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Statement of

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Managing Director for Compliance and Consumer Protection
Office of Thrift Supervision

concerning

Preserving and Expanding Minority Banks

before the

Subcommittee on General Oversight and Investigations
of the
Committee on Financial Services
United States House of Representatives

October 30, 2007

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Testimony on Preserving and Expanding Minority Banks before the Subcommittee on Oversight and Investigations of the House Financial Services Committee by Montrice Godard Yakimov, Managing Director, Compliance and Consumer Protection, Office of Thrift Supervision

October 30, 2007

I. Introduction

Good morning, Chairman Watt, Ranking Member Miller and Members of the Subcommittee. Thank you for the opportunity to discuss the Office of Thrift Supervision's (OTS's) program on preserving and expanding minority ownership of savings associations. In particular, you have inquired about OTS efforts to address the recommendations contained in the Government Accountability Office (GAO) report entitled "Minority Banks: Regulators Need to Better Assess Effectiveness of Support Efforts." Pursuant to the GAO report, the OTS has implemented the recommendations and initiated steps to develop specific implementation strategies. I will describe these steps and others you asked us to address in this testimony.

The OTS currently supervises 22 minority-owned institutions. Of these, 12 are African-American, 7 are Asian-American, and 3 are Hispanic-American. As of June 30, 2007, these 22 institutions held total assets of approximately $8.8 billion. The average asset size of minority-owned savings associations regulated by the OTS is approximately $404 million.

The OTS has long recognized the important role minority-owned institutions serve in fostering economic vitality and access to capital, particularly in minority and low-income communities. Minority banks and thrifts have carried out a mission of service that, in many institutions, has endured over many generations. Minority institutions have played a critical role in providing home mortgage loans and loans to small businesses. For generations, minority institutions have financed churches and other community-based institutions that have served as important anchors in countless neighborhoods. And, notably in today's mortgage market, minority banks and thrifts have acted to provide fair access to financial services in underserved urban and rural communities.

Congress has also recognized this important role for the OTS by setting goals to support minority banks and thrifts. This is in recognition of the legacy that minority institutions have in meeting the financial services needs of underserved communities –

and because of their prospects for meeting the financial services needs of future generations in low-income and minority neighborhoods. The OTS is a strong advocate of minority-owned institutions and we appreciate the special recognition of our role in supporting and promoting minority ownership thrifts.

The OTS's commitment to ensuring the viability of minority-owned savings associations is rooted in the 1970s, many years prior to the passage of FIRREA. Agency programs supporting technical assistance to minority institutions that began with the OTS's predecessor, the Federal Home Loan Bank Board (FHLBB), have endured and expanded since then. And we have undertaken a number of recent initiatives to ensure that our implementation strategies are responsive to each of the recommendations that the GAO made to the federal banking regulators in its October 2006 report.

II. Identification of Minority-Owned Institutions

Pursuant to section 308 of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA), a minority depository institution is either a stock institution in which socially and economically disadvantaged individuals have at least 51 percent ownership, or a mutual institution in which the majority of the Board of Directors, account holders, and the community that it services is predominantly minority. For purposes of this provision, Congress defined the term "minority" to mean Black American, Native American, Hispanic American, or Asian American.

The OTS has an annual verification process through self-certification by previously identified minority-owned institutions to establish their continued inclusion in the OTS program. OTS staff identify additional candidates for the program through the examination and application process. And OTS-regulated institutions may petition the agency for inclusion in the program if their circumstances change to qualify them as a minority-owned institution.

During the past ten years, the number of OTS supervised minority owned savings associations has declined, generally commensurate with the level of consolidation in the banking industry. For example, since November 1, 1995, eighteen minority savings associations regulated by the OTS either merged with another minority institution or converted to a charter regulated by another banking agency. However, during this time, only two OTS supervised minority thrifts closed or were liquidated.

III. The OTS Minority Owned Institution Program

The foundation of the OTS's current Minority Owned Institution Program is based upon section 308 of FIRREA which calls for the OTS to consult with the Secretary of the Treasury and the Federal Deposit Insurance Corporation (FDIC) on methods to best achieve the following goals:

- Preserve the present number of minority depository institutions;
- Preserve their minority character in cases involving merger or acquisition of a minority depository institution by using general preference guidelines;
- Provide technical assistance to prevent insolvency of minority-owned institutions not now insolvent;
- Promote and encourage creation of new minority depository institutions; and
- Provide for training, technical assistance, and educational programs.

Consistent with the requirements of FIRREA, the OTS's Minority Owned Financial Institutions (MOFI) Program is designed to provide technical assistance and other support to minority-owned savings associations to promote and preserve these associations, many of which primarily serve minority and lower income communities. We have more than 30 staff members who directly support the 22 minority institutions the OTS currently supervises. These OTS staff include senior managers and directors, who focus on providing regular and routine support under the MOFI program. Pursuant to the GAO recommendations, two staff members were added to our program since 2006.

OTS Compliance and Consumer Protection staff in Washington are primarily responsible for monitoring the OTS MOFI Program and for carrying out the annual certification process for minority-owned savings associations regulated by the OTS. Regional supervisory staff are primarily responsible for providing technical assistance and support when requested by minority-owned institutions, including increased outreach and involvement by OTS Regional Directors.

The OTS currently has five staff members, including two senior managers, assigned to the MOFI program in our headquarters office in Washington DC. In our regions, four Community Affairs Liaisons also play a significant role by reaching out periodically to the minority institutions we regulate, and playing a coordinating role with other senior Directors or managers within the region to address questions or needs a minority thrift may have. Each minority thrift also has an OTS regional case manager who periodically communicates with the minority thrifts within their supervision case load. For example, some managers contact the minority institutions in their case load quarterly to discuss operations and to keep abreast of events at the institution.

OTS regional staff also provide information on special initiatives and programs that may benefit minority-owned institutions. For example, regional staff inform minority institution management of workshops, training forums, and conferences that offer information and other resources that can contribute to building the capacity and strength of the institution and provide networking opportunities.

In 2006, the OTS also launched a dedicated space on our website to minority-owned institutions that includes information on partnership and training opportunities. The OTS website space aggregates relevant information, including a summary of

resources that may be useful to minority-owned institutions. It includes the OTS's policy statement on minority-owned institutions, a current list of minority institutions displayed by region, and a series of links to partnership opportunities, programs, conferences, seminars, workshops, and related information that we believe minority-owned institutions will find helpful. Interested users may access this information by clicking on the "Consumer and Community" tab on the OTS Web site at www.ots.treas.gov.

Additionally, staff in each region encourage minority-owned savings associations to become involved in government programs that enhance their ability to serve the needs of their communities, while also strengthening their institutional strength and capacity. The Department of the Treasury's Community Development Financial Institutions Fund (CDFI) Program and its Minority Bank Deposit Program are two examples. The OTS also offers technical assistance to minority groups or individuals considering investment in the thrift industry. Such investments can serve to strengthen existing institutions, create new minority owned institutions, and/or help to provide more financial services to underserved minority communities.

IV. OTS Response to GAO Recommendations

In its October 2006 recommendations, the GAO suggested that the OTS and other federal banking regulators review the effectiveness of minority-owned institution support programs through such means as regularly surveying minority banks and establishing outcome oriented performance measures. The GAO also called upon the banking agencies to assess minority banks' overall view of the banking agency's minority-owned institutions and general support efforts including technical assistance.

The coverage ratio of OTS staff to OTS-regulated minority institutions in our MOFI program enables frequent institution contact. Thus, we embraced the GAO recommendation to increase regular staff contact and instituted a survey to see how we could do more to implement this recommendation. We will use the results of this survey to continue to enhance the MOFI program and to improve the ongoing, periodic outreach that OTS examiners, managers and directors have with the minority institutions we supervise. We will continue to monitor the effectiveness of the MOFI program with the goal of improving our overall support and supervision of minority-owned institutions.

In addition to the minority-owned institutions survey, the OTS will begin to seek input from minority institutions as a part of our regular annual questionnaire, the Thrift Satisfaction Survey. The OTS launched this questionnaire several years ago to obtain feedback from savings associations on their impression of the effectiveness and quality of OTS supervision and areas where the OTS could improve. Beginning in 2008, the OTS will ask respondents to identify whether or not they are minority institutions so we can track the performance of our MOFI program.

In addition to using these surveys to obtain input on the performance of the MOFI program, over the past year the OTS has increased our contact with executives from minority institutions. During these meetings, we have asked about how we can improve our program and provide better support to minority-owned institutions. For example, just recently the OTS Director Reich hosted a meeting of thrift institution executives at the 2007 Interagency Minority Institution Conference in Miami.

Director Reich has also spoken at the National Bankers Association that past two years seeking their advice and input on what the OTS can do to improve our minority-owned institutions program. And he has attended various meetings with CEOs of minority-owned thrifts coordinated by OTS regional directors across the country. We have received various suggestions during these sessions including recommendations that the OTS should:

- Continue to hold annual regional outreach forums for minority-owned institutions in partnership with the FDIC and other federal banking agencies;
- Recognize and award minority-owned institutions at such forums for positive accomplishments reflected in their operations and community outreach efforts;
- Exercise flexibility to the extent possible in interpreting regulations to provide the widest latitude to enable minority thrifts to lend within their communities;
- Continue to encourage OTS field managers and case managers to provide periodic input on ways minority-owned thrifts can continue to strengthen their capital, earnings, compliance and performance in other areas reviewed during examinations; and
- Continue to focus on ways to address the challenges of and reduce regulatory burden.

The OTS staff is incorporating these and other suggestions in the 2008 strategic plan for our MOFI program. Our strategic plan, which will be finalized by year end, is consistent with the GAO recommendation to develop outcome-oriented performance measures to assess the progress of our efforts in relation to minority-owned institution program goals.

With respect to training measures the OTS has taken to ensure our examiners fully understand the operating environment and challenges that minority institutions face in serving their communities, the OTS has developed a training that will be piloted next month during an Advanced Compliance Examiner School here in Washington. OTS examiners and assistant directors will attend the session. The training will include an overview of the OTS Policy Statement on Minority-Owned Financial Institutions, including the objectives of the program. We will also discuss some of the challenges minority-owned institutions face in their operations by reviewing their supervisory ratings, financial condition and related information. The training will include an analysis of trends in the minority institutions we supervise and related information.

V. Other Assistance to Minority-Owned Institutions

To supplement our outreach to minority institutions, in January of 2007 the OTS developed an outreach plan to participate in conferences widely attended by minority bankers, investors, policy makers or entrepreneurs across the country. We have designed an OTS booth that is used at these conferences to provide information about the value and benefits of a thrift charter, our expanded MOFI program, how to apply for a thrift charter and the types of technical assistance that the OTS provides to minority-owned institutions.

In connection with OTS minority institution outreach efforts, we took the booth to the Interagency Conference for Minority Depository Institutions in 2006 and 2007. In September 2007, OTS staff were available at the booth for the annual legislative conference of the Congressional Black Caucus. We also displayed our booth at the National Council of La Raza's annual conference in July of this year. Additionally, we displayed the booth at the Multicultural Business Symposium in early August sponsored by the Black Business Professionals and Entrepreneurs. These outreach efforts support our policy objective (and FIRREA requirements) to promote the formation of new minority owned thrifts.

In addition to supporting the minority institutions we supervise through increased staffing, engaging our institutions to provide feedback on our minority institution program, and expanding awareness of that program to promote the creation of new minority institutions, we have worked with the other federal banking agencies through the regulatory process to provide rules and guidance that support minority ownership and the operations of minority-owned institutions.

For example, the OTS realigned its CRA regulations with those of the other federal banking agencies. The OTS has also joined the other banking regulators in proposing guidance to permit non-minority owned institutions to receive favorable CRA consideration for investing in minority-owned institutions to help meet the credit needs of the communities they serve. Most significantly, minority-owned institutions need not be located in, and the activities need not benefit, the assessment area(s) of the non-minority owned institution, or even be located in the same state or region as the assessment area(s). This is an important addition to the interagency CRA guidance and is consistent with the statutory intent of CRA to promote investments in and support for minority-owned institutions.

Upon request, the OTS provides a list of minority-owned institutions to potential investors or other parties interested in establishing business relationships with minority-owned institutions. When the final CRA guidance is adopted, the OTS will explore additional ways to encourage investment activities by majority-owned thrifts in minority-

owned thrift institutions with the goal, of course, of preserving minority ownership and the provision of financial services to minority and low-income communities.

VI. Conclusion

The OTS recognizes and supports the critical mission and role that minority institutions have played in the United States. Since the 1970s, before there was a legislative requirement to do so, the OTS (through its predecessor, the FHLBB) has provided technical assistance to the minority institutions we regulate. Since the passage of FIRREA, the OTS has summarized numerous activities and initiatives to support minority institutions through an annual report to Congress.

With respect to the goal of supporting the creation of newly chartered minority institutions, we are pleased that another application is currently in process. We have also worked to preserve the minority character of existing minority-owned institutions. During the past year, the OTS also increased staff, outreach, surveys to assess our performance, resources available through our website, and support of the creation of new minority-owned institutions.

Notwithstanding these efforts, we believe we can do more. Development of our minority institution strategic plan is underway as we look to the future and additional steps we can take to further strengthen the OTS MOFI program. In addition, we welcome greater clarity from Congress on the expectations for our minority institution program, including a consistent statutory directive applicable to all of the federal banking agencies. We would also appreciate your thoughts and assistance in pursuing and achieving all of the goals of the OTS MOFI program. We welcome suggestions and recommendations of the Members of the Subcommittee on what we can do better as well as what else we should be doing in this program.

Thank you, Mr. Chairman, for highlighting this important issue. We look forward to working together with you, Ranking Member Miller, the Members of the Subcommittee and our fellow banking regulators to support a bright future for minority-owned financial institutions.

Preservation of Minority Savings Institutions

Report to Congress for 2003
Pursuant to Sections 301 and 308 of the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA)

Prepared by the Office of Thrift Supervision

This report to Congress summarizes activities conducted by the Office of Thrift Supervision (OTS) during 2003 in support of Sections 301 and 308 of FIRREA, Preserving Minority Ownership of Minority Financial Institutions.

OTS supervised 26 minority owned savings associations at December 31, 2003 (see Attachment A). The total population of minority owned savings associations declined by four in 2003. Although five minority owned associations were acquired by or merged with other financial institutions in 2003, this number was offset by a Hispanic owned savings association that certified as a minority owned institution. Mergers and acquisitions included:

- A multi-ethnic owned savings association acquired by a national bank.
- An African American association acquired by a state-chartered institution.
- An African American association acquired by a non S&L holding company.
- An African American owned association that merged with another OTS-regulated minority owned savings association.
- An Asian owned institution that merged with another OTS-regulated, non-minority owned savings association.

The distribution of minority owned savings associations by race and OTS Region as of 12/31/03 was:

	Northeast	Southeast	Midwest	West	Total
African American	2	7	2	1	12
Asian American	2	0	0	7	9
Hispanic American	1	2	1	1	5
Total[1]	5	9	3	9	26

(Note: Asian American includes Pacific Islanders and Hispanic American includes Puerto Ricans and Cubans.)

[1] This total includes two African American associations that sold their stock publicly in 1995 and are currently unable to document minority ownership under the established criteria in Section 308. Both associations continue to serve minority neighborhoods, with primarily minority management. Consequently, OTS continues to consider them minority associations for purposes of this program.

Overall Condition of Minority Owned Institutions

At the end of December 2003, minority owned savings associations held $7.6 billion in total assets, a $700 million increase from year-end 2002. Total assets of minority owned associations represented 0.7% of total assets of all OTS-regulated savings associations as of December 31, 2003.

Based on categories established by the Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA), all 26 minority owned savings associations (100%) were "well capitalized" at the end of 2003. For the thrift industry as a whole, 99% of associations were "well capitalized" at year-end 2003.

Twenty (80%) of the minority owned associations had CAMELS ratings of 1 or 2, the highest CAMELS ratings, at the end of 2003 compared with 92% for the entire thrift industry. Four minority owned associations (15%) had a 3 rating. One minority owned association was rated 4.

Minority Owned Institutions Program

The Office of Thrift Supervision's Minority Owned Institutions Program is designed to provide technical assistance and other support to minority owned savings associations in an effort to promote and preserve these associations, many of which serve principally minority and lower income communities (see Attachment B).

During 2003, OTS continued its focus on minority owned savings associations with special emphasis and attention on those that warranted monitoring and corrective action, and increased technical assistance.

At the Washington level, Supervision Policy staff was primarily responsible for monitoring OTS's Minority Owned Institutions Program and for carrying out the certification process to certify all minority owned savings associations regulated by OTS. Regional supervisory staff is primarily responsible for providing technical assistance and support when requested with increased outreach involvement by the Regional Directors.

OTS encourages minority owned savings associations to become involved in government programs that enhance their ability to effectively serve the needs of the communities, while also strengthening their capacity as an institution. The Department of the Treasury's Community Development Financial Institutions Fund (CDFI) Program and its Minority Bank Deposit Program are two examples.

Three minority owned associations regulated by OTS have successfully received CDFI certification as Community Development Financial Institutions (see Attachment C). CDFI certification allows these associations to apply for funding and technical assistance from the CDFI Fund. Some of these associations have applied for and received monetary awards from the CDFI Fund.

The Department of Treasury's Minority Bank Deposit Program (MBDP) is a voluntary program that encourages federal agencies, state and local governments and the private sector to use MBDP participants as depositories and financial agents. Qualified MBDP participants are certified by the Financial Management Service (FMS), a

bureau of the Department of the Treasury, and included on a program roster distributed nationally to federal program agencies, contractors and other public and private sector organizations. Of the 26 minority owned institutions regulated by OTS, 19 are MBDP certified and have received deposits and/or serve as financial agents (see Attachment D).

Significant Outreach Activities

Ongoing outreach, beyond the customary examination and supervisory process, is carried out by the regional Supervisory and Community Affairs staff and supported by the Washington office. Regional staff is in periodic contact with the associations and make certain they are informed of special initiatives and programs that may benefit them.

OTS Washington Office

The federal banking agencies began an interagency effort in March 2001 to determine the reasons minority owned institutions have declined over the years and examine some of the common challenges faced by many of these institutions. As a follow-up to this effort, the federal banking agencies held regional interagency forums in 2002 with minority owned institutions in Dallas, Atlanta and New York. In 2003, the federal banking agencies held additional regional interagency forums in San Francisco, New Orleans, and Atlanta. The purpose of the forums was to further discuss challenges facing these institutions, best practices for dealing with those challenges and ways in which the regulatory agencies could better assist minority owned institutions. OTS continues to explore ways that the agency can play a role in helping to preserve and promote the long-term viability of minority owned institutions.

Northeast Region

Minority owned savings associations located in the Northeast Region decreased to five during this reporting period. To promote OTS's Minority Owned Institutions Program, the Regional Director sent letters to the chief executives of the six minority owned institutions in the program at the beginning of 2003. The letter emphasized OTS's commitment to promote and preserve their institutions and provide technical assistance and educational programs to enhance their operations. The Regional Director also offered to meet with management and the board of directors at each association to discuss issues of interest.

The Northeast Region staff provided technical and other assistance to the minority owned savings associations in the region as needed. For instance, Northeast Region staff made substantial efforts to find a strategic banking partner to infuse capital and management into an association with significant operating problems. With the guidance of OTS staff, the association merged into another OTS-regulated minority owned savings association. Subsequently, the Northeast Region provided the acquiring association with support and assistance and introduced them to important and potential sources of business in the Northeast market.

Northeast region staff spent significant amounts of time assisting an Asian owned association. An erroneous newspaper report about embezzlement by a branch

manager resulted in panic withdrawals by depositors. The Northeast Regional Director made significant efforts to provide liquidity for the association, assured depositors about the strong condition of the association, and participated in press conferences to assure the general public about the stability of the association. OTS's efforts to preserve and stabilize this minority owned savings association helped stem the run on deposits and also contributed to the quick recovery of some of the funds withdrawn from the bank during the period of panic withdrawals

Southeast Region

At December 31, 2003, the Southeast Region regulated nine minority owned savings associations. Only four of the nine associations have assets in excess of $100 million. Generally, the minority owned savings associations in the Southeast Region did well in 2003. As a group, they are slightly larger, better capitalized, and received better examination ratings than they did in 2002.

During 2003, the Southeast Region lost three minority owned associations. One, a healthy association in Birmingham, merged with an Atlanta-based minority owned bank. A troubled minority owned savings association in Maryland merged with a minority owned national bank. An independent investor acquired the third, a small, troubled association in Florida. Although the association lost its minority owned designation, it continues to serve the minority community that it served for many years.

The Southeast Region staff provided technical and other assistance to the minority owned savings associations in the region as appropriate in each circumstance. Several minority owned associations seek additional capital or acceptable merger partners. In all of these instances, OTS staff works with the association towards a resolution that retains the minority ownership and character of the association. Personnel from both the Southeast and Northeast Regions provided a significant amount of assistance to the two minority owned savings associations, highlighted earlier in this report, that successfully merged in 2003.

Southeast region staff provided information and assistance to the directors and senior management of other institutions in their attempts to recapitalize and/or find acquirers. Specifically, staff conducted background checks on investors and firms, inquired within the region and other regions for information concerning potential acquirers, met with possible investors, including groups currently seeking to acquire and control at least two associations. Staff also provided other information where appropriate to association management and potential acquirers. Staff assisted in the review of several proposed business plans submitted by prospective suitors and provided feedback on those where appropriate.

In addition to staff's efforts to assist institutions to find appropriate merger partners, they provided technical assistance to improve books and records and internal controls to generally improve the condition of several thrifts.

The Southeast Region anticipates that the number of minority owned savings associations in the region will further decline by one or two institutions in 2004 due to

mergers and acquisitions. In at least one instance, we anticipate continued minority ownership of the resulting entity.

Midwest Region

The Midwest Region supervised three minority owned savings associations at year-end. Throughout 2003, Midwest Region Supervisory and Community Affairs staff contacted, advised and assisted the management and boards of directors at these savings associations.

The Community Affairs staff assisted a Hispanic-owned savings association in procuring its designation as an OTS-regulated minority owned institution. The association received its certification in August 2003. OTS staff apprised the association of various federal programs that could benefit its operations such as the Department of the Treasury Minority Bank Deposit Program and the Community Development Financial Institutions Fund. Midwest Region staff made several on-site visits to this savings association to meet with management and the board of directors. Staff also provided resources to help improve the board of directors, including information on how to find new directors, director fiduciary responsibilities, and how to develop effective policies and procedures.

Midwest Region staff also made on-site visits to other minority owned associations in its region, providing feedback on one institution's IT conversion, and advice to another association on new lines of business that it entered into during 2003. Management of the latter association participated in quarterly Bankers Roundtable meetings and Regional Director outreach meetings. Representatives of this association also attended the FDIC sponsored Minority Depository Institution Training Seminar held in New Orleans in July 2003.

West Region

Minority owned institutions in the West Region decreased to nine during the reporting period.

The West Region emphasized its long-standing policy to provide technical assistance to savings associations upon request. West Region staff communicated this policy at town meetings, training workshops, industry trade group seminars, and during on-site visits and examinations. Staff met with various minority investors that expressed an interest in starting a de novo thrift or acquiring an existing minority owned association. Staff communicated with a number of minority owned associations on topics such as business strategies, local economic conditions, upcoming CRA examinations, CRA lending, investments, and services, financial education programs, elder financial abuse, and federal tax benefit programs for low-income individuals and families. West Region staff provided minority owned associations with a list of best practices and strategies for responsibly serving emerging and underserved markets.

In addition, the West Region advised minority owned associations of a number of training events during 2003 to help strengthen their operations and build capacity. For example, six OTS-regulated minority owned savings associations participated in the Minority Depository Institutions Conference co-hosted by the FDIC and Western

Independent Bankers (WIB) in San Francisco. Attendees learned about various programs targeted at minority depository institutions at this one-day conference. The Office of the Comptroller of the Currency (OCC) extended invitations to southern California-based minority owned savings associations to participate in the Minority Small Business Financing Conference co-sponsored by OCC and the U.S. Department of Commerce Minority Business Development Agency. West Region staff also notified associations about CRA roundtables in their area.

Technical Assistance

In 2003, OTS provided one-on-one technical assistance to a majority of the minority owned institutions it regulates. The degree of technical assistance varied by institution depending upon the issues identified as a result of the examination process, as a follow-up to outreach activities by the regional Community Affairs staff, or as requested by the institution. As in previous years, the types of assistance provided to savings associations covered multiple technical areas. Moreover, OTS supervisory staffs, and periodically Regional Directors, attended board of directors meetings to report and discuss the progress of corrective measures, to provide guidance, and to solicit feedback.

Examples of technical assistance provided to OTS regulated minority owned savings associations during 2003 included the following:

- OTS staff provided specialized training to an association's TFR preparer in an effort to improve this association's financial reports. Staff provided technical assistance during the year to other minority owned associations relating to TFR preparation and/or regulatory interpretations.

- Staff assisted associations with legal guidance on topics relating to conflicts of interest issues and loans-to-one borrower regulations.

- Regional staff made follow-up visits to several savings associations attending the Minority Depository Institutions Conference co-hosted by the FDIC to discuss OTS' s Minority Owned Institutions and Community Affairs programs, in addition to other topics.

- Regional staff periodically met with the board of directors of an association to learn about the status of their marketing efforts to sell the association. They encouraged the board of directors to develop a more aggressive sales strategy or a viable long-term business strategy for the association.

- Staff provided information relating to an institution's upcoming CRA examination and following up on issues identified during the examination.

- Field staff conducted quarterly calls with an association to discuss financial performance and examination issues in addition to providing guidance and assistance to the institution's mutual holding company. Staff also maintained communication with other associations during the year to ensure they addressed examination concerns.

- Regional staff continues to explore ways to deal with OTS policy on merger conversions to assist a small, mutual minority owned association merge with the local minority owned bank.

- OTS staff provided assistance to a number of small savings associations in establishing a mentoring relationship or forming an alliance with larger institutions. The smaller associations received assistance and guidance from the larger institutions in a variety of ways such as finding more profitable lines of business, broadening product offerings in certain markets, expertise in Internet banking operations, interest rate risk management, branch operations training, use of the mentor's ATM network, and operational guidance to resolve problems. Staff also provided an association with contact information to a larger institution that originates, buys, and sells multi-family mortgage loans.

Attachment A

OFFICE OF THRIFT SUPERVISION
MINORITY OWNED THRIFTS (MOIs)

NATIONAL TOTAL: 26
African American – 12
Asian/Pacific Islander American – 9
Hispanic American – 5
Multi-ethnic (African American & Asian/Pacific Islander American) -0
Native American – 0

WEST REGION
Regional Total: 9
African American – 1
Asian/Pacific Islander American – 7
Hispanic American - 1

Territorial Savings and Loan Association 1132 Bishop Street, 22nd Floor Honolulu, Hawaii 96813 (Stock)	Asian/Pacific Islander American
BankPacific 151 Aspinall Ave. Hagatna, Guam 96910 (Stock)	Asian/Pacific Islander American
Universal Bank 3455 Nogales St., 2nd Fl. West Covina, CA 91792 (Stock)	Asian/Pacific Islander American
Broadway Federal Bank, F.S.B. 4800 Wilshire Boulevard Los Angeles, CA 90010 (Stock)	African American
Trust Bank 638 S. Atlantic Blvd. Monterey Park, CA 91754-3856 (Stock)	Asian/Pacific Islander American
Standard Savings Bank, FSB 228 West Garvey Ave. Monterey Park, CA 91754-1603 (Stock)	Asian/Pacific Islander American

Pan American Bank, FSB — Hispanic American
1801 El Camino Real
Burlingame, CA 94010
(Stock)

Gateway Bank, FSB — Asian/Pacific Islander American
919 Clement Street
San Francisco, CA 94118
(Stock)

Sincere Federal Savings Bank — Asian/Pacific Islander American
1355 Stockton St.
San Francisco, CA 94133-3822
(Stock)

MIDWEST REGION
Regional Total: 3
African American – 2
Hispanic American - 1

Columbia Savings and Loan Association — African American
2000 West Fond du Lac Avenue
Milwaukee, WI 53205-1122
(Mutual)

Dryades Savings Bank, FSB — African American
231 Carondelet St., Suite 200
New Orleans, LA 70130-3002
(Stock)

Greater South Texas Bank, FSB — Hispanic American
131 East Rice Street
Falfurrias, TX 78355
(Stock)

SOUTHEAST REGION
Regional Total: 9
African American – 7
Hispanic American – 2

Advance Bank — African American
4801 Seton Drive
Baltimore, MD 21215
(Mutual)

Gulf Federal Bank, a FSB — African American
901 Springhill Ave.
Mobile, Alabama 36604
(Stock)

Home Federal Savings Bank — African American
9108 Woodward Ave.
Detroit, MI 48202-1612
(Mutual)

Ideal Federal Savings Bank — African American
1629 Druid Hill Ave.
Baltimore, MD 21217
(Mutual)

Illinois Service Federal Savings & Loan Assoc. — African American
4619 South Martin Luther King Jr. Drive
Chicago, IL 60653-4107
(Mutual)

Imperial Savings & Loan Association — African American
211 Fayette St.
Martinsville, VA 24112
(Mutual)

Independence Federal Savings Bank — African American
1229 Connecticut Avenue, N.W.
Washington, DC 20036-2601
(Stock)

Interamerican Bank, FSB — Hispanic American
9190 Coral Way
Miami, FL 33165
(Stock)

UniBank — Hispanic American
701 Brickell Avenue
Miami, FL 33131
(Stock)

NORTHEAST REGION
Regional Total: 5
African American - 2
Asian American -2
Hispanic American - 1

Abacus Federal Savings Bank — Asian/Pacific Islander American
6 Bowery
New York, NY 10013-5101
(Stock)

Carver Federal Savings Bank 75 West 125th St. New York, NY 10027 (Stock)	African American
Chinatown Federal Savings Bank 109 Bowery New York, NY 10002 (Stock)	Asian/Pacific Islander American
Dwelling House Savings & Loan Association 501 Herron Ave. Pittsburgh, Pennsylvania 15219-4609 (Mutual)	African American
Ponce De Leon Federal Savings Bank 2244 Westchester Ave. Bronx, NY 10462 (Mutual)	Hispanic American

Attachment B

Office of Thrift Supervision
Policy Statement on Minority Owned Thrift Institutions

This statement outlines Office of Thrift Supervision (OTS) policies regarding minority owned thrift institutions for the guidance of those institutions, OTS staff, and other parties with an interest in the thrift industry.

OTS recognizes the important role of minority owned thrift institutions in furthering the economic viability of minority and low-income communities. Minority owned thrift institutions can also provide significant assistance to regulators and other government agencies in their efforts to evaluate and address the needs of those communities for financial services. OTS and its predecessor have had an ongoing minority association technical assistance function since the 1970's.

The Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA), Section 308, reinforces our commitment. FIRREA identifies the following goals that form the basis of OTS' Minority Owned Thrift Institutions Program:

- Preserve the present number of minority depository institutions;
- Preserve their minority character in cases involving merger or acquisition of a minority depository institution by using general preference guidelines;
- Provide technical assistance to prevent insolvency of institutions not now insolvent;
- Promote and encourage creation of new minority depository institutions; and
- Provide for training, technical assistance, and educational programs.

As defined in FIRREA, the term "minority" includes Black American, Native American, Hispanic American, or Asian American. A minority owned institution is either a stock institution in which minorities have at least 51 percent ownership, or a mutual institution in which the majority of the Board of Directors, account holders, and the community that it services is predominantly minority. OTS will consider mutual institutions, in which the majority of the Board of Directors and the Chief Executive Officer are women, to be minority institutions for the purposes of this program. OTS will also consider publicly traded stock companies, that have the minority characteristics described for mutual institutions, to be minority owned for purposes of this program.

Identification of Minority Owned Institutions

OTS will annually certify previously identified minority owned institutions to establish their continued inclusion in the program. OTS staff will identify additional candidates for the program through the examination and application processes.

On a case-by-case basis, OTS will make a list of minority owned thrifts available to potential investors or other parties interested in establishing business relationships with minority owned institutions.

Technical Assistance

OTS will provide technical assistance, especially in the supervision and application processes, in order to preserve the number, character and financial health of minority owned institutions. Requests for technical assistance should be directed to the Community Affairs Liaison in the appropriate OTS regional office, who will coordinate with regional supervisory staff.

OTS will also monitor the financial condition of minority owned thrift institutions on an ongoing basis, and will share compilations of non-confidential financial data with minority owned institutions to help them monitor their performance. Through this process, OTS will identify those minority owned institutions that might benefit from a program of increased support and technical assistance, such as mentoring arrangements with other thrifts. Minority owned institutions that are in a generally sound condition, but which may be experiencing operating difficulties in one, or a few areas, would fall into this category. Often, problems can be attributed to limited resources due to the institutions' small size. Participation in the program, by both minority owned institutions and potential mentors, is voluntary.

For those minority owned institutions experiencing more serious operating problems, appropriate OTS regional staff, such as the Field Manager and/or Assistant Regional Director, will consult and work with executive management of the institution to determine, and implement, a course of corrective action.

Resolution of Supervisory Cases

In resolving supervisory cases involving minority owned thrifts, OTS will consider and evaluate possible solutions that would, consistent with the safety and soundness of the institution, maintain the institution's minority identity. In evaluating solutions, OTS will also consider the composition of the community being served by the institution. OTS will consider the minority status of an institution in its recommendations to the Federal Deposit Insurance Corporation, consistent with the agency's underlying responsibility for the safety and soundness of the thrift industry.

Outreach to Minority Owned Thrifts

Whenever possible, OTS staff will participate in seminars, conferences and workshops directed to minority owned institution audiences. Requests for such participation should be directed to the Community Affairs Liaisons in the regional offices.

Additionally, OTS will maintain contact with minority owned institutions, outside the more customary examination and supervision process. At a minimum, the Regional Director will offer to meet with each thrift's Board of Directors, at least annually, to discuss issues of mutual interest, such as economic trends, regulatory or legislative developments, and types of assistance that OTS can provide to minority owned institutions.

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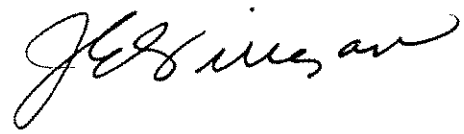
regional Community Affairs Liaisons will contact each minority owned thrift, at least annually, to discuss community development activities and opportunities.

Potential Investors

The agency will also offer technical assistance to minority groups or individuals considering investments in the thrift industry, in order to strengthen existing institutions, create new minority owned institutions, or help to service minority communities. OTS encourages such interest and will work with minority organizations to provide information and to identify potential minority investors. If minority investors are interested in acquiring thrift institutions held by the Federal Deposit Insurance Corporation as conservator or receiver, OTS will work with them to process expeditiously the preliminary regulatory approval that is required prior to submission of a bid.

Approved:



James E. Gilleran, Director

June 21, 2002

Attachment C

OTS Regulated Minority Owned Institutions
Certified as Community Development Financial Institutions (CDFI)

Carver Federal Savings Bank
75 West 125th Street
New York, NY 10027

Dryades Savings Bank, F.S.B.
231 Carondelet Street
Suite 200
New Orleans, LA 70130-3002

Illinois Service Federal Savings and Loan Association
4619 South Martin Luther King, Jr. Drive
Chicago, IL 60653-4107

Attachment D

OTS Minority Owned Financial Institutions
Participating in the Treasury Department's Minority Bank Deposit Program

West Region	
BankPacific	Hagatna, Guam
Gateway Bank, FSB	San Francisco, CA
Pan American Bank, FSB	Burlingame, CA
Sincere Federal Savings Bank	San Francisco, CA
Trust Bank	Monterey Park, CA
Universal Bank	West Covina, CA
Midwest Region	
Dryades Savings Bank, FSB	New Orleans, LA
Southeast Region	
Advance Bank	Baltimore, MD
Gulf Federal Bank, a FSB	Mobile, AL
Home Federal Savings Bank	Detroit, MI
Ideal Federal Savings Bank	Baltimore, MD
Illinois Service Federal Savings & Loan Assoc.	Chicago, IL
Imperial Savings & Loan Association	Martinsville, VA
Independence Federal Savings Bank	Washington, DC
Interamerican Bank, FSB	Miami, FL
UniBank	Pinecrest, FL
Northeast Region	
Carver Federal Savings Bank	New York, NY
Chinatown Federal Savings Bank	New York, NY
Ponce de Leon Federal Savings Bank	Bronx, NY

Preservation of Minority Savings Institutions

Report to Congress for 2004
Pursuant to Sections 301 and 308 of the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA)

Prepared by the Office of Thrift Supervision

This report to Congress summarizes activities conducted by the Office of Thrift Supervision (OTS) during 2004 in support of Sections 301 and 308 of FIRREA, Preserving Minority Ownership of Minority Financial Institutions.

OTS supervised 24 minority owned savings associations at December 31, 2004 (see Attachment A). The total population of minority owned savings associations declined by two in 2004.

The distribution of minority owned savings associations by race and OTS Region as of 12/31/04 was:

	Northeast	Southeast	Midwest	West	Total
African American	2	7	2	1	12
Asian American	2	0	0	6	8
Hispanic American	1	2	0	1	4
Total[1]	5	9	2	8	24

(Note: Asian American includes Pacific Islanders and Hispanic American includes Puerto Ricans and Cubans.)

Overall Condition of Minority Owned Institutions

At the end of December 2004, minority owned savings associations held $6.4 billion in total assets, a decrease of $1.2 billion from year-end 2003. Total assets of minority owned associations represented 0.5% of total assets of all OTS-regulated savings associations as of December 31, 2004.

Based on categories established by the Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA), all 24 minority owned savings associations were "well capitalized" at the end of 2004. For the thrift industry as a whole, 99% of associations were "well capitalized" at year-end 2004.

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[1] This total includes two African American associations that sold their stock publicly in 1995 and are currently unable to document minority ownership under the established criteria in Section 308. Both associations continue to serve minority neighborhoods, with primarily minority management. Consequently, OTS continues to consider them minority associations for purposes of this program.

Fifteen (65%) of the minority owned associations had CAMELS ratings of 1 or 2, the highest CAMELS ratings, at the end of 2004 compared with 93% for the entire thrift industry. Eight minority owned associations (35%) had a 3 rating.

Minority Owned Institutions Program

The Office of Thrift Supervision's Minority Owned Institutions Program is designed to provide technical assistance and other support to minority owned savings associations in an effort to promote and preserve these associations, many of which serve principally minority and lower income communities (see Attachment B).

During 2004, OTS continued its focus on minority owned savings associations that warranted monitoring and corrective action, and increased technical assistance.

At the Washington level, Consumer Protection and Specialty Programs staff was primarily responsible for monitoring OTS's Minority Owned Institutions Program and for carrying out the certification process to certify all minority owned savings associations regulated by OTS. Regional supervisory staff is primarily responsible for providing technical assistance and support when requested with increased outreach involvement by the Regional Directors.

OTS encourages minority owned savings associations to become involved in government programs that enhance their ability to effectively serve the needs of the communities, while also strengthening their capacity as an institution. The Department of the Treasury's Community Development Financial Institutions Fund (CDFI) Program and its Minority Bank Deposit Program are two examples.

Three minority owned savings associations regulated by OTS have successfully received CDFI certification as Community Development Financial Institutions (see Attachment C). CDFI certification allows these associations to apply for funding and technical assistance from the CDFI Fund. Some of these associations have applied for and received monetary awards from the CDFI Fund.

The Department of Treasury's Minority Bank Deposit Program (MBDP) is a voluntary program that encourages federal agencies, state and local governments and the private sector to use MBDP participants as depositories and financial agents. Qualified MBDP participants are certified by the Financial Management Service (FMS), a bureau of the Department of the Treasury, and included on a program roster distributed nationally to federal program agencies, contractors and other public and private sector organizations. Of the 24 minority owned savings associations regulated by OTS, 18 are MBDP certified and have received deposits and/or serve as financial agents (see Attachment D).

Significant Outreach Activities

Ongoing outreach, beyond the customary examination and supervisory process, is carried out by the regional Supervisory and Community Affairs staff and supported by the Washington office. Regional staff is in periodic contact with the associations and make certain they are informed of special initiatives and programs that may benefit them.

OTS Washington Office

The federal banking agencies began an interagency effort in March 2001 to determine the reasons minority owned institutions have declined over the years and examine some of the common challenges faced by many of these institutions. As a follow-up to this effort, the federal banking agencies held regional interagency forums in 2002 and 2003 with minority owned institutions in Dallas, Atlanta, New York, San Francisco, and New Orleans. The purpose of the forums was to further discuss challenges facing these institutions, best practices for dealing with those challenges and ways in which the regulatory agencies could better assist minority owned institutions. Regional interagency forums continued in 2004 in Atlanta, Chicago, Dallas and Washington, DC. In addition, a nationwide series of meetings with minority bankers is planned for 2005 to give bankers an opportunity to voice opinions and concerns with regulatory issues.

OTS staff also participates in an interagency committee that meets periodically to discuss ways the federal banking agencies can help preserve and promote the long-term viability of minority owned institutions.

Northeast Region

As of December 31, 2004, the Northeast Region regulated five minority owned savings associations. The region also has an application pending for a de novo minority owned savings association to be based in Boson, MA.

The financial condition of the minority owned associations in the Northeast Region as a group is very strong. While some of the associations have policy and procedure deficiencies, all of the associations have little or no major supervisory concerns.

To continue the promotion of the agency's Minority Owned Institutions Program, the Regional Director has a standing policy of meeting with the chief executives of the associations and their board members at their request anytime during the year to discuss issues of interest. The Northeast Region staff provides technical and other assistance to the minority owned savings associations in the region as needed. For example, the Northeast Region provided guidance to the Boston-based de novo applicant throughout the process of seeking a thrift charter.

The Northeast Region staff also worked with bank management of an association in New York to determine whether it was feasible for the association to acquire another minority owned institution located in Washington, DC. As the financial condition of the Washington, DC association continued to deteriorate during the acquisition process, Northeast Region staff helped the association realize the acquisition was no longer in its best interest.

In another instance, Northeast Region staff worked with an association that had significant Bank Secrecy Act (BSA) deficiencies. The region issued a Cease and Desist Order (C&D) and directed the association to hire consultants to assist management in taking necessary corrective actions. Examiners also provided guidance to senior management and the internal auditor during the regular examination to help the association comply with the C&D. If significant improvement in the association's BSA monitoring continues, OTS may be able to terminate the C&D. OTS examiners worked closely with the association to correct the BSA compliance problems.

Northeast Region examiners spent a significant amount of time with the executives of a very small association that serves a predominantly African American neighborhood. Examiners explained various regulatory requirements and provided technical assistance to help the association update many of its policies and procedures. The Northeast Region monitors the operations of the association very closely to ensure it does not slip into major problems. They have also identified a larger savings association to provide technical and operational assistance when the smaller association is ready.

Southeast Region

At December 31, 2004, the Southeast Region regulated nine minority owned savings associations. Four of the nine associations have assets in excess of $100 million. Another four had assets of $25 million or less. Generally, the minority owned savings associations in the Southeast Region did well in 2004. The nine associations operate 32 branches in 8 states and the District of Columbia, most in predominantly minority communities.

During 2004, the Southeast Region retained all minority owned associations it regulated at year-end 2003. Staff is continuing to work closely with one association that is seeking to merge with a minority owned bank during 2005. Other than this association, the Southeast Region does not anticipate any further reduction in the number of minority owned savings associations during 2005.

Southeast Region staff provided technical and other assistance to the minority owned savings associations in the region as appropriate in each circumstance. The examiners have regular contact with association management, speaking at least quarterly. Nearly all the minority owned associations have experienced earnings pressure during the year. For the very small associations, this is exacerbated by high operating costs. Regional staff met with several management teams to discuss weaknesses and explore plans for improvement where necessary. Senior regional management met with the boards of several associations at the conclusion of exams to discuss supervisory issues.

Southeast region staff also provided information to the CDFI Fund to assist a minority owned association to receive a large technical assistance grant to promote the development of low cost products for a troubled urban community.

Midwest Region

The Midwest Region supervised two minority owned savings associations at year-end 2004. Throughout the year, Midwest Region supervisory staff provided technical and other assistance to the minority owned savings associations in the region as needed.

For example, Midwest Region staff contacted management at a savings association in Milwaukee, Wisconsin to discuss operations and to keep abreast of events at the association, including the progress of the conversion to a new EDP system. The Regional Director met with the association to discuss the association's progress on its plans to build a new home office and the difficulty of maintaining its loan portfolio while customers refinance at other financial entities.

At another minority owned savings association located in New Orleans, regional staff stay apprised of the association's financial condition through contact with management, receipt of quarterly compliance plan variance reports, off-site monitoring, and on-site examinations and field visits. The Regional Director and other Midwest Region senior management met with officers and board of director members on several occasions during the year to discuss topics related to the association's earning trends, business strategy, and the parameters of a possible change of control. Management of this association also participated in quarterly New Orleans Bankers Roundtable meetings and Regional Director outreach meetings.

West Region

Minority owned savings associations domiciled in the West Region decreased from nine to eight during the reporting period. The decrease occurred when a savings association was acquired and merged into a minority owned commercial bank that will continue to provide banking and credit services in the local minority community.

The West Region has a long-standing policy to provide technical assistance to savings associations upon request, which is communicated to savings associations at forums such as town meetings, training seminars, industry trade group sessions, and on-site visits and examinations. During 2004, four of eight minority owned associations in the region took advantage of the policy and requested on-site visits by West Region staff. For example, West Region staff provided technical assistance to a minority owned association regarding transactions with affiliates. Follow-up activities were also conducted with a minority owned association to measure the effectiveness of corrective actions implemented to address deficiencies identified on a prior examination

To help improve the associations' knowledge base and strengthen their financial condition and operations, West Region minority owned associations were also invited to participate in various community development-training seminars and other educational events. In addition, minority owned associations were mailed notices and invitations to attend the 2004 Interagency Community Reinvestment Conference, Faith-Based Conference, CRA and Compliance Roundtable Workshops, and the Minority Depository Institutions Conference co-sponsored by the Federal Deposit Insurance Corporation, America's Community Bankers, and National Association of Chinese American Bankers. West Region staff also met with management of minority owned savings associations in conjunction with West Region town meetings held in 2004.

At the request of association management, West Region staff provided technical assistance during on-site visits conducted at four minority owned associations. As in previous years, the types of assistance provided to savings associations covered multiple technical areas. In each instance staff discussed the association's business strategies, local economic conditions, upcoming CRA examinations, CRA lending, investments and services, elder financial abuse, and OTS's Minority Owned Thrift Institutions and Community Affairs programs.

Technical Assistance

In 2004, OTS provided one-on-one technical assistance to a majority of the minority owned savings associations it regulates. The degree of technical assistance varied by association depending upon the issues identified as a result of the examination process, as a follow-up to outreach activities by the regional Community Affairs staff, or as requested by the association. As in previous years, the types of assistance provided to savings associations covered multiple technical areas. Moreover, OTS supervisory staff and periodically Regional Directors, attend board of directors meetings to report and discuss the progress of corrective measures, to provide guidance, and to solicit feedback.

Examples of technical assistance provided to OTS regulated minority owned savings associations during 2004 included the following:

- Provided regulatory guidance and legal assistance to two minority owned associations to help strengthen Bank Secrecy Act and anti-money laundering compliance programs.

- Provided assistance to an association on Customer Identification Program requirements on joint deposit accounts.

- Discussed a problem with a Federal Home Loan Bank of San Francisco Affordable Housing Program grant awarded to a project sponsored by a minority owned association.

- Continued working with a minority owned association on a strategy to resolve concerns regarding the association's concentration risk.

- Discussed assistance available to a minority owned savings association to help the association's ongoing efforts to identify a potential acquirer or merger partner.

- Started a discussion about organizing an interagency workshop to help identify potential investors and investments in minority owned financial institutions.

- Discussed regulatory relief provided to small associations due to amendment of the small institution definition under the OTS CRA Regulation.

- Assisted two minority owned savings associations with interest rate risk modeling.

- Provided assistance to senior management of an association to control growth, especially in high-risk assets, to prevent the association from slipping into potential lending problems.

Attachment A

OFFICE OF THRIFT SUPERVISION
MINORITY OWNED SAVINGS ASSOCIATIONS

NATIONAL TOTAL: 24
African American – 12
Asian/Pacific Islander American – 8
Hispanic American – 4
Multi-ethnic (African American & Asian/Pacific Islander American) -0
Native American – 0

WEST REGION
Regional Total: 8
African American – 1
Asian/Pacific Islander American – 6
Hispanic American - 1

Territorial Savings and Loan Association 1132 Bishop Street, 22nd Floor Honolulu, Hawaii 96813 (Stock)	Asian/Pacific Islander American
BankPacific 151 Aspinall Ave. Hagatna, Guam 96910 (Stock)	Asian/Pacific Islander American
Universal Bank 3455 Nogales St., 2nd Fl. West Covina, CA 91792 (Stock)	Asian/Pacific Islander American
Broadway Federal Bank, F.S.B. 4800 Wilshire Boulevard Los Angeles, CA 90010 (Stock)	African American
Standard Savings Bank, FSB 228 West Garvey Ave. Monterey Park, CA 91754-1603 (Stock)	Asian/Pacific Islander American
Pan American Bank, FSB 3990 Westerly place, Suite 200 Newport Beach, CA 92660 (Stock)	Hispanic American

Gateway Bank, FSB — Asian/Pacific Islander American
919 Clement Street
San Francisco, CA 94118
(Stock)

Sincere Federal Savings Bank — Asian/Pacific Islander American
1355 Stockton St.
San Francisco, CA 94133-3822
(Stock)

MIDWEST REGION
Regional Total: 2
African American – 2

Columbia Savings and Loan Association — African American
2000 West Fond du Lac Avenue
Milwaukee, WI 53205-1122
(Mutual)

Dryades Savings Bank, FSB — African American
231 Carondelet St., Suite 200
New Orleans, LA 70130-3002
(Stock)

SOUTHEAST REGION
Regional Total: 9
African American – 7
Hispanic American – 2

Advance Bank — African American
4801 Seton Drive
Baltimore, MD 21215
(Mutual)

Gulf Federal Bank, a FSB — African American
901 Springhill Ave.
Mobile, Alabama 36604
(Stock)

Home Federal Savings Bank — African American
9108 Woodward Ave.
Detroit, MI 48202-1612
(Mutual)

Ideal Federal Savings Bank — African American
1629 Druid Hill Ave.
Baltimore, MD 21217
(Mutual)

Illinois Service Federal Savings & Loan Assoc. — African American
4619 South Martin Luther King Jr. Drive
Chicago, IL 60653-4107
(Mutual)

Imperial Savings & Loan Association — African American
211 Fayette St.
Martinsville, VA 24112
(Mutual)

Independence Federal Savings Bank — African American
1229 Connecticut Avenue, N.W.
Washington, DC 20036-2601
(Stock)

Interamerican Bank, FSB — Hispanic American
9190 Coral Way
Miami, FL 33165
(Stock)

UniBank — Hispanic American
701 Brickell Avenue
Miami, FL 33131
(Stock)

NORTHEAST REGION
Regional Total: 5
African American - 2
Asian American -2
Hispanic American - 1

Abacus Federal Savings Bank — Asian/Pacific Islander American
6 Bowery
New York, NY 10013-5101
(Stock)

Carver Federal Savings Bank — African American
75 West 125th St.
New York, NY 10027
(Stock)

Chinatown Federal Savings Bank — Asian/Pacific Islander American
109 Bowery
New York, NY 10002
(Stock)

Dwelling House Savings & Loan Association — African American
501 Herron Ave.
Pittsburgh, Pennsylvania 15219-4609
(Mutual)

Ponce De Leon Federal Savings Bank
2244 Westchester Ave.
Bronx, NY 10462
(Mutual)

Hispanic American

Attachment B

Office of Thrift Supervision
Policy Statement on Minority Owned Thrift Institutions

This statement outlines Office of Thrift Supervision (OTS) policies regarding minority owned thrift institutions for the guidance of those institutions, OTS staff, and other parties with an interest in the thrift industry.

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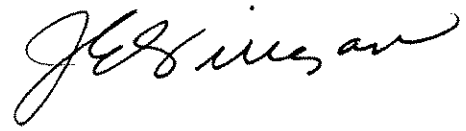
Approved:



James E. Gilleran, Director

June 21, 2002

Attachment C

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Certified as Community Development Financial Institutions (CDFI)

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75 West 125th Street
New York, NY 10027

Dryades Savings Bank, F.S.B.
231 Carondelet Street
Suite 200
New Orleans, LA 70130-3002

Illinois Service Federal Savings and Loan Association
4619 South Martin Luther King, Jr. Drive
Chicago, IL 60653-4107

Attachment D

OTS Minority Owned Financial Institutions
Participating in the Treasury Department's Minority Bank Deposit Program

West Region	
BankPacific	Hagatna, Guam
Gateway Bank, FSB	San Francisco, CA
Pan American Bank, FSB	Burlingame, CA
Sincere Federal Savings Bank	San Francisco, CA
Universal Bank	West Covina, CA
Midwest Region	
Dryades Savings Bank, FSB	New Orleans, LA
Southeast Region	
Advance Bank	Baltimore, MD
Gulf Federal Bank, a FSB	Mobile, AL
Home Federal Savings Bank	Detroit, MI
Ideal Federal Savings Bank	Baltimore, MD
Illinois Service Federal Savings & Loan Assoc.	Chicago, IL
Imperial Savings & Loan Association	Martinsville, VA
Independence Federal Savings Bank	Washington, DC
Interamerican Bank, FSB	Miami, FL
UniBank	Pinecrest, FL
Northeast Region	
Carver Federal Savings Bank	New York, NY
Chinatown Federal Savings Bank	New York, NY
Ponce de Leon Federal Savings Bank	Bronx, NY

PRESERVATION OF MINORITY SAVINGS INSTITUTIONS BY
THE OFFICE OF THRIFT SUPERVISION

Report to Congress for 2005
Pursuant to Sections 301 and 308 of the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA)

This report to Congress summarizes activities conducted by the Office of Thrift Supervision (OTS) during 2005 in support of Sections 301 and 308 of FIRREA, Preserving Minority Ownership of Minority Financial Institutions.

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	Northeast	Southeast	Midwest	West	Total
African American	2	7	2	1	12
Asian American	2	0	0	5	7
Hispanic American	1	2	0	0	3
Total[1]	5	9	2	6	22

(Note: Asian American includes individuals of Pacific Island descent, and Hispanic American includes individuals of Puerto Rican and/or Cuban descent.)

Overall Condition of Minority Owned Institutions

At the end of December 2005, minority owned savings associations[2] held $6.5 billion in total assets, a slight increase from $6.4 billion at year-end 2004. Total assets of minority owned associations represented 0.44 percent of total assets of all OTS-regulated savings associations as of December 31, 2005.

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[1] This total includes two African American associations that sold their stock publicly in 1995 and are currently unable to document minority ownership under the established criteria in Section 308. Both associations continue to serve minority neighborhoods, with primarily minority management. Consequently, OTS continues to consider them minority associations for purposes of this program.

[2] For the purposes of this report, OTS uses the terms savings associations and institutions interchangeably.

Based on categories established by the Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA), all 22 minority owned savings associations were "well capitalized" at the end of 2005. For the entire thrift industry, 99 percent of associations were "well capitalized" at year-end 2005.

Sixteen (73 percent) of the minority owned associations had CAMELS ratings of 1 or 2, the highest CAMELS rating categories, at the end of 2005, compared with 94 percent for the entire thrift industry. Six minority owned associations (27 percent) had a 3 rating. No minority owned associations were rated 4 or 5, the lowest CAMELS rating categories.

Minority Owned Institutions Program

The OTS's Minority Owned Financial Institutions (MOFI) Program is designed to provide technical assistance and other support to minority owned savings associations to promote and preserve these associations, many of which primarily serve minority and lower income communities (see Attachment B).

The Consumer Protection and Specialty Programs staff in Washington is primarily responsible for monitoring OTS's MOFI Program and for carrying out the annual certification process for minority owned savings associations regulated by OTS. Regional supervisory staff is primarily responsible for providing technical assistance and support when requested by minority owned institutions, including increased outreach and involvement by the Regional Directors.

Additionally, the Regional Supervisory and Community Affairs staff, with support from the Washington office, conducts ongoing outreach beyond the customary examination and supervisory process. Regional staff is in periodic contact with these institutions, and provide information on special initiatives and programs that may benefit the institutions. Regional staff also informs institution management of workshops, training forums, and conferences that offer information and other resources that can contribute to building the capacity and strength of the institution and provide networking opportunities.

OTS encourages minority owned savings associations to become involved in government programs that enhance their ability to serve the needs of their communities, while also strengthening their capacity as an institution. The Department of the Treasury's Community Development Financial Institutions Fund (CDFI) Program and its Minority Bank Deposit Program are two examples.

Three OTS-regulated minority owned savings associations have successfully received CDFI certification as Community Development Financial Institutions (see Attachment C). CDFI certification allows these institutions to apply for funding and technical assistance from the CDFI Fund, including the receipt of monetary awards.

The Department of Treasury's Minority Bank Deposit Program (MBDP) is a voluntary program that encourages federal agencies, state and local governments, and the private sector to use MBDP participants as depositories and financial agents. Qualified MBDP participants are certified by the Financial Management Service (FMS), a bureau of the Department of the Treasury, and included on a program roster distributed

nationally to federal program agencies, contractors, and other public and private sector organizations. Of the 22 minority owned savings associations regulated by OTS, 17 are MBDP certified and receive deposits and/or serve as financial agents (see Attachment D).

OTS National MOFI Program – Initiatives Supporting Minority Owned Financial Institutions

Minority owned financial institutions play a unique and important role in serving their local markets and often make the difference in whether the residents of lower income neighborhoods have access to financial services. However, just as consolidation in the financial services industry has resulted in a decline in the overall number of institutions, the number of minority owned insured depository institutions has declined. In order to determine the reasons minority owned institutions have declined over the years, the federal banking agencies initiated an interagency effort in March 2001 to examine the common challenges faced by many of these institutions. As a follow-up to this effort, the federal banking agencies held a number of interagency forums with minority owned institutions throughout the country in 2002 through 2004. The purpose of the forums was to discuss challenges facing these institutions, best practices for dealing with those challenges, and ways in which the regulatory agencies could better assist minority owned institutions.

In 2005, the OTS encouraged our minority institutions to participate in a series of six interagency roundtable meetings in Atlanta, Nashville, Santa Monica, New York, Houston, and San Juan. The roundtables promoted open and direct dialogue about challenges faced by minority owned institutions and explored ways to collaborate with the minority banking community. Topics included regulatory burden, competition, marketing, management succession, staffing recruitment, wholesale funding, and the examination process.

OTS participated in the interagency forums and roundtable meetings held from 2001 through 2005 in a number of ways including serving as panelists and moderators, inviting and encouraging OTS-regulated minority owned institution participation, providing speakers, and using the opportunity to network with OTS-regulated minority owned institutions.

OTS is also a member of the federal banking agency Interagency Minority Depository Institutions Working Group. Staff meets periodically to exchange information about federal banking agency programs and to discuss upcoming events that might benefit minority owned institutions.

One-on-One Technical Assistance

OTS provides one-on-one technical assistance to a majority of the minority owned savings associations it regulates. The degree of technical assistance varies depending upon the issues identified as a result of the examination process, as a follow-up to outreach activities by the OTS Regional Community Affairs staff, or as requested by an institution. As in previous years, the types of assistance provided in 2005 to savings associations covered multiple technical areas. OTS supervisory staff and,

occasionally, Regional Directors attend board of directors meetings to report and discuss the progress of corrective measures, to provide guidance, and to solicit feedback.

Examples of technical assistance provided to OTS-regulated minority owned savings associations during 2005 include the following:

- Ongoing communications, off-site monitoring, and on-site examination work to assist institutions in addressing problem areas identified during examinations.

- Assistance to identify and remedy examination weaknesses in branch operations.

- Assisting institution directors in analyzing their business plan and operations.

- Assistance to several institutions seeking to merge with other minority owned institutions, including providing feedback on issues surrounding potential merger partners.

- On-site assistance to set up OTS software for an institution to obtain interest rate risk reports and Uniform Thrift Performance Reports from OTS's Thrift Financial Reporting System.

- Assistance with classifying and reporting loans on the Thrift Financial Report.

- Guidance on enhancing compliance management programs, including Bank Secrecy Act (BSA) compliance requirements, and advice on registering for FinCEN's 314(a) secure website to assist in meeting BSA regulatory reporting requirements.

- Assistance regarding selection criteria for candidates nominated for Board of Director positions.

- Assistance with identifying and hiring key personnel, including helping one institution hire a new president who made additional hires to strengthen the institution's senior management team.

- Guidance to an institution planning to launch a transactional website to provide Internet banking for its customers.

- Lending guidance, including assistance in evaluating large loan exposures, advising institutions of potential problems and, in one instance, assisting in the rejection by an institution of at least two large and potentially problematic loans.

- Investigative support, such as pursuing an alleged embezzlement by a former employee of an institution.

- Assistance to small institutions in finding new office facilities.

OTS National MOFI Program – Initiatives
Deployed in OTS Regional Offices

Northeast Region

There are five minority owned savings associations in the Northeast Region. The Region also received an application during 2005 for a de novo minority owned savings association, to be based in Boson, Massachusetts that is proposing to commence operations in 2006. The financial condition of the minority owned associations in the Northeast Region continues to remain strong.

In support of OTS's MOFI Program, the Regional Director has a standing policy of meeting with the chief executives of all minority owned institutions and their board members at their request to discuss issues of interest. For example, Northeast Region staff continues to provide technical and other assistance to the de novo minority owned institution referenced above. At year-end 2005, the institution was continuing efforts to raise the required capital to commence operations. In support of this effort, OTS extended the required start date for the institution on two occasions in 2005.[3]

The Northeast Region also provided assistance during the year to a $20 million savings association serving a predominantly African American neighborhood. The institution has experienced difficult market conditions, and has also required assistance in updating its policies, procedures, recordkeeping, account reconciliation, bookkeeping, and in other technical areas. The institution has experienced these problems for several years. As a result, the Region arranged for the institution to receive mentoring assistance from a highly rated $5.37 billion institution. The Region supervised the agreement between the institutions, which should significantly improve the operations and management of the minority owned institution. OTS examiners have spent a considerable amount of time with the savings association's management and have provided technical assistance in updating numerous policies and procedures.

The Region also provided assistance to another minority owned savings association that had significant BSA deficiencies. Regional staff worked closely with the institution's management to improve internal BSA policies and procedures and provide guidance to senior management and the internal auditor. OTS examiners worked closely with the institution to address the existing BSA compliance problems. The institution is currently operating without any supervisory concerns.

In another instance, the Northeast Regional Director issued a Supervisory Agreement imposing operating restrictions on a minority owned savings association as a result of deficiencies in credit administration, loan monitoring, and internal loan reviews. The Supervisory Agreement restricts the institution from engaging in high-risk lending and required it to revise its business plan. A field visit in November of 2005 showed substantial compliance with the Supervisory Agreement, and the institution's current operating condition is satisfactory. Assuming the institution continues to maintain compliance with the Supervisory Agreement, the agreement will be terminated.

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[3] As a result of numerous delays, including approval of the institution's FDIC insurance, OTS has granted in 2006 two additional extensions of time for the institution to open for business. As of 7/1/06, the institution has not raised the required capital to begin operations.

Southeast Region

As of December 31, 2005, the Southeast Region regulated nine minority owned savings associations, representing the largest concentration of OTS-regulated minority owned institutions. During 2005, the Southeast Region retained all minority owned institutions it regulated at year-end 2004. Staff is continuing to work closely with one institution that has been pursuing a merger with another minority owned bank for several years. Other than this institution, we do not anticipate a reduction in the number of minority owned savings associations in the Southeast Region during 2006. In fact, the Region is working closely with a group of minority investors interested in acquiring an existing thrift charter in 2006.

The profiles of the nine savings associations in the Southeast Region are quite diverse. The smallest has assets of $8 million, while the largest has almost $700 million in assets. Due to the diverse nature of the issues at these institutions, the Region provides a varying level of technical and other assistance to each.

In the aggregate, minority owned institutions in the Southeast Region struggled with earnings in 2005. Although the largest savings associations demonstrated improvement or maintained satisfactory earnings, seven institutions experienced significant earnings issues. This problem is not unique, however, to minority-owned institutions. Many other small institutions throughout the region faced weak earnings because they cannot generate the same economies of scale as large institutions. For example, advertising costs to generate loans may be the same for both a large and small institution. However, the smaller institution generates less loan volume, resulting in a higher percentage of income for advertising costs and lower earnings. The problem is exacerbated by high operating costs and stiff competition.

Southeast Region examiners have regular contact with minority institution management, including quarterly meetings or discussions. Regional staff works particularly closely with the smallest minority owned institutions, all of which are well capitalized. Most guidance provided by Regional staff is not in the form of a specific program of technical assistance, but rather on a regular, informal basis. For example, some institutions consult with Southeast Region staff before they underwrite large loans. Institutions also consult with Regional staff to make certain that their assets are properly insured, their reporting is accurate, and monitoring and classification systems are effective. Supervisory staff works with the managing officers of these institutions, providing guidance and acting as a sounding board for new ideas, products, and programs. Senior regional managers also meet with the boards of directors of minority owned institutions during the year, as necessary. The Southeast Region also notifies minority owned institutions of interagency conferences that may be of interest to them.

Midwest Region

The Midwest Region supervised two minority owned savings associations at year-end 2005. Throughout the year, Midwest Region supervisory staff contacted, assisted, and provided technical support to management and boards of directors at these institutions in a timely and consistent manner.

One of the minority owned savings associations in the Midwest Region is a state chartered mutual institution that opened for business in September 1933. The institution primarily grants one- to four-family mortgage loans to customers in its local community and loans to religious organizations. Midwest Region staff contacted management at the institution on a quarterly basis to discuss operations and to keep abreast of events. The Midwest Regional Director also met with the president of this institution in October 2005.

The other savings association in the Midwest Region is a federally chartered stock institution that opened for business in September 1994. Its primary lending activities are residential mortgages, commercial real estate, consumer, and small business. Midwest Region staff remains apprised of the institution's financial condition through contact with management, receipt of quarterly reports, off-site monitoring, and on-site examinations and field visits. Midwest Region management also maintained close contact during the year with the institution's management and an outside director regarding a possible sale or merger.

The institution was severely impacted by Hurricane Katrina. OTS staff maintained almost daily contact with association management, monitoring their recovery and offering assistance. For example, staff assisted the association in establishing contact with the Federal Reserve to dispose of contaminated currency. Senior managers from the Midwest Region, including the Regional Director, had several meetings with institution management and board members to help resolve the institution's performance issues. An OTS examiner has been assigned to the institution, working on-site, full-time to help identify and resolve issues. Midwest Region staff also introduced the savings association's management to officials at an institution in Texas who are providing technical compliance and accounting assistance in the aftermath of Hurricane Katrina. Midwest Region staff continues to maintain regular contact with the association.

Management from the savings association also participates in Regional Director outreach meetings and quarterly New Orleans Bankers Roundtable meetings. The Roundtable meetings convene the Chief Executive Officers and Presidents of local banks to discuss topics of interest such as regulatory issues, small business and micro lending, and information on lending and investment opportunities in the local community.

West Region

West Region minority owned savings associations continued to play a significant role in addressing the credit and banking needs in the communities they serve. Minority owned savings associations in the Region provided a wide range of retail deposit products and services and conventional loan products to low- and moderate-income individuals and local small businesses. There were six West Region minority owned savings associations at year-end 2005, a decrease of two from 2004. During 2005, one minority owned institution in the Region merged into a minority owned commercial bank, which has continued to meet the credit and banking needs of the local communities. The other minority owned institution made a business decision to cease operations.

The West Region staff communicates OTS's policy of providing technical assistance to minority owned institutions at town meetings, outreach events, training workshops, industry trade group sessions, and during on-site visits and examinations. The Region also invited minority owned institutions to attend interagency outreach events and community development training forums designed to help improve their knowledge and compliance with regulatory requirements. West Region minority owned savings associations were invited to attend the annual Minority Depository Institutions Conference hosted by the FDIC in San Francisco. Topics included the Bank Secrecy Act, USA PATRIOT Act, Sarbanes-Oxley, the responsibilities of Directors, the California economy, and other current issues.

West Region staff also extended invitations to minority owned savings associations to participate in a "Directo A Mexico" workshop hosted by the FDIC. This informational workshop was designed to inform participants about a low-cost remittance program offered by the Federal Reserve Bank of Atlanta and Banco de Mexico. Minority owned institutions were also notified about a series of Bank Secrecy Act and "Compliance Hot Topics" Workshops held in 2005, as well as the upcoming interagency 2006 National Community Reinvestment Conference. Minority owned institutions are also invited to participate in town meetings with the West Region's senior managers to discuss current regulatory and examination issues, economic conditions in their markets, and other items of interest.

Minority owned savings associations requested limited on-site technical assistance during 2005. The assistance that was requested related primarily to efforts by two institutions to effect a merger and acquisition with minority owned commercial banks.

Conclusion

OTS and its predecessor have had an ongoing minority technical assistance program since the 1970s. This program preceded the goals identified in FIRREA in 1989 to promote and encourage the formation of new minority owned institutions and to preserve and support minority owned financial institutions through technical assistance, training and outreach programs. OTS remains committed to these goals and recognizes the important role minority owned institutions continue to play in fostering economic vitality and access to capital, particularly in minority and low income communities.

While we are pleased with our record of supporting minority owned institutions, we are also looking forward to the future. For example, OTS is actively exploring initiatives that will help us meet our commitment to preserve existing minority owned institutions and encourage the formation of new ones. One such initiative is the development of an OTS booth that we will use to participate in conferences and meetings across the country. We plan to utilize the booth to provide information about the thrift charter, including its benefits. We also plan to highlight our Minority Owned Institutions program, including the types of assistance OTS will provide.

Attachment A

OFFICE OF THRIFT SUPERVISION
MINORITY OWNED SAVINGS ASSOCIATIONS
(Page 1 of 4)

NATIONAL TOTAL: 22
African American – 12
Asian/Pacific Islander American – 7
Hispanic American – 3
Multi-ethnic (African American & Asian/Pacific Islander American) -0
Native American – 0

WEST REGION
Regional Total: 6
African American – 1
Asian/Pacific Islander American – 5

Territorial Savings and Loan Association 1132 Bishop Street, 22nd Floor Honolulu, Hawaii 96813 (Stock)	Asian/Pacific Islander American
BankPacific 151 Aspinall Ave. Hagatna, Guam 96910 (Stock)	Asian/Pacific Islander American
Universal Bank 3455 Nogales St., 2nd Fl. West Covina, CA 91792 (Stock)	Asian/Pacific Islander American
Broadway Federal Bank, F.S.B. 4800 Wilshire Boulevard Los Angeles, CA 90010 (Stock)	African American
Standard Bank 228 West Garvey Ave. Monterey Park, CA 91754-1603 (Stock)	Asian/Pacific Islander American
Gateway Bank, FSB 919 Clement Street San Francisco, CA 94118 (Stock)	Asian/Pacific Islander American

Attachment A

OFFICE OF THRIFT SUPERVISION
MINORITY OWNED SAVINGS ASSOCIATIONS
(Page 2 of 4)

MIDWEST REGION
Regional Total: 2
African American – 2

Columbia Savings and Loan Association — African American
2000 West Fond du Lac Avenue
Milwaukee, WI 53205-1122
(Mutual)

Dryades Savings Bank, FSB — African American
231 Carondelet St., Suite 200
New Orleans, LA 70130-3002
(Stock)

SOUTHEAST REGION
Regional Total: 9
African American – 7
Hispanic American – 2

Advance Bank — African American
4801 Seton Drive
Baltimore, MD 21215
(Mutual)

Gulf Federal Bank, a FSB — African American
901 Springhill Ave.
Mobile, Alabama 36604
(Stock)

Home Federal Savings Bank — African American
9108 Woodward Ave.
Detroit, MI 48202-1612
(Mutual)

Ideal Federal Savings Bank — African American
1629 Druid Hill Ave.
Baltimore, MD 21217
(Mutual)

Illinois Service Federal Savings & Loan Assoc. — African American
4619 South Martin Luther King Jr. Drive
Chicago, IL 60653-4107
(Mutual)

Attachment A

OFFICE OF THRIFT SUPERVISION
MINORITY OWNED SAVINGS ASSOCIATIONS
(Page 3 of 4)

Imperial Savings & Loan Association 211 Fayette St. Martinsville, VA 24112 (Mutual)	African American
Independence Federal Savings Bank 1229 Connecticut Avenue, N.W. Washington, DC 20036-2601 (Stock)	African American
Interamerican Bank, FSB 9190 Coral Way Miami, FL 33165 (Stock)	Hispanic American
UniBank 701 Brickell Avenue Miami, FL 33131 (Stock)	Hispanic American

NORTHEAST REGION
Regional Total: 5
African American - 2
Asian American -2
Hispanic American - 1

Abacus Federal Savings Bank 6 Bowery New York, NY 10013-5101 (Stock)	Asian/Pacific Islander American
Carver Federal Savings Bank 75 West 125th St. New York, NY 10027 (Stock)	African American

Attachment A

OFFICE OF THRIFT SUPERVISION
MINORITY OWNED SAVINGS ASSOCIATIONS
(Page 4 of 4)

Chinatown Federal Savings Bank 109 Bowery New York, NY 10002 (Stock)	Asian/Pacific Islander American
Dwelling House Savings & Loan Association 501 Herron Ave. Pittsburgh, Pennsylvania 15219-4609 (Mutual)	African American
Ponce De Leon Federal Savings Bank 2244 Westchester Ave. Bronx, NY 10462 (Mutual)	Hispanic American

Attachment B

Office of Thrift Supervision
Policy Statement on Minority Owned Thrift Institutions

This statement outlines Office of Thrift Supervision (OTS) policies regarding minority owned thrift institutions for the guidance of those institutions, OTS staff, and other parties with an interest in the thrift industry.

OTS recognizes the important role of minority owned thrift institutions in furthering the economic viability of minority and low-income communities. Minority owned thrift institutions can also provide significant assistance to regulators and other government agencies in their efforts to evaluate and address the needs of those communities for financial services. OTS and its predecessor have had an ongoing minority association technical assistance function since the 1970's.

The Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA), Section 308, reinforces our commitment. FIRREA identifies the following goals that form the basis of OTS' Minority Owned Thrift Institutions Program:

- Preserve the present number of minority depository institutions;
- Preserve their minority character in cases involving merger or acquisition of a minority depository institution by using general preference guidelines;
- Provide technical assistance to prevent insolvency of institutions not now insolvent;
- Promote and encourage creation of new minority depository institutions; and
- Provide for training, technical assistance, and educational programs.

As defined in FIRREA, the term "minority" includes Black American, Native American, Hispanic American, or Asian American. A minority owned institution is either a stock institution in which minorities have at least 51 percent ownership, or a mutual institution in which the majority of the Board of Directors, account holders, and the community that it services is predominantly minority. OTS will consider mutual institutions, in which the majority of the Board of Directors and the Chief Executive Officer are women, to be minority institutions for the purposes of this program. OTS will also consider publicly traded stock companies that have the minority characteristics described for mutual institutions to be minority owned for purposes of this program.

Identification of Minority Owned Institutions

OTS will annually verify previously identified minority owned institutions through a self-certification process by the institutions to establish their continued inclusion in the program. OTS staff will identify additional candidates for the program through the examination and application processes.

Upon request, OTS will make a list of minority owned savings associations available to potential investors or other parties interested in establishing business relationships with minority owned institutions.

Technical Assistance

OTS will provide technical assistance, especially in the supervision and application processes, in order to preserve the number, character and financial health of minority owned institutions. Requests for technical assistance should be directed to the Community Affairs Liaison in the appropriate OTS regional office, who will coordinate with regional supervisory staff.

OTS will also monitor the financial condition of minority owned thrift institutions on an ongoing basis, and will share compilations of non-confidential financial data with minority owned institutions to help them monitor their performance. Through this process, OTS will identify those minority owned institutions that might benefit from a program of increased support and technical assistance, such as mentoring arrangements with other savings associations. Minority owned institutions that are in a generally sound condition, but which may be experiencing operating difficulties in one, or a few areas, would fall into this category. Often, problems can be attributed to limited resources due to the institutions' small size. Participation in the program, by both minority owned institutions and potential mentors, is voluntary.

For those minority owned institutions experiencing more serious operating problems, appropriate OTS regional staff, such as the Field Manager and/or Assistant Regional Director, will consult and work with executive management of the institution to determine, and implement, a course of corrective action.

Resolution of Supervisory Cases

In resolving supervisory cases involving minority owned savings associations, OTS will consider and evaluate possible solutions that would, consistent with the safety and soundness of the institution, maintain the institution's minority identity. In evaluating solutions, OTS will also consider the composition of the community being served by the institution.

Outreach to Minority Owned Savings associations

Whenever possible, OTS staff will participate in seminars, conferences and workshops directed to minority owned institution audiences. Requests for such participation should be directed to the Community Affairs Liaisons in the regional offices.

Additionally, OTS will maintain contact with minority owned institutions, outside the more customary examination and supervision process. At a minimum, the Regional Director will offer to meet with each thrift's Board of Directors, at least annually, to discuss issues of mutual interest, such as economic trends, regulatory or legislative developments, and types of assistance that OTS can provide to minority owned institutions.

OTS will support minority owned thrift institutions in their efforts to offer products and services to their minority and non-minority customers. To support minority owned savings associations in providing credit and other needed financial services to their communities, OTS will work with appropriate parties to measure and track performance. In addition, the regional Community Affairs Liaisons will contact each minority owned thrift, at least annually, to discuss community development activities and opportunities.

Potential Investors

The agency will also offer technical assistance to minority groups or individuals considering investments in the thrift industry, in order to strengthen existing institutions, create new minority owned institutions, or help to service minority communities. OTS encourages such interest and will work with minority organizations to provide information and to identify potential minority investors. If minority investors are interested in acquiring thrift institutions held by the Federal Deposit Insurance Corporation as conservator or receiver, OTS will work with them to process expeditiously the preliminary regulatory approval that is required prior to submission of a bid.

Attachment C

OTS-Regulated Minority Owned Institutions
Certified as Community Development Financial Institutions (CDFI)

Advance Bank
4801 Seton Drive
Baltimore, MD 21215

Carver Federal Savings Bank
75 West 125th Street
New York, NY 10027

Illinois Service Federal Savings and Loan Association
4619 South Martin Luther King, Jr. Drive
Chicago, IL 60653-4107

Attachment D

OTS-Regulated Minority Owned Financial Institutions
Participating in the Treasury Department's Minority Bank Deposit Program

West Region	
BankPacific	Hagatna, Guam
Gateway Bank, FSB	San Francisco, CA
Standard Bank	Monterey Park, CA
Universal Bank	West Covina, CA
Midwest Region	
Dryades Savings Bank, FSB	New Orleans, LA
Southeast Region	
Advance Bank	Baltimore, MD
Gulf Federal Bank, a FSB	Mobile, AL
Home Federal Savings Bank	Detroit, MI
Ideal Federal Savings Bank	Baltimore, MD
Illinois Service Federal Savings & Loan Assoc.	Chicago, IL
Imperial Savings & Loan Association	Martinsville, VA
Independence Federal Savings Bank	Washington, DC
Interamerican Bank, FSB	Miami, FL
UniBank	Miami, FL
Northeast Region	
Carver Federal Savings Bank	New York, NY
Chinatown Federal Savings Bank	New York, NY
Ponce de Leon Federal Savings Bank	Bronx, NY