

***Office of Thrift Supervision  
FY 2003 Performance Plan***



**TABLE OF CONTENTS**

STRATEGIC CONTEXT FOR FY 2003 - 2004 PERFORMANCE PLAN .....3  
    Mission  
    Key Strategic Issues

RELATIONSHIP BETWEEN THE STRATEGIC PLAN AND THE PERFORMANCE PLAN.....5

PROGRAM: THRIFT SUPERVISION.....6  
    Strategic Goal 1: A safe and sound industry.....6  
        Expenses and Performance Measures  
        Description of the operational processes, skills, technology and other resources needed to meet the strategic goal

    Strategic Goal 2: A flexible regulatory framework .....11  
        Expenses and Performance Measures  
        Description of the operational processes, skills, technology and other resources needed to meet the strategic goal

    Strategic Goal 3: Fair access to financial services and fair treatment of thrift customers.....16  
        Expenses and Performance Measures  
        Description of the operational processes, skills, technology and other resources needed to meet the strategic goal

    Strategic Goal 4: A motivated and expert workforce that provides exceptional service to all major groups.....19  
        Expenses and Performance Measures  
        Description of the operational processes, skills, technology and other resources needed to meet the strategic goal

    Performance measures that appeared in OTS’s 2002 Plan that will not be used during 2003.....22

    Program Performance Report.....23

SUPPORTING MATERIALS

Treasury-wide Performance Measures..... 25

Major Management Challenges and High Risk Areas.....25

Verification and Validation of Data and Performance Measurement Definitions.....25

Supplemental Information .....33

## ANNUAL PERFORMANCE PLAN AND REPORT

### STRATEGIC CONTEXT FOR THE FY 2003 PERFORMANCE PLAN

#### OTS's Mission

**To effectively and efficiently supervise thrift institutions to maintain their safety and soundness in a manner that encourages a competitive industry to meet America's housing, community credit and financial service needs and to provide access to financial services for all Americans.**

#### Key Strategic Issue

The key strategic issue facing the OTS is the safety and soundness of thrift institutions. Our society places a high value on a safe and accessible financial system, decent and affordable housing, and increased availability of financial services for the housing and business needs of all Americans, including those located in distressed areas. OTS's goals and objectives bolster these values by emphasizing a safe and sound thrift system.

To individuals, thrifts provide a place for their savings, a medium for financial transactions, and a source of credit for real estate and consumer loans. The mortgage and housing credit provided by thrifts is core to the OTS mission, but, increasingly, thrifts also support the needs of small businesses and communities. The strategic goals and objectives of OTS support economic growth and revitalization by providing for proactive supervision of the industry, reduced regulatory burden, and improved credit availability.

Thrift industry statistics: The thrift industry continues to be healthy and profitable. Earnings for the nine-month period ending September 2002 totaled a record \$8.9 billion. OTS Director James E. Gilleran announced: "The industry is as healthy and profitable as it has ever been, thanks in part to a favorable interest rate environment and sound business management. Equity capital is near record levels, while asset quality remains good. For the year, the industry is on a pace to eclipse records set in 2001 for profitability, return on average assets and mortgage originations."

Net income for the industry in the third quarter reached \$2.97 billion, up 14 percent from the third quarter of 2001. Third quarter net income was the second best on record, falling short of the \$3.05 billion record set in the first quarter of 2002. Profitability, as measured by return on average assets (ROA), was 1.22 percent, up from 1.08 percent in the third quarter of 2001. Equity capital stood at 8.99 percent of assets in the third quarter of 2002, up from 8.36 percent in the third quarter of 2001.

More than 98 percent of all thrifts were well capitalized at the end of the quarter, accounting for 99.9 percent of industry assets. The number of problem thrifts remains low. The industry continues to maintain strong asset quality, and troubled assets, which include noncurrent loans and repossessed assets, remained unchanged from the prior quarter at 0.70 percent of assets. As of September 2002, loans 30-89 days past due stood at 0.71 percent of assets, down from 0.79 percent in the third quarter of 2001.

Thrifts' total share of one-to-four family mortgage originations (as estimated by the Mortgage Bankers Association of America) was 17.6 percent, down slightly from an estimated 18.3 percent in the second quarter. One-to-four family loans as a percentage of total thrift assets increased to 47.8 percent. An estimated 46 percent of thrift originations in the third quarter were adjustable rate mortgages, well above the 20 percent average for lenders of all types.

The thrift industry's exposure to interest rate risk as measured by OTS is the lowest it has been since 1998. Only 0.9 percent of the industry was at high risk from an adverse change in interest rates at the end of the second quarter and preliminary third quarter results indicate that interest rate sensitivity of the thrift industry continues to improve. "The current low interest rate environment coupled with enhanced risk management practices have minimized the industry's interest rate risk and bolstered its bottom line," said Director Gilleran.

Consolidation of the industry continues to occur. Although total thrifts declined to 983, the increase in industry assets to \$987 billion was the second highest in more than a decade. OTS-regulated thrifts declined at a rate comparable to that of national banks - 13 percent for thrifts compared to 14 percent for national banks from December 1998 through June 2002.

The thrift industry remains a healthy and vital component of the American financial services sector. Most thrift industry financial indicators point to strong financial performance and a relatively modest risk profile. OTS closely monitors changes in economic and interest rate environments for potential concerns to the thrift industry.

**RELATIONSHIP BETWEEN THE STRATEGIC PLAN AND THE ANNUAL PERFORMANCE PLAN**

<b>Treasury Strategic Goal</b>	<b><u>OTS Strategic Goal</u></b>	<b><u>OTS Performance Goals Linked to Strategic Goal</u></b>
Promote Domestic Economic Growth	A safe and sound thrift industry.	<p>Ensure that OTS-regulated thrift institutions operate in a safe and sound manner or that OTS has taken appropriate supervisory or enforcement action.</p> <p>Maintain a thrift industry that is adequately capitalized.</p> <p>Conduct thrift examinations within scheduled timeframes.</p>
Promote Domestic Economic Growth	A flexible regulatory framework that enables the thrift industry to provide a full competitive array of financial services.	<p>Minimize financial regulatory burden on thrifts.</p> <p>Process applications timely.</p> <p>Train OTS staff to help thrifts meet their regulatory responsibilities.</p>
Promote Domestic Economic Growth	Fair access to financial services and fair treatment of thrift customers.	<p>Maintain a thrift industry that effectively complies with compliance laws and regulations.</p> <p>Educate industry representatives on community development issues to promote community reinvestment and increased access to financial services.</p>
Improve Customer Satisfaction	A motivated and expert workforce that provides exceptional service to all major groups with which OTS interacts.	<p>Meet levels of customer service.</p> <p>Meet examination objectives and achieve customer satisfaction with examination process.</p>

## **OTS's Program: Thrift supervision**

OTS was established by Congress as a bureau of the Department of the Treasury on August 9, 1989. OTS's primary statutory authority is the Home Owners' Loan Act (HOLA). Under HOLA, OTS is responsible for chartering, examining, supervising, and regulating federal savings associations and federal savings banks. HOLA also authorizes OTS to examine, supervise, and regulate state-chartered savings associations belonging to the Savings Association Insurance Fund (SAIF) and provide for the registration, examination, and regulation of savings association affiliates and holding companies. The authority over holding companies is unique among the four federal banking agencies in that OTS is the only federal banking agency overseeing both the depository institutions it charters and most of their holding companies.

OTS is headed by a Director who is appointed by the President, with Senate confirmation, for a 5-year term. OTS's Director also serves on the boards of the Federal Deposit Insurance Corporation (FDIC) and the Neighborhood Reinvestment Corporation.

OTS is headquartered in Washington D.C. and has four regional offices located in Jersey City, Atlanta, Dallas, and San Francisco. The Washington D.C. office develops nationwide policies and programs for the agency and coordinates the operations of OTS. The regional offices, each headed by a Regional Director, are OTS's front line, examining and supervising institutions, and processing most applications.

Four strategic goals guide the operations of the Office of Thrift Supervision. For each strategic goal, budget and performance data are presented in table format to show historical trends and performance expectations. Following each table are narratives explaining the FY 2003 performance plan and the FY 2002 report.

### **STRATEGIC GOAL 1: A safe and sound thrift industry.**

#### **Description of Strategic Goal 1:**

Through the examination process, OTS assesses the financial condition and risk profile of thrift institutions and identifies violations of law and regulation and potential financial and economic problems. OTS's examination process assists in preventing the development or continuation of unsafe operating practices and effects timely resolution of identified problems or weaknesses, including consumer protection and Community Reinvestment Act (CRA) weaknesses.

Office of Thrift Supervision

	CY 1999 Performance	CY 2000 Performance	FY 2001 Performance	FY 2002		FY 2003 Target	FY 2004 Target
				Target	Actual		
Projected Expenses for Strategic Goal 1 .....	NA	\$133 million	\$138 million	\$139 million	\$133.8 million	\$135.6 million	NA
Performance Goal 1A: Ensure that OTS-regulated thrift institutions operate in a safe and sound manner or that OTS has taken appropriate supervisory or enforcement action.							
<b>1A-1 Performance Measure:</b> Percent of thrifts with composite CAMELS ratings of 1 or 2. (S)	NA	NA	NA	NA	NA	90%	90%
1A-2 <b>Performance Measure:</b> Percent of thrift institutions issued formal or informal enforcement actions within 60 days after receiving an unsatisfactory safety and soundness or compliance examination rating, unless a waiver is appropriate. (O)	NA	100%	100%	100%	100%	100%	100%
Performance Goal 1B: Maintain a thrift industry that is adequately capitalized.							
<b>1B-1 Performance Measure:</b> Percent of thrifts that are well capitalized. (S) #Well capitalized thrifts have capital higher than adequately capitalized thrifts (see page 27).	NA	NA	NA	NA	NA	95% #	95% #
1B-2 <b>Performance Measure:</b> Percent of OTS-regulated thrift institutions adequately capitalized or operating under an approved Capital Plan or PCA Directive if capital-deficient, unless the thrift has been undercapitalized for less than 150 days, or has received prior approval by the Deputy Director for exceeding this timeframe. (O)	99.9%	100%	100%	100%	100%	100%	100%
Performance Goal 1C: Conduct thrift examinations within scheduled timeframes.							
1C-1 <b>Performance Measure:</b> Percent of exams completed as scheduled for the following exam types: Safety and soundness Compliance (O)	NA	NA	NA	NA	NA	95% 95%	95% 95%
1C-2 <b>Performance Measure:</b> Percent of safety and soundness reports of exam mailed to thrift institutions within targeted timeframes after completion of fieldwork. (O)	NA	NA	NA	NA	NA	80%	80%

Measure Coding: Strategic Measures (S), Operational Measures (O), Workload Indicators (W), and Customer Service Standards (CS).  
NA means that the performance measure was not used during that period.

## **Major Strategies for Achieving the Performance Goals Related to Strategic Goal 1**

- Identify best practices and share them with the thrift industry.
- Enhance OTS's overall effectiveness by combining the safety and soundness and compliance examinations. Melding the safety and soundness and compliance examinations will ensure that compliance issues do not compromise safety and soundness and that safety and soundness standards do not undermine compliance requirements. The melding process is underway.
- Increase interagency cooperation in areas common among the FDIC, OCC, and OTS; the agencies may share training and work to reduce other costs without abrogating the individual primary responsibilities.
- Continue tailoring supervisory examinations to the risk profile of the institutions while effectively allocating resources to oversee and assess the safety and soundness and consumer compliance record of thrift institutions.
- Continue strong emphasis on examiner training to maintain skill set currency.
- Work to reform areas of mortgage and securities laws that could enhance industry performance and OTS oversight.
- To ensure consumer protection compliance, update the OTS Self Assessment Guide and revise OTS compliance oversight to focus on the value of enhanced institutional internal controls, self-evaluation, and self-correction.
- Ensure that OTS-regulated thrift institutions are reviewed for compliance with the Office of Foreign Assets Control's guidelines with regard to transactions with persons who commit, threaten to commit, or support terrorism.
- Ensure that OTS-regulated thrift institutions are reviewed for compliance with the provisions of the USA Patriot Act and other anti-money laundering laws. These laws require financial institutions to develop written internal anti-money laundering policies, procedures, and controls, and implement an ongoing employee training program.

## **Means to Accomplish the Performance Goals Related to Strategic Goal 1**

**Processes:** OTS conducts risk-focused Safety and Soundness, Compliance (including CRA), Information Technology, Holding Company, and Trust examinations in accordance with statutory requirements and agency policy. In April 2002, Director Gilleran announced an initiative to improve examination strategy by combining safety and soundness and compliance examination functions. Rather than maintaining separate teams for safety and soundness and compliance examinations, OTS began conducting joint examinations with one report of examination containing a comprehensive



assessment of an institution's risk profile. The melded examination provides a clearer representation of the institution's operations, ensures attainment of regulatory objectives, and results in more frequent monitoring of compliance requirements.

In addition to on-site examinations, OTS performs off-site financial monitoring of each institution. Staff base off-site analyses on quarterly Thrift Financial Reports, the Uniform Thrift Performance Report, holding company and SEC reports, and other information, noting adverse trends, financial performance, and changes in business strategies and risk profile. Thrifts' capital levels are closely monitored and OTS applies regulatory solutions to ensure institutions remain adequately capitalized or to achieve timely resolution of inadequately capitalized institutions. Policy staff in Washington develops new policies, many in coordination with other financial regulatory agencies, and communicates guidance to examiners. OTS modifies its policies on the supervision of thrift holding companies as insurance companies and other new entrants into the business implement new business strategies.

**Staff Skills:** OTS employs a seasoned staff of examiners. OTS's Professional Development Program enables examiners to assess their core competencies and identify individual training and development opportunities. The Professional Development Program, specialty examiner tracks, accreditation programs, and a management development program, keep employee skills at top levels. In October 2002, OTS introduced a certificate program for aspiring leaders and managers to enhance diversity in management positions on a pilot basis. Examiners receive training in: emerging risks, higher risk consumer and commercial lending, electronic banking, asset securitizations, and consumer protection laws and regulations.

To support the new combined exam strategy, OTS examiners are being cross-trained to be fully accredited in both the safety and soundness and compliance disciplines. Many OTS examiners already hold dual accreditation. In addition, OTS maintains a cadre of compliance experts, to assist examiners in handling difficult, complex, or technical compliance matters. Examiners receive training designed for maximum impact with minimum disruption to the day-to-day operations of the agency. Training is delivered in various forms, including computer-based programs, video-conferencing, outside programs, and by pooling specialized examiner resources so individuals can share their expertise nationally. OTS's trust and IT examiners, although regionally based, work across the country, and the agency's retail and commercial loan specialists are on call to address specialized risks. Rotational assignments broaden work experiences.

OTS staff works with agencies to identify areas that warrant extensive and coordinated training initiatives. The Federal Financial Institutions Examination Council (FFIEC) piloted the concept of just-in-time training on CDs for hot issues such as sub-prime lending and privacy to a wide audience. OTS conducts staff conferences and teleconferences to promote sharing of ideas and experiences among supervisory staff.

**Technological Resources:** OTS staff use several systems to help accomplish strategic goal 1. The most important systems include:

The net portfolio valuation model for the Interest Rate Risk System calculates measures of interest rate risk exposure and produces reports used by Washington and regional staff. Institutions retrieve individualized reports online.

The Examination Data System collects and disseminates data pertaining to the examination process (the exam type, rating, and critical tracking dates). It collects information for Safety and Soundness, Compliance, CRA, IT, Trust, and Holding Company exams.

The Thrift Examiner Support System (TESS) supports the Report of Examination (ROE) process. Examiners prepare reports of examination using pre-defined templates that include numerous exam specific items such as financial data and previous exam ratings. The data elements are extracted from OTS's database of financial information filed by the regulated institutions. Completed reports of examination are uploaded to a central repository. Authorized OTS employees electronically access the completed reports of examination.

The Electronic Continuing Exam Folder (ECEF) serves as a means to access reports and documents for each OTS-regulated institution and associated holding companies. The ECEF Docket Selector feature allows users to select information for a single institution or for a user-defined set of institutions chosen by size, location, charter type, or other criteria. Authorized regional users add and manage categories and documents for this system through the OTS Intranet Content Management system. OTS employees may view ECEF content published by any region.

The Regulatory Action Data System tracks enforcement and supervisory actions. This system provides data for public and congressional reports regarding formal and informal enforcement actions.

The Corporate Structure System contains critical information about OTS-regulated institutions including their name, docket number, address, charter type, and acquisitions.

The National Application Tracking System provides a central file of all applications processed by OTS. Critical application dates are tracked throughout the process. Applications impacting a thrift's corporate structure automatically update the Corporate Structure System.

### **Crosscutting Efforts with Other Federal Financial Regulatory Agencies Related to Achieving Strategic Goal 1**

The OTS works closely with the four federal financial regulatory agencies (Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, National Credit Union Administration, and Comptroller of the Currency) and state bank regulators, through the FFIEC and individually. The FFIEC is a formal body responsible for promoting uniform supervisory policies and establishing uniform principles, standards, and report forms for bank examinations. It identifies emerging issues in the financial institutions industry and coordinates supervisory activities both in Washington and at the regional level, directly with other regulators and through the Conference of State Bank Supervisors (CSBS). Topics of mutual interest include emerging risks, adverse trends, and other supervisory matters. This is a mutually beneficial relationship that keeps all parties apprised of potential problems, emerging issues, and possible overlaps of regulatory authority posing potential regulatory burdens or gaps in regulatory coverage. OTS is represented in all FFIEC matters and chairs the FFIEC's Task Force on Supervision. In April 2002, OTS hosted the Interagency Bank Supervision Conference.

OTS is also a member of the Results Act Banking Regulatory Working Group formed in October 1997 to address requirements of the Government Performance and Results Act (GPRA). The members of the group share “best practices” and common budget and planning issues.

### **Key External Factors Potentially Affecting Achievement of Strategic Goal 1**

Industry consolidation - Continued industry consolidation requires unique examination mechanisms and modified supervisory techniques to assess and monitor the increasingly complex structure of thrifts. More cross-regional OTS participation and increased cooperation with the other federal regulatory agencies and state authorities will be needed to adequately examine the largest thrifts.

Single event risk - Institution failures have been nominal over the past several years. However, a significant single event such as a stock market crash or international financial crisis could significantly impact the health of the thrift industry, increase OTS’s examiner workload, and alter current staffing projections for examiner, legal, and investigative personnel.

Competitive disadvantages in the labor market - As with many other public and private sector employers, OTS is challenged keeping pace with salary escalation in the relevant labor markets for the knowledge and skill sets needed by OTS. Nevertheless, OTS offers a competitive salary and benefits package, including a series of worker-friendly features to attract and retain critical staff. OTS employees have access to a comprehensive professional development program.

Emerging technology - Emerging technology introduces new ways for thrifts to offer traditional products and services. Future advances that could significantly affect the OTS’s examination function include the expansion and use of electronic banking initiatives, in particular the use of Internet banking, and the development of new and complex non-deposit investment products.

### **STRATEGIC GOAL 2: A flexible regulatory framework that enables the thrift industry to provide a full competitive array of financial services.**

#### **Description of Strategic Goal 2:**

One of OTS’s continuing initiatives is to reduce the regulatory burden on thrifts while maintaining effective supervision. This goal includes initiatives to improve the application process, maintain the current assessment rates, and continue training initiatives. In addition, Supervision will continue to streamline the examination process. OTS significantly reduced the amount of on-site examination time; redesigned approximately 71 percent of OTS’s regulations to make them easier to understand, and eliminated unnecessary restrictions.

	CY 1999 Performance	CY 2000 Performance	FY 2001 Performance	FY 2002		FY 2003 Target	FY 2004 Target
				Target	Actual		
Projected Expenses for Strategic Goal 2.....	NA	\$20.6 million	\$19.5 million	\$19.6 million	\$17.8 million	\$17.3 million	NA
Performance Goal 2A: Minimize financial regulatory burden on thrifts.							
2A-1 <b>Performance Measure:</b> Increase assessment rates by no more than the rate of inflation. The target for 2003 and 2004 is that there will be no (or 0%) assessment rate increase. (O)	NA	NA	NA	NA	NA	0%	0%
Performance Goal 2B: Process applications timely.							
2B-1 <b>Performance Measure:</b> Percent of applications processed within timeframes. (O)	NA	NA	NA	NA	NA	95%	95%
Performance Goal 2C: Train OTS staff to help thrifts meet their regulatory responsibilities.							
2C-1 <b>Performance Measure:</b> Percent of regulatory staff receiving at least 30 hours of training designed to keep them current in regulatory issues and industry developments. (W)	NA	69%	28%	60%	65.5%	60%	60%

Measure Coding: Strategic Measures (S), Operational Measures (O), Workload Indicators (W), and Customer Service Standards (CS).  
 NA means that the performance measure was not used during that period.

## Major Strategies for Achieving Annual Performance Goals Related to Strategic Goal 2

### Reducing Regulatory Burden

- Adjust OTS’s operations and budget to ensure no increases in assessment rates.
- Work with the Senate Banking Committee and House Financial Services Committee staff to promote OTS’s regulatory burden reduction initiatives.

- Seek input from the industry, community groups, and front-line OTS staff (using focus groups, town meetings, and public comment periods) on ways that regulations can be revised to address issues facing the thrift industry; be flexible enough to allow the industry to evolve safely; and recognize where differential regulation (based on size, condition, or other relevant considerations) may be appropriate.
- Review the outstanding delegation of applications to the regional offices and determine whether additional applications may be delegated. Application types that have become standard in terms of content, and where processing has become frequent and consistent in terms of treatment or resolution of issues, are candidates for delegation to the appropriate regional office. The delegation of standard applications significantly reduces processing timeframes.
- Ensure close coordination among application processing, legal, compliance, and supervision staffs.
- Request public input regarding opportunities for reducing regulatory burden and how OTS can communicate more clearly and effectively on regulatory and supervisory issues.
- Renew and identify outdated or unnecessary requirements imposed on insured depository institutions. Section 2222 of the Economic Growth and Regulatory Paperwork Reduction Act of 1996 mandated that each appropriate federal banking agency and the FFIEC review all regulations every 10 years. The agencies (Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation, the Federal Reserve Board, the National Credit Union Association, and the Office of Thrift Supervision) must submit the review to Congress in 2006. In 2002, the FFIEC approved beginning the four-year project.
- Update OTS's interest rate risk model (IRR) and the schedule used for collecting IRR-related information from the industry. As part of this process, OTS plans to hold a series of town meetings to discuss how we can improve the quality of the informational inputs and the model output without increasing the overall regulatory burden.

**Training:**

- Support the OTS's examiner accreditation program, a structured progression of formal course work and on-the-job training combined with functional skill and experience requirements. Accreditation is usually achieved over a period of approximately 51 months for candidates having no prior relevant experience. The educational requirements combined with functional skill and experience requirements ensure that the candidate has sufficient knowledge to act in an accredited capacity. For individuals coming into the OTS system with no prior relevant experience, the program offers a complete curriculum in mandatory skill and experience areas. All OTS staff also complete an Individual Development Plan each year.
- Administer a Specialty Examination Program that encourages supervision staff to develop and maintain expertise in specialized risk areas.

## **Means to Accomplish the Annual Performance Goals Related to Strategic Goal 2**

**Processes:** OTS developed new Technology Risk Controls guidance and training, issued several updates to the Thrift Activities Handbook, and overhauled the Thrift Financial Report (TFR) with an eye towards reducing burden. OTS will continue to revise its regulations to reduce regulatory burdens consistent with safety and soundness.

OTS continues to streamline the application process to be more simple, consistent, and regionally implemented. Applications that do not raise issues of law and policy are acted on as quickly as possible. In addition, the application process will be enhanced to help increase investment in underserved communities.

**Staff Skills:** OTS management is committed to maintaining a high degree of competence and skill for OTS employees. Formal courses are a primary method of achieving these objectives; however, strong emphasis is placed on using alternative resources and means of development. Mentoring, cross-training, assignments to other offices or departments, research, reading, and self-study programs are examples of OTS's broad approach to employee development.

Staff conferences help OTS staff exchange new ideas and get to know each other better. Staff conferences are held every two to three years to help OTS staff plan, learn, and work together more productively.

In February 2002, the OTS launched a major training initiative to establish a Washington-based program for enhanced training in accounting for examiners. The program, under the direction of the Chief Accountant, brings together the resources of OTS's Office of Professional Development, and its Regional Accountants. The program establishes two additional delivery vehicles for such training: 1) video teleconference (VTC) modules, and 2) an Intranet website. The 2-hour VTC modules are conducted live on a national basis and are led by the Regional Accountants. The Accounting Policy Intranet website, designed for examiners, was established in April 2002. The site contains bulletins, training information, and various reference materials and links related to OTS, other banking agencies, and other relevant sources.

OTS is currently developing an Intranet learning site to assist in the melding of safety and soundness and compliance examinations. It will provide self-study and self-testing programs, suggested on-the-job training assignments, and a tracking system.

OTS is in its second year of a 15-month comprehensive management development program aimed at first and second level managers to ensure a common understanding about administrative policy and practices as well as to update skills in day-to-day management practices, such as communication, motivation, decision-making, and strategic thinking.

**Technological Resources:** OTS staff use several systems to help accomplish strategic goal 2 as set forth below:

An Institution Directory system is available to all OTS employees through the OTS intranet web site. The system provides expansive search and report options for active, inactive, and proposed savings associations along with links to detailed information on branches, mergers, name changes, exams, enforcement actions, and financial data.

The Branch Office Directory system provides access to current and historical branch data reported by savings institutions as of June 30 each year from 1992 to the present. Search results are available through summary and detail reports. Summary reports display totals of interstate and intrastate branches and deposits by region, state, or institution; detail reports provide data on individual branch offices.

The Holding Company Directory system provides search and report options for thrift holding companies and Federal Reserve Board supervised holding companies owning thrifts.

An Exam Search system provides summary and detailed reports to review examination ratings assigned to institutions as well as the status of exams underway.

The Electronic Continuing Exam Folder (ECEF) serves as a means to access reports and documents for each OTS-regulated institution and affiliated holding companies. The ECEF Docket Selector feature allows users to select ECEF documents for a single institution or for a user-defined set of institutions chosen by size, location, charter type, or other criteria. Authorized regional users add and manage categories and documents for this system through the OTS Intranet Content Management system. OTS employees may view ECEF content published by any region.

## **Crosscutting Efforts with Other Federal Financial Regulatory Agencies Related to Achieving Strategic Goal 2**

OTS reached an agreement with the other banking regulators to allow examiners from other agencies to assist on each other's exams in certain specialized areas like securitization and asset management. These efforts are coordinated through monthly interagency conference calls, which are used to share regulatory concerns relating to industry risks.

OTS participates with the Federal banking agencies in monthly problem bank meetings to discuss trends in 4 and 5 rated institutions. These meetings encourage a cooperative regulatory environment and provide OTS with important information on current trends at problem banks and thrifts.

OTS continues to:

- Participate in the Shared National Credit program which helps increase examiner efficiency by eliminating duplicative examiner effort.
- Work with the other banking agencies to respond fully to the requirements of Section 303 of the Riegle Community Redevelopment and Regulatory Improvement Act of 1994 to streamline and modify regulations and improve interagency consistency.

- Work with the other banking agencies in using “plain English” techniques in interagency regulations consistent with Section 722 of the Gramm-Leach-Bliley Act.
- Work with other banking agencies to adopt and implement regulations relating to the USA Patriot Act.

**STRATEGIC GOAL 3: Fair access to financial services and fair treatment of thrift customers.**

**Description of Strategic Goal 3:**

Washington and regional representatives from safety and soundness, compliance, and community affairs offices encourage thrifts to strategically develop the diverse opportunities presented by the communities they are chartered to serve. Through education, training, technical assistance, partnership formation, and the reduction of regulatory barriers, staff help thrifts identify new market opportunities while supporting their efforts to meet credit and financial services needs in underserved segments of their communities. Through the Minority Owned Institutions Program, OTS staff provide technical assistance to minority owned institutions.

	CY 1999 Performance	CY 2000 Performance	FY 2001 Performance	FY 2002		FY 2003 Target	FY 2004 Target
				Target	Actual		
Projected Expenses for Strategic Goal 3 .....	NA	\$3.1 million	\$3.3 million	\$3.3 million	\$2.8 million	\$3.2 million	NA
Performance Goal 3A: Maintain a thrift industry that effectively complies with compliance laws and regulations.							
3A-1 <b>Performance Measure:</b> Percent of thrifts with compliance examination ratings of 1 or 2. (O)	NA	NA	NA	NA	NA	90%	90%
Performance Goal 3B: Educate industry representatives on community development issues that promote community reinvestments and increased access to financial services.							
3B-1 <b>Performance Measure:</b> Frequency of technical assistance or training events provided to industry executives annually regarding community reinvestment responsibilities and opportunities. (O)	NA	NA	NA	NA	NA	12	12

Measure Coding: Strategic Measures (S), Operational Measures (O), Workload Indicators (W), and Customer Service Standards (CS).

NA means that the performance measure was not used during that period.



### **Major Strategies for Achieving the Performance Goals Related to Strategic Goal 3**

- Curb predatory mortgage lending practices by eliminating regulations that pre-empt state law under the Alternative Mortgage Transaction Parity Act. In addition, continue to pilot an exam procedure overlay to focus on predatory lending risks in connection with sub-prime mortgage operations.
- Provide examiners with new guidance concerning the consideration of CRA issues in connection with applications for approval of a new branch office, relocation of a branch office, merger, a Federal thrift charter, and acquisitions subject to the Home Owners' Loan Act.
- Encourage innovative solutions to obstacles that impede the provision of affordable housing and the meeting of other credit and financial services needs.
- Evaluate all merger applications to consider the loss of service in single-family and multifamily lending, community outreach, and access to financial services, and mitigate any negative impact to the extent feasible, consistent with statutory standards.
- Use the application process to encourage the non-predatory, non-abusive provision of credit, including home equity lending and consumer credit, to low- and moderate-income individuals and neighborhoods.
- Encourage a partnership approach to building and maintaining viable and healthy communities whose housing, credit, and financial services needs are met.
- Encourage thrifts to attend partnership events sponsored by non-profit organizations.
- Hold meetings with mutual institutions to discuss mutuality and other topics of interest to mutual institutions.
- Provide information to the industry about current community development issues, best practices, investment authority, training opportunities, subsidy resources, reference materials, etc.
- Clarify or change (as needed) the community development investment authority for thrifts and their service corporations.
- Identify and help address regulatory barriers associated with CRA issues.
- Ensure the examination is sensitive to unique aspects or characteristics of mutual, minority owned, and community development oriented financial institutions.

### **Means to Accomplish the Annual Performance Goal Related to Strategic Goal 3**

**Processes:** OTS works with other banking regulatory agencies to enhance the efficacy of the Community Reinvestment Act regulations encouraging lenders to provide credit, service, and investments to low and moderate income communities and households and other areas of greatest need. OTS works with financial institutions through the Community Affairs and minority-owned institutions programs. OTS holds town meetings and other industry forums as a means of soliciting input from the industry and conveying the message of applying sound strategic planning in pursuit of market opportunities that enhance franchise value and contribute to community growth.

**Staff Skills:** OTS management is committed to maintaining a high degree of competence and skill for OTS employees. The OTS Community Affairs staff has a mix of regulatory experience and experience in the community development area. Those with regulatory backgrounds received supplemental training from the National Development Council and received or are pursuing certifications as Housing Development Finance Professionals and Economic Development Finance Professionals. Staff attend training forums as a means of staying abreast of current issues, best practices, etc., in the area of community and economic development. OTS compliance examination staff has regulatory and supervisory experience implementing the CRA regulations and the consumer protection laws. They also receive high-level training on these laws.

**Technological Resources:** The Community Affairs (CA) and Compliance Examination staff subscribe to a number of community development-related publications. They use the Home Mortgage Disclosure Act (HMDA) data, CRA analysis software, and HUD statistical data for demographic information and lending patterns.

### **Crosscutting Efforts with Other Federal Financial Regulatory Agencies Related to Achieving Strategic Goal 3**

OTS works closely with the other banking regulators on re-examining CRA regulations and implementation. OTS CA staff works with federal, state and local entities in its outreach, training and partnership building activities.

### **Key External Factors Potentially Affecting Achievement of Strategic Goal 3**

**Economy -** A downturn in the economy may impact thrifts' appetites for and ability to engage in certain community development endeavors. It may also impact existing loan and investment portfolios. A downturn in the economy, however, will likely increase the need for credit, services, and affordable housing in underserved or distressed markets.

**Availability of Other Resources Targeting Community Development -** Much of what the private sector does in community development is dependent on the availability of other resources to supplement or leverage private sector resources.

Demographics - The aging baby boomer generation and the growing immigrant population will likely impact credit needs and resources over the next decade, particularly in certain geographic locations around the country.

**STRATEGIC GOAL 4: A motivated and expert workforce that provides exceptional service to all major groups with which OTS interacts.**

**Description of Strategic Goal 4:**

OTS interacts with the thrift institutions it charters, examines, and supervises and the customers these institutions serve. OTS provides the public with statistical reports, securities filings of stock institutions, chartering records, and other information. It assists thrift customers with inquiries and complaints concerning thrift institutions and provides thrifts with opinions on thrift law. To provide excellent service (in compliance with Executive Order 12862 dated September 11, 1993) without compromising safety and soundness, OTS developed service standards for the Examination process, Congressional Correspondence, Interpretive Opinions, Consumer Assistance, and Applications Processing.

	CY 1999 Performance	CY 2000 Performance	FY 2001 Performance	FY 2002		FY 2003 Target	FY 2004 Target
				Target	Actual		
Projected Expenses for Strategic Goal 4.....	NA	\$1.6 million	\$1.6 million	\$1.6 million	\$1.3 million	\$1.6 million	NA
Performance Goal 4A: Meet levels of customer service.							
4A-1 <b>Performance Measure:</b> Percent of complaints involving OTS-regulated thrift institutions answered within 60 days. (O)	NA	NA	NA	NA	NA	80%	80%
4A-2 <b>Performance Measure:</b> Percent of Congressional inquiries forwarding complaints involving OTS-regulated institutions answered within 30 business days. (O)	NA	NA	NA	NA	NA	80%	80%
4A-3 <b>Performance Measure:</b> Percent of written External Interpretive Opinions processed within 60 or 90 days as specified in the External Interpretive Opinions Customer Service Plan. (O)	NA	NA	NA	NA	NA	80%	80%

	CY 1999 Performance	CY 2000 Performance	FY 2001 Performance	FY 2002		FY 2003 Target	FY 2004 Target
				Target	Actual		
Performance Goal 4B: Meet examination objectives and achieve customer satisfaction with examination process.							
4B-1 <b>Performance Measure:</b> Percent of OTS-regulated thrifts provided a customer service feedback form. (W)	NA	NA	NA	NA	NA	100%	100%
4B-2 <b>Performance Measure:</b> Percent of survey respondents that indicated the examiners took time at the start of the examination to gain an understanding of the thrift's business strategy and operating philosophy. (O)	NA	NA	NA	NA	NA	80%	80%
4B-3 <b>Performance Measure:</b> Percent of survey respondents that indicated examiners maintained adequate communications with management during the examination. (CS)	NA	NA	NA	NA	NA	80%	80%
4B-4 <b>Performance Measure:</b> Percent of survey respondents that indicated the tone and content of the Report of Examination was consistent with the board or management exit meeting. (CS)	NA	NA	NA	NA	NA	80%	80%
4B-5 <b>Performance Measure:</b> Percent of survey respondents that indicated the examination was of value to their organization. (O)	NA	NA	NA	NA	NA	80%	80%
4B-6 <b>Performance Measure:</b> Percent of survey respondents that indicated satisfaction with the accuracy, timeliness, and manner in which OTS offices interact with them. (CS)	NA	NA	NA	NA	NA	80%	80%

Measure Coding: Strategic Measures (S), Operational Measures (O), Workload Indicators (W), and Customer Service Standards (CS)  
NA means that the performance measure was not used during that period.

### Strategies for Achieving Annual Performance Goals Related to Strategic Goal 4

- Cross-train examiners to fully accredit them in the safety and soundness and compliance disciplines. Many OTS examiners already hold dual accreditation, and cross-training and full accreditation in both disciplines cultivates a highly skilled workforce that can adapt as the industry evolves.
- Formalize an internal peer review process. The focus of the effort includes identifying “best practices” at OTS and ensuring information is shared among agency personnel to perpetuate those practices.

- Enhance problem resolution assistance across organizational lines of responsibility through mediation, facilitation, negotiation, or other alternative resolution methods appropriate to a particular issue. Staff will explore possible changes in policies, procedures, or processes in response to problems or trends. To accomplish this goal, staff will:
  - ⇒ Ensure that the Directors' Guide to Responsibilities, and Directors' Guide to Management Reports are distributed to the directors of all OTS-regulated institutions. These pamphlets will also be made available, via the OTS website, to the management, boards of directors, attorneys, and consultants of all OTS-regulated thrifts.
  - ⇒ Work with the industry to offer a program of instruction to assist thrift directors in becoming more aware of the best practices of efficient boards of directors.

#### **Means to Accomplish the Annual Performance Goals Related to Strategic Goal 4**

**Processes:** The OTS Ombudsman is an independent, accessible, neutral source of assistance to thrift institutions and their customers. The Ombudsman troubleshoots and proposes different ways to improve the delivery of OTS services. The Ombudsman can materially improve public satisfaction with OTS and increase the level of voluntary compliance and cooperation, reduce litigation, and provide OTS decision-makers with the information needed to identify problems and resolve them.

OTS works well with its sister banking agencies and with Congress. From June 2001 to June 2002, OTS staff testified before Congress five times and had 28 meetings on Capitol Hill. OTS also regularly consulted with Senate Banking Committee and House Financial Services Committee staff. OTS's Director is the Vice-Chair of the FFIEC and serves on the FDIC audit committee. OTS chairs the FFIEC Supervision Task Force and its IT subcommittee, as well as the Examiner Education Committee.

**Staff Skills:** OTS management is committed to maintaining a high degree of competence and skill for OTS employees. All OTS staff members are aware of the importance of providing excellent customer service. Staff identify appropriate courses when the annual Individual Development Plans are developed.

**Technological Resources:** Surveys are electronically supported by an Internet service provider or with the use of licensed software.

<b>PERFORMANCE MEASURES THAT APPEARED IN OTS'S 2002 PLAN THAT WILL NOT BE USED DURING 2003</b>
--

	CY 1999 Performance	CY 2000 Performance	FY 2001 Performance	FY 2002 Target	FY 2002 Actual	Reason for Deletion
1. The percentage of thrift institutions that, after sixty days of having received an unsatisfactory safety and soundness rating, are either subject to a formal or informal enforcement action or have had such action waived.	86.7%	100%	100%	100%	100%	Measures 1 and 2 were combined into a single measure.
2. The percentage of thrift institutions that, after sixty days of having received an unsatisfactory compliance rating, are either subject to a formal or informal enforcement action or have had such action waived.	100%	100%	100%	100%	100%	Measures 1 and 2 were combined into a single measure.
3. The number of institutions that OTS provides one-on-one technical or strategic planning assistance to in their efforts to meet their CRA obligations or expand the full range of housing, other credit and financial services to all segments of their communities. The goal is the 2002 baseline.	NA	NA	NA	The target was the 2002 baseline	91	The wording and means of calculation for measure 3 were updated.
4. The number of new partnerships formed, activities/programs commenced or investments made as a result of OTS's outreach, training, or partnership building activities. The goal is the 1999 baseline.	26	28	27	26	26	Measure 4 was deleted because accurate data was difficult to obtain.
5. The percentage of thrift survey responses that rate the examination process as being "satisfactory" or "better than satisfactory."	98.4%	98.96%	98.8%	95%	99.7%	A new examination survey measure was developed.
6. The number of service plans that met their standards divided by the total number of service plans.	80%	100%	50%	100%	80%	OTS added several service measures to the 2003 Plan that are more specific.

**PROGRAM PERFORMANCE REPORT**

OTS met all 2002 performance measure targets except one; namely, the customer service measure, number 6 on the deleted measures chart.

The targets specified in four of OTS's five customer service plans were met at least 80% of the time during 2002. The Customer Assistance service plan goal of answering all complaints within 30 days was met only 36.4 percent of the time. After consideration of OTS's experience and the targets of the other bank regulators, the 2002 targets for this customer service plan were found to be unrealistic. OTS will modify the timeframe for answering complaints to 60 days in the 2003 Performance Plan to be consistent with the timeframes specified by the FDIC, OCC, and Federal Reserve. The 2003 Plan contains separate measures for each type of service plan including one for Customer Assistance.

# **SUPPORTING MATERIALS**



TREASURY-WIDE PERFORMANCE MEASURES

Bureau-wide Performance Goals, Performance Measures, and Indicators	FY 1999 Performance	FY 2000 Performance	FY 2001 Performance	FY 2002		FY 2003 Final Target	FY 2004 Proposed Target
				Target	Performance		
<b>Performance Goal A:</b> Improve bureau-wide employee satisfaction level							
<b>Performance Measures:</b>							
1. Number of work-related injuries and illness rate (O)	N/A	N/A	N/A	NA	NA	0	0
2. Number of workers compensations claims (O)	N/A	N/A	N/A	NA	NA	0	0
3. Lost time (in business days) (O)	N/A	N/A	N/A	NA	NA	0	0

**MAJOR MANAGEMENT CHALLENGES AND HIGH RISK AREAS**

GAO and OIG have not identified any high level management challenges applicable to OTS.

**CROSS-CUTTING COORDINATION EFFORTS**

OTS has presented its cross-cutting coordination efforts under each strategic goal.

**VERIFICATION AND VALIDATION OF DATA & PERFORMANCE MEASUREMENT DEFINITIONS**

**Baseline for All Performance Measures:** The projected success rate for all of OTS’s performance measures is determined after taking into consideration the measures’ past success rate, analyzing mission priorities for the coming year and budget constraints, and considering possible effects from external factors.

**Performance Data Quality for All Performance Measures:** The quantitative values reported for OTS's performance measures are accurate and auditable. Several of the quantitative values are generated with the help of OTS's automated systems, which are routinely validated to ensure they produce accurate information.

**How the Data is verified and validated to make certain it is accurate:** A "contact person" is assigned to each OTS performance measure and is responsible for calculating, verifying, and validating the level of success reported in the Performance Report. The contact person is responsible for keeping auditable records. Quarterly press releases report several performance measures contained in the Plan and these measures are verified and validated before each press release. The programs, operations, and functions supporting the OTS mission are evaluated and assessed annually to comply with the Federal Managers' Financial Integrity Act (FMFIA) standards. OTS established a new office in 2002, titled the Office of Supervisory Standards and Review (OSSR), which reports to the Managing Director of Supervision. OSSR is responsible for evaluating the effectiveness of OTS's examination process in identifying and addressing industry risks.

**Yearly Financial Statement Audit:** The foundation of OTS's financial management control program is its annual financial statement audit. Between 1990 and 2002 OTS has received thirteen consecutive unqualified opinions on its financial statements. In addition, no material weaknesses or instances of nonconformance are pending. OTS expects to continue receiving unqualified opinions from its independent auditors.

**Data Accuracy:** All of the success rates reported for OTS's measures are reasonably accurate and meet the accurate and auditable standards set forth above. The methodology used to capture the level of performance for each performance measure is described below:

**Measure: Percent of thrifts with composite CAMELS ratings of 1 or 2.**

**Definition:** On December 9, 1996, the Federal Financial Institutions Examination Council (FFIEC) adopted the CAMELS rating system as the internal rating system to be used by the federal and state regulators for assessing the soundness of financial institutions on a uniform basis. The CAMELS rating system puts increased emphasis on the quality of risk management practices. "CAMELS" stands for Capital adequacy, Asset quality, Management, Earnings, Liquidity, and Sensitivity to market risk.

**How Data is Captured:** CAMELS ratings are stored in the EDS system. Data are retrievable via an intranet exam search.

OTS calculates this measure by dividing the number of thrifts having a CAMELS rating of 1 or 2 by the total number of OTS-regulated thrifts.

**Measure: Percent of thrift institutions issued formal or informal enforcement actions within 60 days after receiving an unsatisfactory examination rating, unless a waiver is appropriate.**

**Definition:** OTS employs its enforcement powers to advance the agency's supervisory mission of maintaining a safe and sound thrift industry that complies with applicable laws and regulations. Most new enforcement cases focus on correcting unsafe and unsound practices or significant compliance issues in thrifts before they result in the institution becoming undercapitalized or the severity of the institution's noncompliance creates significant legal or financial exposure.

**How Data is Captured:** To compute this measure, OTS uses a management report prepared monthly with information taken from the Regulatory Action Data System (RADS), which tracks institutions that are rated 4 or 5 in safety and soundness or compliance and also tracks whether these 4 or 5 rated institutions have received an enforcement action or a waiver from enforcement action within 60 days of the examination report.

OTS calculates this measure by dividing the number of thrifts that **have** received a formal or informal enforcement action or had such action waived during the specified time period by the number of thrifts that **should** have received a formal or informal enforcement action or had such action waived, during the specified time period.

**Measure: Percent of thrift institutions that are well capitalized.**

**Definition:** Capital absorbs losses, promotes public confidence, and provides protection to depositors and the FDIC Insurance funds. It provides a financial cushion that can allow a thrift institution to continue operating during periods of loss or other adverse conditions. An objective of OTS's capital adequacy program is to determine the quality and sufficiency of capital. Thrifts that are classified as being well capitalized must have a total risk-based ratio of 10% or above; they must have a Tier 1 (Core) risk-based ratio of 6% or above; and a Tier 1 (Core) leverage ratio of 5% or above. They also must not be subject to a capital directive or capital-related cease and desist order.

**How Data is Captured:** Prompt Corrective Action (PCA) ratings are stored in the Examination Data System (EDS) and can also be found in the Thrift Overview Report.

OTS calculates this measure by dividing the number of institutions that are well capitalized by the total number of OTS-regulated institutions.

**Measure: Percent of thrift institutions adequately capitalized or operating under an approved Capital Plan or PCA Directive if capital-deficient, unless the thrift has been undercapitalized for less than 150 days, or has received prior approval by the Deputy Director for exceeding this timeframe.**

**Definition:** OTS has adopted a measure that addresses both of the objectives of Prompt Corrective Action (PCA): 1) to recapitalize undercapitalized thrifts at the least cost to the deposit insurance fund; and 2) to do it "promptly." The statute requires that institutions submit capital restoration plans within 45 days of becoming undercapitalized, and for the agency to act on the capital plan generally not later than 60 days after submission. The OTS policy is to formally act on capital plans through the issuance of a PCA directive. The measurement adopted allows 150 days from the thrift becoming undercapitalized, to issue the PCA Directive. This time frame includes notification, capital plan submission, review, decision on the capital plan, and issuance of the PCA Directive. Alternatively, OTS can also comply with the measurement if the institution does not fail and is recapitalized, even if the 150 day time frame is exceeded.

**How Data is Captured:** PCA ratings are stored in the Examination Data System (EDS) and can also be found in the Thrift Overview Report.

OTS calculates this measure by adding a) the total number of institutions that are at least adequately capitalized, b) the institutions that are under a PCA directive or have been recapitalized to the adequately capitalized level and c) the institutions that are operating within an approved Capital Plan within 150 days of becoming undercapitalized, and then dividing that number by the total number of OTS-regulated institutions.

**Measure: Percent of exams completed as scheduled for the following exam types: safety and soundness and compliance.**

**Definition:** OTS performs safety and soundness examinations of its regulated institutions based on the OTS Examination Policy consistent with the requirements in the Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA) as amended by the Riegle Community Development and Regulatory Improvement Act of 1994. Compliance examinations are conducted pursuant to internally generated examination frequency requirements.

**How Data is Captured:** When an institution is examined, OTS staff enters into the Examination Data System (EDS) the examination type, examination beginning and completion dates, report of examination mail date, and CAMELS or equivalent ratings. OTS staff with access to the TIM System can access the EDS examination information at any time. Performance Tracking Reports are generated monthly and reviewed by OTS's Deputy Director and all four Regional Directors. Any examination or institution that falls outside of the specified guidelines for the examination time frame or duration is identified. When necessary, management will determine why standards are not being met and will initiate steps to improve performance.

The percentage success rate for this measure will be calculated separately for both examination types by dividing the number of examinations that were conducted by the number of examinations that were scheduled to be conducted.

**Measure: Percent of safety and soundness reports of exam mailed to thrift institutions within targeted timeframes after completion of fieldwork.**

**Definition:** During the post examination process, OTS finalizes and mails the report of examination (ROE) to the thrift. To ensure a timely post-examination process, it is our objective to mail the report of examination within 30 days after completion of fieldwork to institutions rated 1 or 2, and within 45 days for those rated 3, 4 or 5. OTS staff often meets with the thrifts board of directors after delivery of the ROE to discuss findings and recommendations. Delivery of the ROE indicates the completion of the post-exam period and will trigger follow-up, measurement and off-site monitoring processes.

**How Data is Captured:** Data is captured using the Examination Data System described above.

OTS calculates this measure by dividing the number of safety and soundness Reports of Examination that were mailed within the stated timeframes by the total number of safety and soundness Reports of Examination that were scheduled to be mailed.

**Measure: Increase assessment rates by no more than the rate of inflation.**

**Definition:** OTS management strives to maintain the current assessment rates charged to thrift institutions.

**How Data is Captured:** OTS's current assessment rates are specified in Thrift Bulletin 48-18.

OTS will calculate this measure whenever a new assessment rate bulletin is issued; the percentage increase in assessment rates will be calculated by comparing the new rate with the current assessment rates specified in Thrift Bulletin 48-18.

**Measure: Percent of applications processed within established timeframes.**

**Definition:** OTS regulations require thrift institutions to file an application before engaging in certain activities. Most applications are reviewed and acted upon at OTS's four regional offices. Certain complex transactions and those containing issues of policy or law are reviewed and acted upon in Washington. The mission of the applications program is to ensure that applications are processed within established timeframes and that decisions are consistent with current OTS regulations and policies.

OTS will process applications to a decision within 60 days from the date they are deemed complete, except for applications eligible for "expedited treatment." Applications eligible for expedited treatment will be processed to a decision within 30 days from the date they are deemed complete. Decisions may be delayed beyond these timeframes if new potentially adverse information is received or the decision involves a question of law or policy.

**How Data is Captured:** The National Applications Tracking System (NATS) tracks the number of days required to process each application to completion.

OTS calculates this measure by dividing the number of applications that were processed within the established timeframes by the total number of applications that should have been processed. Applications that contain an issue of law or policy (a rare occurrence) will not be included in the calculation.

**Measure: Percent of regulatory staff receiving at least 30 hours of training designed to keep them current in regulatory issues and industry developments.**

**Definition:** Another aspect of OTS's regulatory oversight is its focus on dynamic, needs-based employee training. OTS's Professional Development Program enables examiners to assess their training and development needs, which in turn, identifies needed areas of training. Regional supervisors assess upcoming and emerging issues at institutions in the region, the strength of regional examiners in the skills required to address these needs, and the training which would address areas of need. The Professional Development Program, specialty examiner tracks, accreditation programs, and management development programs, keep employee skills at top levels.

**How Data is Captured:** A training management data base allows OTS Professional Development staff to track the hours of training received by each OTS staff member.

OTS calculates this measure by dividing the number of regulatory staff who received at least 30 hours of training by the total number of regulatory staff. OTS will retrieve the raw data from the training data base of the Office of Professional Development (OPD).

**Measure: Percent of thrifts with compliance examination ratings of 1 or 2.**

**Definition:** A uniform, interagency compliance rating system was first approved by the Federal Financial Institutions Examination Council (FFIEC) in 1980. The FFIEC rating system was designed to reflect, in a comprehensive and uniform fashion, the nature and extent of an association's compliance with civil rights and consumer protection statutes and regulations. The OTS's implementation expands that coverage to encompass compliance with a

number of other public interest regulations. Among these are the Bank Secrecy Act, Bank Protection Act, economic sanctions, and advertising. The Compliance Rating System is based upon a scale of 1 through 5 in increasing order of supervisory concern. A rating of 1 indicates excellence, while a rating of 5 represents the lowest, most critically deficient level of performance and the highest level of supervisory concern.

**How Data is Captured:** Compliance examination ratings are stored in the EDS system.

OTS calculates this measure by dividing the number of OTS-regulated thrifts that have received a compliance examination rating of 1 or 2 on their most recent examination by the total number of OTS-regulated thrifts.

**Measure: Frequency of technical assistance or training events provided to industry executives annually regarding community reinvestment responsibilities and opportunities.**

**Definition:** Part of OTS's long term strategic goal is to support the industry's efforts to meet its CRA obligations and expand the full range of housing, other credit and financial services to all segments of their communities. Thus, OTS will offer technical assistance to minority owned institutions and each institution that receives a "Needs to Improve" or lower CRA rating. OTS will also actively work with those institutions that want our assistance. In addition, OTS Community Affairs and Compliance Policy staff will provide industry training on community reinvestment responsibilities and opportunities.

**How Data is Captured:** OTS staff manually add the number of technical assistance occurrences or training events that OTS provides to industry executives annually regarding community reinvestment responsibilities and opportunities.

**Measure: Percent of complaints involving OTS-regulated thrift institutions answered within 60 days.**

**Definition:** OTS consumer affairs staff in the four regional offices handle most complaints. All complaints are reviewed to ensure compliance with federal consumer protection laws and regulations and to identify any institution conduct that warrants further supervisory scrutiny. Complaints alleging discrimination in housing finance that are covered by the Fair Housing Act are also shared with the U. S. Department of Housing and Urban Development (HUD).

**How Data is Captured:** The Consumer Complaints System tracks the receipt and processing times for complaints.

OTS calculates this measure by using the processing time for each complaint as calculated by the Consumer Complaint System, and determining the percentage of complaints that are answered within the time period established by the performance standard.

**Measure: Percent of Congressional inquiries forwarding complaints involving OTS-regulated institutions answered within 30 business days.**

**Definition:** Constituent services, Congressional committee and document requests have different customer-imposed deadlines. OTS staff strives to meet those deadlines. The OTS is committed to providing timely responses to congressional correspondence.

**How Data is Captured:** Congressional inquiries are tracked using the Congressional Affairs Tracking System.

OTS calculates this measure by dividing the number of Congressional inquiries involving OTS-regulated institutions that were answered within 30 business days by the total number of Congressional inquiries involving OTS-regulated institutions.

**Measure:** **Percent of written External Interpretive Opinions processed within 60 or 90 days as specified in the External Interpretive Opinions Customer Service Plan.**

**Definition:** Providing interpretive guidance to thrifts is an important OTS function. OTS receives written requests for interpretation of its regulations and laws.

**How Data is Captured:** The Office of Chief Counsel opinions are tracked using an Access Data Base tracking system.

OTS calculates this measure by dividing the number of External Interpretive Opinions processed within the appropriate timeframe by the total number of requests for External Interpretive Opinions due within that timeframe.

**Measure:** **Percent of OTS-regulated thrifts provided a customer service feedback form.**

**Definition:** Thrift institutions are the OTS's main customer. Thus, one of OTS's goals is to provide the thrifts with the best possible service.

**How the Data is Captured:** OTS will distribute the Annual Thrift Satisfaction Survey to every OTS-regulated thrift that is in our institution database as of the form distribution date.

OTS calculates this measure by dividing the number of OTS-regulated thrifts that are provided with the Annual Thrift Satisfaction Survey by the total number of OTS-regulated thrifts.

**Measure:** **Percent of survey respondents that indicated the examiners took time at the start of the examination to gain an understanding of the thrift's business strategy and operating philosophy.**

**Definition:** Examiners understand the importance of taking the necessary time at the beginning of the examination process to gain an understanding of the thrifts' business strategy and operating philosophy.

**How Data is Captured:** Data is captured by recording all thrift responses to item number 4a of the Annual Thrift Satisfaction Survey.

OTS calculates this measure by dividing the number of survey respondents that indicated examiners took time at the start of the examination to gain an understanding of the thrift's business strategy and operating philosophy by the total number of respondents.

**Measure: Percent of survey respondents that indicated examiners maintained adequate communications with management during the examination.**

**Definition:** Thrift executives have sometimes conveyed uncertainty with the regulatory process. OTS endeavors to remove all mystery or obstacles surrounding examinations, as examinations are our primary supervisory and communication tool. OTS is committed to maintaining communication channels before, during and after the examination.

**How Data is Captured:** Data is captured by recording all thrift responses to item number 4b of the Annual Thrift Satisfaction Survey.

OTS calculates this measure by dividing the number of survey respondents that indicated examiners maintained adequate communications with management during the examination by the total number of respondents.

**Measure: Percent of survey respondents that indicted the tone and content of the Report of Examination was consistent with the board or management exit meeting.**

**Definition:** At the conclusion of an examination, OTS examiners conduct an exit meeting to summarize key findings, make recommendations and receive and consider management's responses. This measure ensures that the information and tone of the exit meeting is consistent with the information and tone of the Report of Examination.

**How Data is Captured:** Data is captured by recording all thrift responses to item number 4c of the Annual Thrift Satisfaction Survey.

OTS calculates this measure by dividing the number of survey respondents that indicated the tone and content of the Report of Examination was consistent with the board or management exit meeting by the total number of respondents.

**Measure: Percent of survey respondents that indicated the examination was of value to their organization.**

**Definition:** Our regulatory responsibility is an ongoing effort to maintain a safe and sound industry. A key aspect of this effort is to provide thrift executives prompt responses to inquiries to any concerns. A priority of our regulatory process is effective communication before, during and after the examination. We make every reasonable effort to staff examinations in the least disruptive and most efficient fashion. Frequent interaction with thrift executives is critical to the continuous change and improvement necessary for us to provide value-added services.

**How Data is Captured:** Data is captured by recording all thrift responses to item number 4d of the Annual Thrift Satisfaction Survey.

OTS calculates this measure by dividing the number of survey respondents that indicated the examination was of value to their organization by the total number of respondents.

**Measure: Percent of survey respondents that indicated satisfaction with the accuracy, timeliness, and manner in which OTS offices interact with them.**

**Definition:** Providing accurate and timely information to thrifts is one of OTS's important functions.



**How Data is Captured:** Data is captured by recording all thrift responses to item number 5 of the Annual Thrift Satisfaction Survey.

OTS calculates this measure by dividing the number of survey respondents that indicated they were satisfied with the accuracy, timeliness and manner in which OTS offices interacted with them by the total number of respondents.

#### **SUPPLEMENTAL INFORMATION**

**Aid by non-Federal Parties:** Non-Federal persons or other entities were not used in the preparation of this Performance Plan. The only outside assistance utilized was provided by the Department of the Treasury and the Office of Management and Budget, in the form of guidance to help OTS prepare this Plan in accordance with OMB Circular A-11.

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

**Interim Adjustments to OTS's Strategic Plan:** As a result of OMB's 2002 Program Assessment Rating Tool (PART) study, changes were made to the wording of OTS's strategic goals. The following chart shows how OTS's strategic goals were worded in its August 2, 2000 Strategic Plan and how they are now stated as a result of OMB's PART.

<p><b>Wording of OTS's Strategic Goals as shown in OTS's August 2, 2000 Strategic Plan</b></p>	<p><b>Wording of OTS's Strategic Goals due to OMB's Program Assessment Rating Tool</b></p>
<p>Through efficient and effective supervision, maintain a safe and sound industry that meets its responsibilities to those it supervises and to communities.</p>	<p>A safe and sound thrift industry.</p>
<p>Utilize in the most complete and efficient way the talents, knowledge and enthusiasm of the agency to keep regulatory operations at the minimum level consistent with effective supervision.</p>	<p>A flexible regulatory framework that enables the thrift industry to provide a full competitive array of financial services.</p>
<p>Actively support the thrift industry's efforts to expand the full range of housing, other credit, and financial services to all segments of the community through outreach programs, industry partnerships, and proactive supervision.</p>	<p>Fair access to financial services and fair treatment of thrift customers.</p>
<p>Provide exceptional service to all major groups with which we interact, including the thrift institutions regulated by OTS and members of the public that deal with those thrift institutions, to make government more responsive.</p>	<p>A motivated and expert workforce that provides exceptional service to all major groups with which OTS interacts.</p>