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OTS 97-50 - Thrift Industry Making Progress in Meeting Year 2000 Challenge

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Thrift Industry Making Progress in Meeting Year 2000 Challenge

WASHINGTON, D.C., July 30, 1997 - By mid-year 1998, the thrift industry should be well along in the process of converting its computer systems in anticipation of the Year 2000 rollover, Office of Thrift Supervision (OTS) Director Nicolas Retsinas told a Senate Banking subcommittee today.

At that time, OTS will review each thrift's actual Year 2000 renovation and conversion efforts. Thrifts not completing the conversion by mid-1998 will receive appropriate follow-up attention from the agency, Retsinas said.

In the interim, OTS is implementing a number of action plans to assist the industry. It is currently conducting off-site supplemental examinations of the 1,300 thrifts it regulates to determine how they are meeting the year 2000 challenge. These exams use specially designed procedures, and key data from the exams will be entered into a special database to help OTS monitor the industry's progress. By the end of 1997, he said, OTS should have a clear picture of the industry's progress.

So far in the assessment - based on the responses from about 75 thrift institutions - thrifts generally show a good sense of the problem, Retsinas said. Their management, however, may not be "fully attuned to the critical time sensitivities associated with this issue, particularly where processing is performed by service bureaus," he added. About 80 percent of the thrift industry relies on service bureaus for their data processing, but they hold less than 30 percent of its assets. The remaining 20 percent does the processing in-house.

Other highlights of Retsinas' testimony:

- OTS has encouraged its five regions to use the full range of examination approaches available to them to ensure completion of the 1998 examinations by deploying on-site, off-site, special and limited exams and field visitations as necessary, depending on the circumstances found at each thrift institution.

- The agency is aware of the potential burden of Year 2000 compliance on smaller thrifts. Clearly, some institutions will need more attention than others.
- A preliminary survey of a few institutions reveals that estimated conversion costs at those thrifts run from a low of \$75,000 at a \$61 million thrift using outside vendors to \$3 million at a \$5 billion thrift with in-house systems.
- OTS is using its safety and soundness examiners to conduct the off-site and regular exams of thrifts; information systems (IS) examiners will do the exams of service providers to the thrifts.
- Year 2000 issues will be looked at in conjunction with corporate applications "to ensure that any corporate acquisition will not have adverse effects on an applicant...If necessary, application approval will be conditioned upon favorable results from the OTS Year 2000 examination program."

Retsinas said OTS has appointed a high level examiner as its national Year 2000 coordinator whose charge is to ensure that appropriate attention is directed to all OTS-regulated thrifts. The coordinator is Dorothy van Cleave of the agency's Midwest Region based in Dallas.

The agency is considering holding a series of symposiums similar to one arranged by the OTS Northeast Region in late May that attracted more than 150 representatives of thrifts and service providers. OTS is exploring possible co-sponsorship of the meetings with the primary thrift trade group - America's Community Bankers - to heighten understanding of the Year 2000 issue. "The value of this kind of exchange cannot be over-emphasized," Retsinas said.

OTS also is putting on its Internet site a computer application that will help thrift managers monitor progress to Year 2000 conversion.

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The Office of Thrift Supervision (OTS), a bureau of the U.S. Treasury, regulates and supervises the nation's thrift industry. OTS' mission is to ensure the safety and soundness of thrift institutions and to support their role as home mortgage lenders and providers of other community credit and financial services.