, and funding levels must be consistent with the agency's budget request to OMB. The OTS receives no appropriated funds from Congress. The Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA) provided the OTS with the authority to fund its operations through periodic assessments charged to the thrift industry. Assessments on the thrift industry constitute the largest single component of the OTS income. During calendar year 1999, assessments are projected to account for 88 percent of total income. The OTS also receives income from application fees, interest, rents and subleases, exam fees and other miscellaneous sources.

Notwithstanding its non appropriated status, the OTS' Strategic Plan, Performance Plan, and CFO Report are all consistently linked with the President's budget. The aforesaid A-11 guidance indicates that "An agency has discretion on how program activities are arrayed in the annual plan, provided that:

- each program activity in its Program and Financing (P&F) schedule(s) in the Budget for that fiscal year is covered; and
- every major program, function or operation of the agency is reflected in the Plan."

The OTS has only one program account in its P&F schedule. Thus, all of OTS' annual income is reflected in this one program account. In addition, OTS' Strategic Plan, Performance Plan and CFO Report consistently cover all of OTS' major functions.

Use of non-Federal Parties, Adjustments to Strategic Plan, and Requests for Waivers

Preparation of Plan: 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 the OTS prepare this plan in accordance with OMB Circular A-11.

Adjustments: Minor adjustments have been made to the wording of OTS' strategic goals to better clarify their meaning (see page 44).

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

Minor Adjustments to Wording of OTS' Mission Statement and Strategic Goals

Minor adjustments have been made to the wording of OTS' strategic goals to better clarify their meaning. The underlying intent of the goals has not changed. The improvements in the wording are shown below:

OTS' Mission Statement as it appeared in the 1997 - 2002 Strategic Plan:

- Effectively and efficiently supervise thrift institutions to maintain the safety and soundness and viability of the industry. Support the industry's efforts to meet housing and other community credit and financial services needs.

OTS' Mission Statement as it appears today:

- 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' Strategic Goals as they appeared in the 1997 - 2002 Strategic Plan:

- Maintain and enhance our risk-focused, differential and proactive approach to the supervision of thrift institutions to contribute to a safe and sound industry.
- Improve credit availability by encouraging safe and sound lending in those areas of greatest need.
- Enhance competitiveness of the thrift industry to ensure its safety and soundness.
- Conduct operations efficiently to keep regulatory burdens on the thrift system at the minimum necessary level.
- Provide exceptional customer service to all major customer groups, including the thrift institutions regulated by the OTS and members of the public that deal with those thrift institutions, to make government more responsive.

OTS' Strategic Goals as they appear today:

- Maintain and enhance OTS' risk-focused, differential and proactive approach to the supervision of thrift institutions in order to contribute to a safe and sound industry.
- Actively support the thrift industry's efforts to meet its 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.
- Maintain competitiveness of the thrift industry to ensure its safety and soundness.
- Conduct operations efficiently to keep regulatory burdens on the thrift system at the minimum level consistent with effective supervision.
- 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.

Appendix

OTS' Strategic Goals Link to Treasury Objectives; OTS' Annual Performance Goals Link to OTS' Strategic Goals and Annual Performance Measures

OMB Circular A-11 Part 2 states "In some cases, general goals in strategic plans and annual goals in performance plans may be identical." The OTS' strategic goals and annual goals are identical and are set forth below.

Treasury-Wide Strategic Objective	OTS' Long term Strategic Goal	OTS' 1999 Performance Goal	OTS' Performance Measures
<p>Improve and modernize the U.S. financial system.</p>	<p>Maintain and enhance OTS' risk-focused, differential and proactive approach to the supervision of thrift institutions in order to contribute to a safe and sound industry.</p>	<p>Conduct safety and soundness, compliance, holding company, trust and information systems examinations of all thrift institutions scheduled to receive such examinations.</p>	<p>The number of thrifts that received each type of examination divided by the number of thrifts scheduled to receive this type of examination.</p>
		<p>Ensure that OTS-regulated thrift institutions operate in a safe and sound manner or that the OTS has taken appropriate supervisory or enforcement action.</p>	<p>The number of thrift institutions rated "4" or "5" during the measurement period that have an enforcement action, supervisory action or waiver in place or have received a decision for waiver, enforcement action or supervisory action divided by the total number of thrift institutions that were rated "4" or "5" with examinations that were completed more than 60 days ago.</p>
		<p>Improve the consistency and quality of examinations.</p>	<p>The number of examination reports deemed generally consistent with OTS examination policies and procedures divided by the number of examination reports reviewed.</p>

Treasury-Wide Strategic Objective	OTS' Long term Strategic Goal	OTS' 1999 Performance Goal	OTS' Performance Measures
-----------------------------------	-------------------------------	----------------------------	---------------------------

Perform on-site Year 2000 conversion reviews in accordance with FFIEC policies and timetables, of OTS-regulated institutions and outside service providers.

The number of thrift institutions receiving a Year 2000 conversion review divided by the total number of thrift institutions scheduled for review.

Ensure that 100% of OTS-regulated thrift institutions are meeting the Y2K milestones by 9/30/99 or that OTS has taken appropriate supervisory action or enforcement action.

The number of OTS-regulated thrift institutions that, as of 9/30/99 are rated "satisfactory" at their most recent Year 2000 examination or that are subject to appropriate supervisory action or enforcement action divided by the total number of OTS-regulated thrifts.

Improve the value of examinations to thrift institution directors and management.

The number of times thrifts rated the value of the examination process as being "satisfactory" or "better than satisfactory" divided by the total number of thrifts that responded to the examination survey.

Ensure that OTS regulated thrift institutions comply with consumer protection, fair lending, and public interest laws and regulations.

Number of thrift institutions with a compliance rating of "4" or "5" during the measurement period and an enforcement action, supervisory action or waiver in place, or that have received a decision for waiver, enforcement action or supervisory action divided by the total number of thrift institutions rated "4" or "5" with examinations completed more than 60 days ago.

Treasury-Wide Strategic Objective	OTS' Long term Strategic Goal	OTS' 1999 Performance Goal	OTS' Performance Measures
-----------------------------------	-------------------------------	----------------------------	---------------------------

Promote fair and efficient delivery of credit and other financial services and help bring residents of distressed communities into the economic mainstream.

Actively support the thrift industry's efforts to meet its 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.

Provide educational and technical assistance to industry representatives, OTS examination staff and other relevant parties on community development issues, needs and opportunities; key players and programs; and investment access to credit and financial services. Address community development related regulatory barriers.

The number of outreach, training, or partnership building events held (or participated in) divided by the number of events planned (90%); the number of new areas or groups reached divided by the number targeted (85%); and the number of thrift participants divided by the number targeted (50%). (The OTS will report a 100% success rate if the stated targets are met.)

The number of new partnerships formed, activities/programs commenced or investments made in 1999 as a result of OTS' outreach, training, or partnership building activities.

The percentage of thrifts with less than satisfactory CRA ratings assigned in 1999 that OTS offers or provides one-on-one community development related outreach and technical assistance to within 60 days of completion of the examination.

The number of community development related regulatory barriers addressed divided by the number identified (investment authority or CRA).

The number of speeches or presentations given by senior management on community development related topics divided by the number planned. (The 1999 targeted number of speeches is 25.)

Treasury-Wide Strategic Objective	OTS' Long term Strategic Goal	OTS' 1999 Performance Goal	OTS' Performance Measures
<p>Improve and modernize the U.S. financial system.</p>	<p>Maintain competitiveness of the thrift industry to ensure its safety and soundness.</p>	<p>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.</p> <p>Support efforts to create a modern financial services charter that will ensure that insured depository institutions continue to meet credit needs, effectively compete with other financial services providers and anticipate the needs of their customers. Work with Congress and the Administration to develop legislation consistent with the stated objective.</p>	<p>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 divided by the total number of OTS-regulated thrift institutions minus those that have been undercapitalized for less than 150 days</p> <p>The number of outreach projects completed divided by the number of outreach projects planned, including Congressional projects.</p>

Treasury-Wide Strategic Objective	OTS' Long term Strategic Goal	OTS' 1999 Performance Goal	OTS' Performance Measures
-----------------------------------	-------------------------------	----------------------------	---------------------------

Continue to reinvent and modernize operations to achieve efficiencies.

Conduct operations efficiently to keep regulatory burdens on the thrift system at the minimum level consistent with effective supervision.

Reduce regulatory burden whenever possible.

Meet the application processing timeframes except when an application contains an issue of law or policy.

The number of OTS regulatory reinvention projects completed in question and answer plain language format divided by the number of OTS regulatory reinvention projects planned to be completed in that format.

Improve customer service.

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.

Develop, distribute and monitor adherence to service plans for all major agency functions.

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.)