Office of Thrift Supervision

1999 Performance Report
2000 Performance Plan

February 18, 2000
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OTS 2000 Performance Plan

February 18, 2000
Executive Summary

OTS and the Thrift Industry Today

Both the thrift industry and the Office of Thrift Supervision (OTS) are in solid financial condition. The industry earned a record $7.6 billion during 1998 and had an aggregate return on average assets (ROA) of 97 basis points. During the first three quarters of 1999 the OTS-regulated thrift industry earned $6.3 billion, up slightly from the $6.2 billion for the same period in 1998. Return on average assets (ROA) was 0.98 percent in the third quarter of 1999, down from 1.01 percent in the prior quarter. Despite rising interest rates, mortgage originations remained relatively strong but fell to $69.3 billion in the third quarter of 1999 from $79.2 billion in the previous quarter. Single-family mortgage originations in the third quarter of 1999 were $55.8 billion, down from $66.1 billion in the prior quarter.

While the number of thrift institutions regulated by OTS declined to 1,111 at the end of the third quarter of 1999 from 1,115 in the second quarter, total thrift industry assets continued to grow to $862.7 billion, up from $846.7 billion at the end of the previous quarter. Sixteen thrifts left OTS jurisdiction during the third quarter of 1999, primarily through mergers and acquisitions. One small thrift failed, the first failure since 1996, and was acquired by a thrift holding company. Partially offsetting the departures were 12 new thrifts that were chartered by OTS in the third quarter of 1999; eight of these were start-up thrifts with the remainder converting from other charters. There were 10 problem thrifts at the end of the third quarter of 1999 (problem thrifts are those with CAMELS ratings of 4 or 5), the same number as in the previous quarter.

Current and Future Challenges

During 1999 OTS continued preparing both itself and the industry for the Year 2000 computer rollover. The centerpiece of OTS’s Year 2000 program was the examination of both the OTS-regulated thrifts and the service providers they depend on. OTS’s efforts were steady, progressive and consistent. The thrift industry responded well to the Year 2000 challenge and the industry’s Year 2000 transition went smoothly.

One of OTS’s strategic goals is to maintain a safe and sound thrift industry. During the past several years OTS has worked with the other financial system regulators and Congress to develop legislation that would effectively modernize financial services. The challenge was to enact legislation that would enable America’s financial system to function safely, efficiently, and profitably in the twenty-first century. The financial modernization legislation signed by President Clinton on November 12, 1999, the Gramm-Leach-Bliley Act of 1999, will affect OTS and the thrift industry in many ways and requires OTS to write new regulations and review some existing ones.

Another OTS strategic goal is to improve the availability of financial services by encouraging safe and sound lending in the areas of greatest need. Despite the controversy that the Community Reinvestment Act (CRA) has generated over the past several years, its success is clear. CRA has helped focus the lending activities of insured depository institutions on rebuilding their communities and promoting economic revitalization. In the past, OTS’s Community Affairs Program has helped to promote sound community investment by the OTS-regulated institutions. In the coming year OTS’s community affairs staff will concentrate on promoting home ownership, community economic development, rural development, and lending on tribal lands.

For several years OTS has had a goal of reducing regulatory burden on the thrift institutions it regulates. Unnecessary regulatory burden is a drag on insured depository institutions. The impact of regulatory burden may be even more significant today than in the past as heightened competition in the financial services industry has compelled institutions to streamline and improve their efficiency in order to survive. To help reduce regulatory burden OTS is abandoning bureaucratese in favor of plain language. In the next few years OTS will strive to make plain language the order of the day by using it in all internal and external communications, including all regulations and OTS handbooks.
Strategic Context for the 2000 Performance Plan

Background
OTS was established by Congress as a bureau of the Department of the Treasury on August 9, 1989. OTS is headed by a Director who is appointed by the President, with Senate confirmation, for a 5-year term. The Director also serves on the boards of the Federal Deposit Insurance Corporation (FDIC) and the Neighborhood Reinvestment Corporation.

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.

OTS is headquartered in Washington D.C. and has five regional offices located in Jersey City, Atlanta, Chicago, 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.

OTS’s Mission Statement
OTS’s 2000 Performance Plan is based on its 1997 - 2000 Strategic Plan which was first published in September 1997; the Strategic Plan will be updated in September 2000. OTS’s Mission Statement is as follows: To effectively and efficiently supervise thrift institutions to maintain their safety and soundness in a manner that encourages a competitive industry to meet America’s housing, community credit and financial service needs and to provide access to financial services for all Americans.

OTS Values Statement

Integrity: All OTS actions, both internal and external, are conducted with the highest degree of honesty and fairness, fostering confidence in OTS by the public, the thrift industry and our employees as we perform our mission.

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

Efficiency: OTS is committed to excellence and efficiency, and continually seeks new and better ways to accomplish its mission through greater productivity and service. Management provides quality-focused leadership as well as technical excellence to enable OTS to meet its regulatory responsibilities in the most cost-effective and timely manner.

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

Responsiveness: OTS listens to, learns from, and collaborates with the institutions we regulate and the public they serve on how best to address their needs. OTS deals in a proactive, efficient and effective manner with all risks discovered in the industry as a whole as well as individual thrift institutions.
Benefits to the Public Realized by OTS’s Strategic Plan and Annual Performance Plan

Our society places a high value on a safe and accessible financial system, decent and affordable housing, and increased availability of financial services for housing and businesses for all Americans, including those located in distressed areas. The goals and objectives of OTS’s plans bolster these values by emphasizing a safe and sound thrift system that delivers services to meet societal needs. To individuals, thrifts provide a place for their savings, a medium for payments and other financial transactions, and a source of credit for real estate and consumer loans. Increasingly, thrifts also perform these functions for small businesses.

Credit plays a vital role in our economy as it is an engine for economic growth and revitalization. Businesses need credit to expand; consumers need credit to obtain goods and services; families need credit for housing; and communities need credit to fund the development and maintenance of their infrastructure. Mortgage and housing credit, which is essential to fulfilling the national goal of a decent home and a safe living environment for every household, as well as other forms of credit, will continue being provided by thrifts if OTS’s strategic plan and annual performance plans are carried out.

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

OTS’s Employees

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

The average OTS safety and soundness examiner has 15 years of experience. While an experienced and well-trained corps of examiners is a valuable asset, it also poses staff replenishment challenges as more become eligible for retirement, not to mention career enrichment challenges, as more seasoned examiners are challenged by a fast-changing industry. Thus, the agency faces a situation that tests the skill of management to energize employees.

To respond to these challenges, OTS has begun a series of initiatives. Starting in 1998, OTS began to hire entry-level examiners for the first time in approximately eight years in order to supplement the examiner ranks. The five regions have hired approximately 50 examiners since this initiative began. In 1998, OTS piloted a telecommuting program for examiners and since that time has made it a permanent option for all regional staff. In 1999, OTS introduced a public transit subsidy to promote public transportation and defray participants’ costs.

Other initiatives that will begin in early 2000 include:

• a professional development pilot program to offer a wide range of individually-tailored development activities that go beyond job-related training and enable employees to succeed in an increasingly complex environment; and
• specialty examiner tracks for post-accreditation examiner advancement in areas where OTS requires special expertise.
To Achieve the Aforementioned Benefits, OTS has Developed the Following Performance Goals that Relate to its Strategic Goals

<table>
<thead>
<tr>
<th>OTS's Long-Term Strategic Goals</th>
<th>Year 2000 Annual Performance Goals</th>
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</table>
| **1.** Through efficient and effective supervision, maintain a safe and sound industry that meets its responsibilities to its customers and communities. | **1a** - Conduct safety and soundness, compliance, holding company, trust and information systems examinations of all thrift institutions scheduled to receive such examinations.  
**1b** - Ensure that OTS-regulated thrift institutions operate in a safe and sound manner or that OTS has taken appropriate supervisory or enforcement action.  
**1c** - Improve the consistency and quality of examinations.  
**1d** - Improve the value of examinations to thrift institution directors and management.  
**1e** - Ensure that OTS regulated thrift institutions comply with consumer protection, fair lending, community reinvestment and other public policy laws and regulations.  
**1f** - Ensure that 100% of OTS-regulated thrifts are at least "adequately capitalized" or under a PCA Directive or recapitalized to the "adequately capitalized" level or operating within an approved Capital Plan within 150 days of becoming undercapitalized. |
| **2.** 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. | **2a** - Provide educational and technical assistance to industry representatives, OTS examination staff and other relevant parties on community development issues, needs and opportunities; key players and programs; and investment authority or regulatory barriers.  
**2b** - Promote and help facilitate partnerships between financial institutions, community organizations and others as a means of improving the availability of and access to credit and financial services. |
| **3.** 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. | **3a** - Reduce regulatory burden whenever possible, consistent with effective supervision.  
**3b** - Develop and maintain an OTS workforce capable of providing assistance to thrift institutions in meeting the thrifts' regulatory responsibilities. |
| **4.** 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. | **4a** - Develop, distribute and monitor adherence to service plans for all major agency functions. |
Plan Highlights

Means Used to Accomplish OTS’s Four Strategic Goals

1. Operating Capital and FTEs

Assessments charged to the thrift industry comprise approximately 87 percent of OTS’s operating funds. Other sources of operating funds include application fees, interest, rents and subleases, exam fees and other miscellaneous sources.

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<tbody>
<tr>
<td>Operating Expenses (in millions)</td>
<td>$147.8</td>
<td>$148.3</td>
<td>$154.3</td>
<td>$153.7</td>
<td>$158.3</td>
</tr>
<tr>
<td>Year-end FTE</td>
<td>1,318</td>
<td>1,264</td>
<td>1,291</td>
<td>1,270</td>
<td>1,235</td>
</tr>
</tbody>
</table>

2. Staff Skills

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

The increasing operational complexity of thrifts has changed the nature of OTS’s supervisory activities. OTS must evaluate the credit, interest rate, and other market risk dimensions of new lines of business, financial instruments, risk management strategies and corporate structures used by the entities it supervises. Such evaluations require complicated financial analyses, incorporating the use of econometric models, that subject individual thrift portfolios to “stress tests” or other forms of sensitivity analysis. OTS requires a highly trained and experienced legal staff to address the complex questions concerning these issues.

The increasing industry interest in using electronic banking technologies has produced a need for OTS’s staff to develop an electronic banking safety and soundness program that will help examiners evaluate an institution’s planning, administration and internal controls with regard to electronic banking technology. The increasing industry interest in obtaining fiduciary powers has also produced a need for OTS to augment its national trust examination program by enhancing examiner training and changing the focus of its trust examinations to embrace a risk-sensitive scoping methodology.

Convergence within the financial services sector is a reality in the market place. As of year end 1999, there were 51 applications pending for federal thrift charters. Of those, 14 were from insurance companies; 12 applications were from limited-service trust-only operations and the remainder were seeking full-service charters. As a result of the new types of applications being filed, OTS’s staff is being presented with new challenges and opportunities; the need to adjust, invent and innovate; and an ever greater need to work in partnership with all stakeholders.
3) Information Technology

Effective use of current and future information technologies enhances the ability of OTS to accomplish its mission and goals. OTS’s information systems and services are positioned to effectively apply emerging technology in a dynamic industry environment, while maintaining a solid base of core operations.

OTS maintains a portfolio of IT investments consisting of established corporate information systems and services. IT initiatives are identified and approved annually to address emerging and strategic needs of OTS. Quality reviews by an Investment Review Board consisting of senior Washington and regional officials enhance the quality of the agency’s significant investment in IT.

Aligning IT acquisitions and plans with OTS business processes and goals is critical to information technology’s effectiveness. This involves understanding the strategic goals of the agency, evaluating current business practices, assessing evolving supervisory and industry needs, and responding with innovative IT solutions. The IT architecture enables and integrates OTS business processes, and the business needs drive IT acquisitions and plans.

Link Between OTS’s Performance Plan and its Budget

OTS operates on a calendar year basis (rather than on a fiscal year basis) and is not funded by Congress. The Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA) of 1989 granted to OTS the authority to raise its operating capital through assessments on the thrift industry. These assessments are based on each institution’s size, financial condition, and the complexity of its operations, with healthy institutions paying less than similar-sized troubled institutions. As of Sept. 30, 1999 OTS was regulating 1,111 thrifts with assets of $862.7 billion. During 1999 assessment income totaled $125.3 million and constituted the largest single component of OTS’s income.

OTS’s primary objective is to efficiently and effectively supervise thrift institutions to maintain their safety and soundness. As a result, accomplishing OTS’s first strategic goal, which deals with maintaining a safe and sound industry, requires approximately 84% of OTS’s entire budget. The remaining 16% is distributed among the other three OTS strategic goals.

![OTS Budget Divided by Strategic Goal](image)
External Factors that Could Affect Achievement of OTS’s Four Strategic Goals

OTS’s ability to accomplish its four major goals will be directly affected by the following external factors:

1. U.S. Economic Environment and the Thrift Industry

The thrift industry today is strong, profitable and well-capitalized. Many factors have contributed to the existing health of the industry, including the general prosperity in the underlying economy, strict Congressionally-mandated improvements in the industry’s capital levels and business practices, and increased regulatory oversight. The OTS-regulated thrift industry earned $6.3 billion during the first nine months of 1999, up slightly from $6.2 billion for the same period in 1998. Aggregate industry return on assets (ROA) was 0.98 percent in the third quarter of 1999, a slight drop from 1.01 percent in the prior quarter. Troubled assets rose slightly to $5.6 billion in the third quarter of 1999 from $5.5 billion in the previous quarter, but the ratio of troubled assets-to-total assets fell slightly to 0.65 percent from 0.66 percent. The troubled assets ratio at the end of the third quarter of 1999 was the lowest since 1990, when this measure of asset quality was first used in the thrift industry. During the third quarter of 1999 the industry’s ratio of equity capital to assets fell to 8.00 percent from 8.10 percent in the previous quarter; this decline was partially due to unrealized losses on available-for-sale securities. Capital remained strong, with 97.6 percent of thrifts meeting or exceeding the well-capitalized standards.

Even though the thrift industry is as healthy today as it has ever been, a sharp downturn in the U.S. economy, or an increase in interest rates could impact the economic performance of the industry. Based on data from OTS’s model estimating thrift exposure to interest rate risk, as of September 30, 1999, 44 percent of OTS-regulated thrifts would incur at least a 20 percent loss in their economic value if interest rates increased sharply (i.e., increased by 200 basis points). While of concern, this should not cause a significant number of institutions to drop below the “adequately capitalized” level.
A substantial decline in the thrift industry’s economic performance, derived from a general economic downturn, could impede OTS’s ability to achieve its goals of maintaining and supporting a competitive and financially sound industry in a dynamic marketplace, and supporting the thrift industry’s efforts to expand the full range of housing and financial services to all segments of the community. Aggregate credit availability and the overall safety and soundness of the industry would, of course, become regulatory focal points during a period of general economic stress. However, the thrift industry could be under sufficient economic stress, from its vulnerability to interest rate shocks that it would be difficult to maintain its safety and soundness. Finally, because a substantial amount of thrift assets are concentrated on the West Coast, an area with an historically volatile real estate market, the thrift industry is vulnerable to significant regional economic downturns.

2. Financial Modernization

Inter-industry consolidation is occurring in the marketplace. This activity presents both challenges and opportunities for OTS. With respect to effective financial supervision and regulation, consolidation requires OTS to supervise and examine larger institutions doing non-traditional activities over a wider geographic area, and in unusual corporate structures. For example, although insurance companies have owned thrifts for years, new entrants have quite different and frequently more complex corporate structures and strategies. Consolidation can also limit consumer choice, the reach of CRA, and the availability of local civic leadership. On the other hand, by working closely with these institutions, OTS often has the opportunity to assist them in bringing more—and different types of—resources to underserved areas.

Intra-industry consolidation is also occurring, although the pace seems to be slowing somewhat. From 1994 through 1997, an annual average of 140 institutions left OTS’s jurisdiction (mostly through acquisition by commercial banks and conversion to commercial banks). In 1998 the number of OTS-regulated thrifts fell by 70 (with 109 exits and 39 entrants). Through the first nine months of 1999 OTS-regulated thrifts fell by 34 to a total of 1,111. More than 50% of the thrift industry’s assets are held by 13 institutions, each with assets in excess of $10 billion. Major charter changes or acquisitions would materially reduce industry assets and the OTS assessment base.

<table>
<thead>
<tr>
<th>Year-End 1994 - 1999</th>
<th>Number of OTS-Regulated Thrift Institutions</th>
</tr>
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<tbody>
<tr>
<td>1994</td>
<td>1,547</td>
</tr>
<tr>
<td>1995</td>
<td>1,438</td>
</tr>
<tr>
<td>1996</td>
<td>1,336</td>
</tr>
<tr>
<td>1997</td>
<td>1,215</td>
</tr>
<tr>
<td>1998</td>
<td>1,145</td>
</tr>
<tr>
<td>9/30/99</td>
<td>1,111</td>
</tr>
</tbody>
</table>

In September 30, 1999, the number of OTS-regulated thrift institutions fell to 1,111.
Accomplishing the Annual Performance Goals Associated with OTS’s Strategic Goals

<table>
<thead>
<tr>
<th>Strategic Goal #1: Through efficient and effective supervision, maintain a safe and sound industry that meets its responsibilities to its customers and communities.</th>
<th>Projected 2000 Expenditures</th>
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<tr>
<td></td>
<td>$133,000,000</td>
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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. The OTS examination process assists in preventing the development or continuation of unsafe operating practices and effects timely resolution of identified problems or weaknesses, including Year 2000, consumer protection, and Community Reinvestment Act (CRA) weaknesses.

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<tbody>
<tr>
<td>Performance Goal 1a: Conduct safety and soundness, compliance, holding company, trust and information systems examinations of all thrift institutions scheduled to receive such examinations.</td>
<td></td>
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<tr>
<td>Performance Measure 1a-1: The number of thrifts that received each type of examination divided by the number of thrifts scheduled to receive this type of examination.</td>
<td></td>
<td></td>
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<tr>
<td>Safety and Soundness</td>
<td>96.2%</td>
<td>96.6%</td>
<td>95%</td>
<td>97.9%</td>
<td>95%</td>
</tr>
<tr>
<td>Compliance (including CRA)</td>
<td>98.3%</td>
<td>98.3%</td>
<td>95%</td>
<td>99.3%</td>
<td>95%</td>
</tr>
<tr>
<td>Holding Company</td>
<td>83.2%</td>
<td>86.7%</td>
<td>85%</td>
<td>87.8%</td>
<td>90%</td>
</tr>
<tr>
<td>Information Systems</td>
<td>77.7%</td>
<td>(a)</td>
<td>75%</td>
<td>(a)</td>
<td>85%</td>
</tr>
<tr>
<td>Trust</td>
<td>63.3%</td>
<td>87.5%</td>
<td>80%</td>
<td>82.8% (b)</td>
<td>80%</td>
</tr>
</tbody>
</table>

(a) and (b) - See “Program Performance Report” section.

| Performance Goal 1b: Ensure that OTS-regulated thrift institutions operate in a safe and sound manner or that OTS has taken appropriate supervisory or enforcement action. |      |      |              |             |             |
| Performance Measure 1b-1: The number of thrift institutions with a safety and soundness rating of “4” or “5” during the measurement period that have an enforcement action, supervisory action or waiver in place or have received a decision for waiver, enforcement action or supervisory action divided by the total number of thrift institutions that were rated “4” or “5” with examinations that were completed more than 60 days ago. |      |      |              |             |             |
| NA* | NA* | 100% | 86.7% (c) |

See “Program Performance Report” section.

OTS 2000 Performance Plan
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<tr>
<td>Performance Measure 1c-1: The number of examination reports deemed generally consistent with OTS examination policies and procedures divided by the number of examination reports reviewed.</td>
<td>100%</td>
<td>99%</td>
<td>95%</td>
<td>100% (d) See “Program Performance Report” section</td>
<td>99%</td>
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<tr>
<td>Performance Measure 1d-1: The number of times thrifts rated the value of the examination process as being “satisfactory” or “better than satisfactory” divided by the total number of thrifts that responded to the examination survey.</td>
<td>98%</td>
<td>99%</td>
<td>90%</td>
<td>98.4%</td>
<td>95%</td>
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<tr>
<td>Performance Measure 1e-1: Number of thrift institutions with a compliance rating of “4” or “5” during the measurement period and an enforcement action, supervisory action or waiver in place, or that have received a decision for waiver, enforcement action or supervisory action divided by the total number of thrift institutions rated “4” or “5” with examinations completed more than 60 days ago.</td>
<td>NA*</td>
<td>NA*</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
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<tr>
<th>Performance Goal 1f: Ensure that 100% of OTS-regulated thrift institutions are at least “adequately capitalized” or are under a Prompt Corrective Action Directive or are recapitalized to the “adequately capitalized” level or operating within an approved Capital Plan within 150 days of becoming undercapitalized.</th>
<th>1997</th>
<th>1998</th>
<th>1999 Planned</th>
<th>1999 Actual</th>
<th>2000 Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performance Measure 1f-1: The number of OTS-regulated thrift institutions that are at least “adequately capitalized” or are under a Prompt Corrective Action Directive or are recapitalized to at least the “adequately capitalized” level within 150 days of becoming undercapitalized, or that have received prior approval by the Deputy Director for exceeding the 150-day timeframe for issuance of the PCA Directive, divided by the total number of OTS-regulated thrift institutions, minus those that are operating under an approved Capital Plan or that have been undercapitalized for less than 150 days.</td>
<td>NA*</td>
<td>NA*</td>
<td>100%</td>
<td>99.9% (e) See “Program Performance Report” section</td>
<td>100%</td>
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Prior year goals that have been accomplished.

<table>
<thead>
<tr>
<th>Performance Goal 1g: Perform on-site Year 2000 conversion reviews in accordance with FFIEC policies and timetables, of OTS-regulated institutions and outside service providers.</th>
<th>1997</th>
<th>1998</th>
<th>1999 Planned</th>
<th>1999 Actual</th>
<th>2000 Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performance measure 1g-1: The number of thrift institutions receiving a Year 2000 conversion review divided by the total number of thrift institutions scheduled for review.</td>
<td>NA*</td>
<td>100%</td>
<td>98%</td>
<td>100%</td>
<td>NA*</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Performance Goal 1h: Ensure that 100% of OTS-regulated thrift institutions are meeting the Y2K milestones by 9/30/99 or that OTS has taken appropriate supervisory action or enforcement action.</th>
<th>1997</th>
<th>1998</th>
<th>1999 Planned</th>
<th>1999 Actual</th>
<th>2000 Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performance measure 1h-1: The number of OTS-regulated thrift institutions that, as of 9/30/99 are rated “satisfactory” at their most recent Year 2000 examination or that are subject to appropriate supervisory action or enforcement action divided by the total number of OTS-regulated thrifts.</td>
<td>NA*</td>
<td>NA*</td>
<td>100%</td>
<td>100%</td>
<td>NA*</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Performance Goal 1i: Support efforts to create a modern financial services charter that will ensure that insured depository institutions continue to meet credit needs, effectively compete with other financial services providers and anticipate the needs of their customers. Work with Congress and the Administration to develop legislation consistent with the stated objective.</th>
<th>1997</th>
<th>1998</th>
<th>1999 Planned</th>
<th>1999 Actual</th>
<th>2000 Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performance measure 1i-1: The number of outreach projects completed divided by the number of outreach projects planned, including Congressional projects.</td>
<td>NA*</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>NA*</td>
</tr>
</tbody>
</table>

*NA indicates the performance measure was not or will not be used during the specified year.
1. Processes

OTS conducts risk-focused Safety and Soundness, Compliance (including CRA), Information Systems, Holding Company and Trust examinations in accordance with statutory requirements and/or agency policy. OTS employs a seasoned staff of examiners. Examiners undergo continuing training in areas of emerging risks, higher risk consumer and commercial lending, electronic banking, securitizations and consumer protection laws and regulations. OTS is revising policies on the supervision of thrift holding companies as new business strategies are being implemented by insurance companies and other new entrants into the business. Similarly, OTS is revising its approach to trust examinations. We have implemented an automated examination process, and have trained examiners in its use. This is enhancing the efficiency of examiners and reducing regulatory burden, because more analytical and focused examination work is performed off site.

In addition to on-site examinations, OTS performs off-site financial monitoring of each institution. Staff base their off-site analysis on quarterly Thrift Financial Reports, the Uniform Thrift Performance Report, holding company and SEC reports, and other information, noting adverse trends, financial performance, and changes in business strategies and risk taking. Policy staff in Washington develop new policies, many in coordination with other financial regulatory agencies, and communicate guidance to examiners in easily understood terms and often by electronic means. OTS will continue to monitor closely institution capital levels and apply regulatory solutions to ensure that institutions remain adequately capitalized or to achieve timely resolution of inadequately capitalized institutions.

2. Staff Skills

OTS management is committed to maintaining a high degree of competence and skill for OTS employees. It is currently revising the examiner accreditation program to incorporate changes in industry practice and regulatory oversight for the new examiners hired since 1998. OTS is also implementing a professional development program, which provides skill development beyond traditional training; and examiner specialty tracks, which challenge examiners to reach greater proficiency in emerging risk areas.

In 2000, OTS expects to deliver new training options in credit scoring, housing and economic development, fair lending, financial analysis of insurance operations and emerging trust issues. In all of its training curriculum, OTS is exploring opportunities for shared resources among the financial regulatory agencies and for delivery of training through new technological forums (e.g. compact disks, the internet, videos).

3. Technological Resources:

OTS staff use several systems to help accomplish strategic goal 1 as set forth below:

The Interest Rate Risk System consists of a model that calculates measures of interest rate risk and produces interest rate risk reports that are used by Washington and Regional staff. Copies of the reports are also sent to the individual institutions.

Examination Data System and Report of Examination System: These two systems involve the collection of examination and supervisory data. The Examination Data System provides for the collection and dissemination of data pertaining to the examination process (the examination type, rating and critical tracking dates). The Report of Examination System is for the electronic filing and retrieval of examination reports. Specific subsystems support Safety and Soundness exams, Compliance exams, IS examinations, Trust exams and Holding Company exams.
The **Thrift Information Management System** (TIM) integrates 20 regulatory systems. Data entry options and output reports are grouped by subject matter for easy recognition by users. The TIM System simplifies user access and standardizes many report selections. The TIM Reports have easy-to-read formats that include summary reports. TIM also provides flexibility by allowing user-defined reports.

The **Thrift Examiner Support System** (TESS) supports the Report of Examination (ROE) process and works with Microsoft Word. TESS allows examiners to prepare consistent reports of examination using Microsoft Word by providing a preformatted word processing shell at the commencement of an examination. A number of examination specific items, including 60 predefined elements of financial data pertaining to the institution and its peer group, are provided within the shell. The data elements are extracted from the OTS’s database of financial information filed by the regulated institutions. Examiners can easily insert into the report of examination previously prepared charts based on institution-specific and peer group financial data. Completed reports of examination are uploaded to a central repository. Authorized OTS employees have electronic access to the completed reports of examination. During 1999 and 2000, TESS is being upgraded to improve both its functionality and its adaptability to new computer application environments.

The **Regulatory Action Data System** is used to track enforcement and supervisory actions. This system also provides data for the regular public and congressional reporting requirements on initiated or completed formal enforcement actions.

The **National Financial Monitoring System/UTPR** provides standardized reports which are used to monitor and analyze regulated institutions. One key report is the Uniform Thrift Performance Report (UTPR). Data from the UTPR are incorporated into the Regulatory Plan and Report of Examination. The UTPR is provided in a five quarter or a three year format and is provided to the Federal Deposit Insurance Corporation (FDIC) quarterly.

The **Thrift Edit System** collects and edits quarterly financial data for all OTS-regulated institutions. Through the Generic Electronic Transfer System it controls the flow of electronically filed data from thrift institutions. The data is used for analysis and monitoring of industry trends and for performing financial analysis of individual institutions. Information collected by this system is provided to several OTS systems including the Thrift Time Series and the National Financial Monitoring System.

The **Information Technology Database (ITD)** was developed in 1999 to allow staff to identify, qualify and quantify technology risk of products and services offered or used by federal savings associations and third-party vendors. Information collected in the database is used to report on technology risks and trends to OTS senior management and the other FFIEC agencies; share information on an interagency basis, as recommended in a recent GAO report on electronic banking; report specific information on thrifts and service providers to improve monitoring of an individual institution’s use of technology; and monitor examination schedules and human resource requirements.

The **Prompt Corrective Action Monitoring Report** provides OTS senior management with updates regarding compliance with the Prompt Corrective Action requirements and regulatory actions and strategies applied to inadequately capitalized institutions, and institutions that could potentially become inadequately capitalized.

The **Customer Service Measurement System** was developed to support OTS’s Customer Service Program. This system is used to collect and report the results of surveys sent to thrift institutions following an examination.

The **Branch Office Survey System** collects and processes information on the deposits/savings and geographic location of the branches of all OTS-regulated institutions. This information is used in competitiveness analysis and in efforts to resolve problem institutions.
The **Thrift Monitoring System (TMS)** provides supervisory staff in OTS with the capability of viewing selected examination and financial information on institutions throughout the country. The system is a tool for detecting existing problems and potential risks in the thrift industry. TMS provides standardized monitoring reports to the agency.

The **Regulatory Plan System** provides information on the regulatory posture of each institution, the problems identified, the actions taken or contemplated and the regulatory plans for the future.

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

- Train examiners and direct examination support staff to deal with emerging issues, new financial instruments, electronic banking, risk management and trust activities.
- Hire a diverse group of highly qualified, entry-level examiners and provide them with the best possible basic training and specialty training, including up-to-date risk-based guidance.
- Improve supervision of nontraditional institutions, including diversified unitary holding companies.
- Improve the examination and supervision process to provide more oversight of the risks associated with the industry’s use of securitizations, complex financial instruments (including equity instruments), and off-balance-sheet transactions.
- Review the examination follow-up and corrective action process for greater efficiency and effectiveness, as well as more consistency among regions.
- Create written guidance on the use and desirability of informal corrective actions (board resolutions and directives) to address problems.
- Expedite the use of formal enforcement actions by issuing a revised Enforcement Policy Statement.
  - Follow up with integration activities for all relevant staff.
- Enhance the agency’s capacity to monitor, identify, and access risk factors affecting the thrift industry.
  - Improve existing systems for monitoring risk trends on a frequent and systematic basis.
  - Improve systems for delivering monitoring results on a timely basis to the appropriate staff in a manner they feel would be useful.
  - Assess and revise Regulatory Plan to increase usefulness.
- Improve the consistency and quality of examinations by using the full knowledge base of the Agency to develop an appropriate supervisory approach for each institution.
  - Use enhanced monitoring system and exam results to take anticipatory steps to avoid potential problems.
  - Identify task force to assess pre-exam planning process and develop a risk focused strategy for each exam based on monitoring results.
  - Encourage and support full implementation of a flexible, risk-focused examination process.
  - Monitor exam feedback and make adjustments to procedures.
  - Provide additional training as needed.
• OTS will strive to minimize the occurrence and resolve inadequately capitalized institutions through:
  ⇒ intensive intervention,
  ⇒ development of regulatory solutions to prevent financial deterioration that could lead to inadequate capitalization.

• Strengthen the regulatory and administrative policy development process.
  ⇒ In order to capture emerging issues and involve all staff with relevant knowledge, develop a process to create inter-disciplinary teams of experienced examiners, field managers, and knowledgeable Washington staff to assist senior OTS management in internal development of agency policy and direction.
  ⇒ Define a process to identify “best practices” and emerging risks as topics for “white papers” to be written by internal and, possibly, external subject experts.
  ⇒ Joint team of Supervision, Office of Information Systems and Research and Analysis staff will develop a consolidated Holding Company Data Base that will include financial data on holding company structures to facilitate OTS examination and off-site monitoring of these entities. This will help implement an internal OTS task force recommendation to strengthen OTS’s supervisory ability to respond to new risks and challenges posed by thrift holding companies engaging in non-banking activities, including commercial activities. Consolidated structural data to be compiled in 1999; financial data to be added in 2000.
  ⇒ Extend use of national mortgage data, with subprime mortgage data to be added in 2000. Mortgage Information Corporation database to be provided to all five regions to help identify performance problems in major thrift mortgage portfolios and to monitor trends in overall mortgage and subprime lending.

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

• OTS is involved in numerous efforts with the other financial institution regulatory agencies—FDIC, Office of the Comptroller of the Currency (OCC), Federal Reserve Board (FRB), and National Credit Union Administration (NCUA) — to develop common policies, programs and regulations. These crosscutting efforts are mandated by statute, best practices for the regulation of the banking industry, and public policy to reduce regulatory burden. The agencies are all members of the Federal Financial Institutions Examination Council (FFIEC). The Council develops common examination policies and procedures. FFIEC has numerous committees and task forces that focus on specific areas of the examination process.

• The FFIEC Reports Task Force has developed a working draft of core schedules for banks, savings associations, and bank holding companies. The Uniform Core Report will provide a common baseline of financial information for all financial institutions. Several definitional and other issues affecting the form and content of the core schedules have been resolved at the task force level. Implementation of the core report is projected to occur in June 2001.

• OTS is a member of a number of interagency working groups, outside of FFIEC, that develop common policies. The Results Act Banking Regulatory Working Group is endeavoring to develop common agency goals for examination, agency outreach, planning and budgeting. Each agency’s performance plan will include strategic goals and performance goals in these areas. OTS and the bank regulatory agencies use a common Report of Examination, and all financial institution regulators use the CAMELS examination rating system. The Directors of both OTS and OCC are members of the FDIC Board. This structure facilitates crosscutting policy development and regulatory practices among the FDIC, OTS, and OCC.

Key External Factors Potentially Affecting Achievement of Strategic Goal #1

• Industry consolidation - Continued industry consolidation will require unique examination mechanisms and modified supervisory techniques to assess and monitor the increasingly complex structure of thrifts. More cross-regional OTS cooperation and increased cooperation with the other federal regulatory agencies and state authorities will also be needed to adequately examine the largest thrifts.
• Single event risk - The current economic environment has had a positive effect on the thrift industry. Institution failures have been almost nonexistent; thus, little OTS intervention has been required. 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 both examiners and legal and investigative personnel.

• Competitive disadvantages in the labor market - As with many other public and private sector employers, OTS has difficulty keeping pace with salary escalation in the relevant labor markets for the knowledge and skill sets needed by OTS. Nevertheless, OTS offers a highly competitive benefits package, including a series of worker-friendly features to attract and retain critical staff. OTS will next focus on a comprehensive professional development program to enhance its overall competitiveness by enriching the professional experiences of its staff.

• Emerging technology - Emerging technology has introduced 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.

**CY 1999 PROGRAM PERFORMANCE REPORT:**

(a) Performance Measure 1a-1: During 1999, available OTS Information Systems (IS) examination resources were diverted to Y2K issues, including quarterly reviews of large service providers, and thrift institutions with complex information technology environments. Staff will be redeployed in 2000 to risk-focused IS examinations of service providers, software vendors, and thrifts.

(b) Performance Measure 1a-1: OTS did not match its 1998 success rate for Trust examinations during 1999. This was due to several factors including: increased examination training on complex trust issues; the need to conduct eligibility examinations of prospective industry entrants; increased examination focus on trust operations that are either new or risk-sensitive; and the use of trust examination staff in the applications review process. However, OTS exceeded its year-end 1999 performance target.

(c) Performance Measure 1b-1: Only 15 OTS-regulated thrifts had a safety and soundness rating of "4" or "5" during 1999. Of these 15, OTS exceeded the 60 day guideline specified in this measure for only two thrifts. The guideline was exceeded by 9 days in one case while OTS personnel coordinated with State regulators. The other institution had a capital deficiency and was eventually acquired by an OTS-regulated holding company. The acquisition process took longer than the 60 day timeframe specified in the performance measure. OTS expects to reach the 100% target for this measure during 2000.

(d) Performance Measure 1c-1: During 1999 only two regions reviewed examination reports pursuant to the Examination Outreach Program standards. Of those reporting, the results were 100%. The remaining three regions did not review examinations for consistency with OTS policies and procedures as management decided to reallocate personnel resources for Y2K reviews during 1999. We do not expect Y2K pressures to continue into 2000 and management expects to allocate sufficient resources for review of examination reports to determine consistency with OTS policies and procedures as of the beginning of 2000.

(e) Performance Measure 1f-1: Only one of the institutions regulated by OTS was not adequately capitalized or under a Prompt Corrective Action Directive within 150 days of becoming undercapitalized. This institution has since re-established its status as an institution that is “adequately capitalized.” The Regional Office received informal concurrence to delay instituting a capital plan in order to facilitate the recapitalization of the institution. This strategy proved to be successful. Although the recapitalization process for the institution did not technically comply with agency goals, it successfully met the broader goal of maintaining safety and soundness. Due to the success of recapitalizing this institution, the performance measure has been reworded to add the language “or that have received prior approval by the Deputy Director for exceeding the 150-day timeframe for issuance of a PCA Directive.”
Strategic Goal #2: 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.

Projected 2000 Expenditures

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<tr>
<td><strong>Performance Goal 2a: Provide educational and technical assistance to industry representatives, the OTS examination staff and other relevant parties on community development issues, needs and opportunities; key players and programs; and investment authority or regulatory barriers.</strong></td>
<td></td>
<td></td>
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<tr>
<td><strong>Performance Measure 2a-1:</strong> The percentage of thrifts with less than satisfactory CRA ratings assigned to which OTS offers or provides one-on-one community development related outreach and technical assistance to within 60 days of completion of the examination.</td>
<td>NA*</td>
<td>NA*</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td><strong>Performance Measure 2a-2:</strong> The number of community development related regulatory barriers addressed divided by the number identified (investment authority or CRA). The annual target is 85%; OTS will report a 100% success rate if the stated target is met.</td>
<td>NA*</td>
<td>NA*</td>
<td>100%</td>
<td>86% (f)</td>
<td>100%</td>
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See “Program Performance Report” section.

| Performance Goal 2b: Promote and help facilitate partnerships between financial institutions, community organizations and others as a means of improving the availability of and access to credit and financial services. | | | | | |
| **Performance Measure 2b-1:** The number of outreach, training, or partnership building events held (or participated in) divided by the number of events planned (90%); the number of new areas or groups reached divided by the number targeted (85%); and the number of thrift participants divided by the number targeted (50%). (OTS will report a 100% success rate if the stated targets are met.) | NA* | NA* | 100% | 100% (g) | 100% |

See “Program Performance Report” section.
Performance Measure 2b-2: The number of new partnerships formed, activities/programs commenced or investments made in 2000 as a result of OTS’s outreach, training, or partnership building activities. The goal is the 1999 baseline. If the 1999 baseline is met during 2000, OTS will report a 100% success rate.

| NA* | NA* | The level achieved in 1999 will become the baseline. | 26 new partnerships/activities/or investments were achieved. | 100% |

Performance Measure 2b-3: The number of speeches or presentations given by senior management on community development related topics divided by the number planned. The targeted number of speeches is 25.

| NA* | NA* | 100% | 100% | 100% |

*NA indicates the performance measure was not or will not be used during the specified year.

**CY 2000 PERFORMANCE PLAN EXPLANATION**

Means to Accomplish the Annual Performance Goal Related to Strategic Goal #2:

1. Processes

OTS will continue to work with other banking regulatory agencies to enhance the efficacy of the Community Reinvestment Act and CRA regulations encouraging lenders to provide credit, service and investments to low and moderate income communities and households.

2. Staff Skills

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

3. Technological Resources:

The Home Mortgage Disclosure Act System collects and edits detailed loan data required by the Home Mortgage Disclosure Act. The data is used to analyze the practices of all mortgage lending institutions regulated by OTS and their mortgage lending affiliates. OTS provides edited data to the Federal Financial Institutions Examination Council (FFIEC) which further reviews the data and produces public releases of the analyses and raw data.

The Community Affairs and Compliance Examination staff subscribe to a number of community development related publications. They also use, as needed, the HMDA data, and CRA Wiz and HUD Community 2020 software for demographic information and lending patterns. Staff also use a number of websites as technical resources.
Strategies for Achieving Annual Performance Goal Related to Strategic Goal #2

- The Community Affairs Program defines a number of strategies each year to encourage and stimulate more thrift lending, investment and service in under-served markets. Those strategies are focused in three principal areas: outreach, training/education, and partnership building. In order to accomplish program strategies in these areas, the CA staff actively partners with the other banking agencies, other federal agencies, Neighborhood Reinvestment Corporation, the GSEs, the Federal Home Loan Banks, State Housing Finance Agencies, Indian Tribal Councils, and others.

CRA

- Engage in a series of “town meetings” in several cities nationwide, with the goal of understanding concerns of both the industry and the communities about the current CRA regulations; and provide nontraditional institutions with guidance that will maximize their contribution to neighborhood reinvestment wherever they do business.
- Encourage innovative solutions to obstacles that impede affordable housing and other credit and financial services needs.
  ⇒ Identify and collect data on profitability and efficiency.
  ⇒ Share information about profitability and efficiency of affordable housing programs to assist thrifts in meeting housing needs.
  ⇒ Implement program to educate industry and examination staff on economic benefits and potential long term profitability of expanding access to other credit and financial services to under-served segments of their communities.
  ⇒ Solicit from the industry what OTS is doing to impede their efforts to meet the financial services needs of their communities.
  ⇒ Identify incentives to encourage expansion of services.
  ⇒ Work on interagency basis to develop exam procedures and other means that would serve as incentives for the industry to better serve their communities.
  ⇒ Offer programs to educate the industry regarding fair lending issues.

Outreach

- Within each region, establish relationships with local thrifts, community based organizations, state, local and federal government agencies, community development practitioners and others to ascertain needs, best practices, and partnership opportunities for thrifts.

Training, Education and Partnership Building

- Sponsor or co-sponsor training for financial institutions through national and regional conferences and local forums on various community development topics.
- Encourage a partnership approach to building and maintaining viable and healthy communities whose housing, credit and financial services needs are met by:
  ⇒ Developing a plan to broaden responsibility for outreach to many OTS positions including assistant regional directors and many staff members in Washington, where appropriate;
  ⇒ Assess staffing levels in light of broader commitment; assess need for additional training;
  ⇒ Make community outreach a part of senior management performance objectives;
  ⇒ Increase and encourage employee volunteerism;
  ⇒ Develop Regional conferences and/or seminars with non-profit organizations and thrifts to foster partnerships;
  ⇒ Encourage thrifts to attend other partnership efforts sponsored by non-profit organizations. Report on efforts and actual attendance by thrifts at these events;
  ⇒ Hold conferences with mutual institutions to assess viable options to remaining mutual.
• Provide information to the industry (via publications, the newsletter, the CA webpage) about current community development issues, best practices, investment authority, training opportunities, subsidy resources, reference materials, etc.

Policy

• 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.

• Work with other bank regulators to revise the CRA regulation to make it more flexible in addressing business strategies of, in particular, non-branch-based institutions, mid-sized institutions, and institutions focusing on service and/or investments.

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

• OTS will work closely with the other banking regulators on CRA implementation and regulatory issues. OTS CA staff will work with various entities at the federal, state and local level in its outreach, training and partnership building activities.

Key External Factors Potentially Affecting Achievement of Strategic Goal #2

• Economy: A downturn in the economy may impact thrifts’ appetite 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.

CY 1999 PROGRAM PERFORMANCE REPORT

(f) Performance Measure 2a-2: The target for 1999 was an 85% success rate. During 1999, 73% of the regulatory barriers identified were addressed by year end, meaning that OTS achieved 86% of the specified 85% target. Three of the barriers identified during 1999 involved issues of policy or law that must be dealt with through legal interpretation, policy guidance, and/or regulatory changes before the issues can be resolved. One issue must also be dealt with on an interagency basis. This process takes time and is dependent on parties other than the Community Affairs or Compliance Staff.

(g) Performance Measure 2b-1: This measure has 3 separate targets. The 1999 target for “the number of outreach, training and partnership building events held (or participated in) divided by the number planned” is 90%; the 1999 success rate was 100%. The 1999 target for “the number of new areas or groups reached divided by the number targeted” is 85%; the 1999 success rate was 100%. The 1999 target for “the number of thrift participants divided by the number targeted” is 50%; the 1999 success rate was 52%. Since OTS met every target, the overall 1999 success rate for this measure is 100%.
Strategic Goal 3: 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.

Projected 2000 Expenditures

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<tr>
<td><strong>Performance Goal 3a: Reduce regulatory burden whenever possible, consistent with effective supervision.</strong></td>
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<tr>
<td>Performance Measure 3a-1: Meet the application processing timeframes (either 30 or 60 days excluding time to deem complete) except when an application contains an issue of law or policy.</td>
<td>99%</td>
<td>98.9%</td>
<td>97%</td>
<td>98.3%</td>
<td>98%</td>
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<tr>
<td>Performance Measure 3a-2: The number of OTS regulatory reinvention projects completed in question and answer plain language format divided by the number of OTS regulatory reinvention projects planned to be completed in that format.</td>
<td>NA*</td>
<td>80%</td>
<td>80%</td>
<td>100% (h)</td>
<td>See &quot;Program Performance Report&quot; section.</td>
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<td><strong>Performance Goal 3b: Develop and maintain an OTS workforce capable of providing assistance to thrift institutions in meeting the thrifts’ regulatory responsibilities.</strong></td>
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<tr>
<td>Performance Measure 3b-1: The percentage of regulatory staff who will receive at least 30 hours of training designed to keep them current in regulatory issues and industry developments. The target for this measure is that 60% of OTS’s regulatory staff will receive this training; if the 60% target is reached, OTS will report a 100% success rate.</td>
<td>NA*</td>
<td>NA*</td>
<td>NA*</td>
<td>NA*</td>
<td>100%</td>
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*NA indicates the performance measure was not or will not be used during the specified year.

One of OTS’s continuing initiatives is to reduce the regulatory burden on thrifts while maintaining effective supervision. This includes initiatives to enhance the efficiency of the financial reporting process and to improve the application process. During the coming years, Supervision will continue to streamline the examination process. OTS has already significantly reduced the amount of on-site examination time; streamlined reporting requirements by moving to consolidated reports; redesigned approximately 71 percent of OTS’s regulations to make them easier to understand; and eliminated unnecessary restrictions.
CY 2000 PERFORMANCE PLAN EXPLANATION

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

1. Processes

OTS will continue to revise its regulations to reduce regulatory burdens consistent with safety and soundness. OTS will also continue to streamline the application process to be more simple, consistent and regionally based with respect to applications that do not raise new issues, to reach policy decisions on new issues as quickly as possible, and to enhance the application process to expand credit, service and investment in underserved communities.

2. Staff Skills

OTS management is committed to maintaining a high degree of competence and skill for OTS employees. OTS staff who work in the Chief Counsel’s Office participate in training programs to enhance their skills. These programs include Legal Writing, Regulatory Developments, Plain Language, Trust Law, Fair Housing, and others. During 1999, OTS started rotating regional staff, often with “hands on” examination experience, into Washington to work on complex applications and application policy. We will continue this process during 2000, and anticipate some rotations of Washington staff into the regions as well.

3. Technological Resources:

The Consumer Complaint System collects and tracks data on complaints filed by individuals against institutions regulated by OTS.

The Corporate Structure System maintains a record of all institutions regulated by OTS. Most of the updates come automatically from the National Application Tracking System. It contains both current and historic information about an institution such as its name, docket number, address, charter type, acquisitions, etc. This system is essential for the proper functioning of most of OTS’s automated information systems such as the Thrift Edit, Thrift Time Series, Examination Data, National Application Tracking System, and Assessment Billing System.

The National Application Tracking System provides a central file of all applications processed. The system was expanded to allow applications that impact the corporate structure of a savings association to electronically interface with the Corporate Structure System.

The Regulatory Plan System provides information on the regulatory posture of each institution, the problems identified, the actions taken or contemplated and the regulatory plans for the future.

Strategies for Achieving Annual Performance Goals Related to Strategic Goal 3

• Provide staff with the opportunity to develop the knowledge and skills necessary for proficient job performance and professional development; utilize technological best practices to provide opportunities.
  ⇒ Design a program and implement an infrastructure that promotes, brokers and monitors individually-tailored professional development opportunities for the OTS staff.
  ⇒ Reassess content of training and methods of delivery, and use technology to create flexibility in training.
  ⇒ Integrate training with policy decisions.
  ⇒ Make available to a wide audience training material that is searchable.
• Implement career tracks that encourage supervision staff to develop and maintain expertise in specialized risk areas.
  ⇒ Complete Specialty Examiner Project.

• Use existing and developing tools to communicate timely and continuously with staff in a useful way.
  ⇒ Continue to work with staff to find most efficient way to use the Intranet to communicate.
  ⇒ Make effective use of video-conferencing to allow for discussions among regional personnel, and between Washington and the regions.
  ⇒ Use the Investment Review Board to better align information technology with the supervision process.

• Increase responsiveness to internal customers.
  ⇒ Create internal customer service guidelines, including time frames.

• Regulations will continue to be rewritten using “plain English” techniques. Since 1996, all OTS-only regulations that have affected an entire part or subpart of the Code of Federal Regulations pertaining to the OTS (12 C.F.R. Parts 500 - 599) have been written using these techniques.

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

• OTS will continue to seek input from the industry, community groups, and front-line OTS staff (using focus groups, town meetings, and public comment periods) on ways that regulations can be revised to:
  ⇒ address real issues facing the thrift industry;
  ⇒ give thrift management the room to exercise business judgment;
  ⇒ be flexible enough to allow the industry to evolve safely and soundly;
  ⇒ recognize where differential regulation (based on size, condition, or other relevant considerations) may be appropriate;
  ⇒ be as clear as possible; and
  ⇒ be legally enforceable.

• OTS will continue to publish proposed regulations, supervisory guidance, and legal opinions on the OTS website. In addition, applications being processed are listed under the following categories:
  ⇒ Significant New Applications in Process - a listing of applications from entities or individuals whose institutions are or would be regulated by OTS; the list is updated daily.
  ⇒ Applications for New Thrift Charters Detail Report - includes non-banking activity applications (e.g., insurance companies) dating from January 1, 1997; the list is updated monthly.
  ⇒ Applications in Process Database - A searchable database of applications from entities or individuals whose institutions are or would be regulated by OTS. Contains all applications in process as well as those completed within the last 12 months; this list is updated daily.

• OTS will communicate to the industry and members of the public how they may submit comments on proposed regulations, suggestions for regulatory improvements, and requests for legal opinions and other agency advice electronically.
In regulatory and supervisory documents, OTS will routinely ask for public input about opportunities for reducing regulatory burden and how OTS can communicate more clearly and effectively on regulatory and supervisory issues.

OTS will review the outstanding delegation of applications to the Regional Offices and, based on recent experience with application types, 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.

Provide for annual application staff meetings to ensure topical training, the opportunity for an in-depth exchange of ideas and to reinforce consistency in processing and analysis.

Ensure the close coordination of, and continual dialogue among, application processing, legal and compliance staffs.

Utilize Department of Justice findings pertaining to competitive effects of a merger when analyzing the merger’s impact on affected communities.

Facilitate discussion between interested members of an affected community and the applicants to ensure a full and fair understanding of a merger and the effect it will have on communities.

Carefully evaluate all merger 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 non-predatory, non-abusive provision of credit, including home equity lending and consumer credit, to low- and moderate-income individuals and neighborhoods.

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

OTS will continue working with the other banking agencies to respond fully to the requirements of Section 303 of the Riegle Community Redevelopment and Regulatory Improvement Act of 1994 to streamline and modify regulations and improve interagency consistency.

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

Key External Factors Potentially Affecting Achievement of Strategic Goal #3

Reliance on various Federal agencies and other groups - OTS often partners with the OCC, the FRB, the NCUA, and the Federal Deposit Insurance Corporation when developing regulations and policy statements. Thus, OTS cannot assure that regulatory burden will always be reduced.

CY 1999 PROGRAM PERFORMANCE REPORT

(h) Performance Measure 3a-2: OTS achieved 100% success on this measure because only 2 regulations met the criteria for question and answer format; and both regulations were written in that format.
OTS primarily interacts with the thrift institutions it charters, examines and supervises and the customers these institutions serve. OTS also provides the general public with statistical reports, securities filings of stock institutions, chartering records and other information. It helps 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 has developed service standards for the Examination process, Congressional Correspondence, Interpretive Opinions, Public Information, and Consumer Assistance. Every program with a published service plan sends a quarterly report to the OTS Ombudsman regarding its progress in meeting its stated service standards. The Ombudsman reviews the information, meets with the appropriate office to review the data, and suggests ways to improve service.

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<td>Performance Goal 4a: Develop, distribute and monitor adherence to service plans for all major agency functions.</td>
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<td>Performance Measure 4a-1: The number of service plans that met their standards divided by the total number of service plans. (The goal is that all service plans will meet their standards at least 80% of the time; if this goal is met, OTS will report a 100% success rate for this measure.)</td>
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**CY 2000 PERFORMANCE PLAN EXPLANATION**

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

1. 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. He encourages the resolution of issues between thrifts and OTS directly with regional
examination and supervisory staff. The Ombudsman can materially improve public satisfaction with OTS, and in the process, 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.

2. **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. Classes such as Making Presentations; Conducting Effective Meetings; Leadership, Change and Empowerment; Telephone Service Skills; Managing Multiple Priorities; Listening and Memory Development; Interpersonal Communications; Time Management; Problem Solving and Decision Making; Speaking with Confidence; Ethics for Litigators, as well as courses to enhance computer, verbal and writing skills including Plain Language, are provided to employees.

3. **Technological Resources:**

The [National Survey System](#) provides managers an automated approach to conduct internal surveys of OTS staff. Data collection is obtained on-line from employees, which eliminates manual data entry of surveys and provides immediate access and retrieval of the survey results. Output reports can be sorted by different variables to provide survey statistics and user comments to management.

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

The OTS Ombudsman will work to further problem resolution assistance across organizational lines of responsibility through mediation, facilitation, negotiation, or other alternative resolution methods appropriate to a particular issue. The Ombudsman will work with each of the divisions to explore possible changes in policies, procedures or processes in response to problems or trends that have developed. To accomplish this goal, the Ombudsman will:

- **Work with Supervision Policy, the Chief Counsel’s Office and OTS’s regional offices to ensure that the new editions of [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.**

- **Continue to offer a program of instruction to assist thrift directors in becoming more aware of the best practices of efficient boards of directors.**

- **Make a professionally edited videotape, [Directors’ Responsibilities](#), available to thrift institutions, especially newly-chartered thrifts. This videotape will provide both new and experienced directors with hands-on opportunities to develop the tools they need to understand how well management is operating their institution.**

### Crosscutting Efforts with Other Federal Financial Regulatory Agencies Related to Achieving Strategic Goal #4

- **The OTS Ombudsman’s efforts will primarily focus on problem resolution, communication and training. Specifically, during 2000 the Ombudsman will sponsor Directors’ Forums for thrift directors and senior thrift officers. These forums will rely on the resources of OTS regional leaders, university instructors, OTS Washington staff and regional directors.**
CY 1999 PROGRAM PERFORMANCE REPORT

(i) Performance measure 4a-1: Of the 5 customer service plans existing at year end, OTS achieved an 80% success rate. The standards set forth in the customer service plans for Examination Processing, Interpretive Opinions, Congressional Correspondence, and Consumer Assistance were met at least 80% of the time (the stated target). During the year, one Plan (Public Information) was terminated as a new vehicle to deliver the services (the internet) had been developed. A new customer service plan for OTS’s internet site will be developed during 2000.

The overall standards in the Applications Processing Customer Service Plan were achieved 66.7% of the time. The most critical measurement in this Plan, "timeliness" was achieved 98% of the time. The "timeliness" standard encompasses two objectives: "All applications, unless eligible for expedited treatment, should be processed to a decision within 60 days from the date they are deemed complete" and "Expedited applications should be processed to a decision within 30 days from the date they are deemed complete." The overall 66.7% success rate resulted from problems encountered during the first 6 months of 1999 when the number of applications filed increased significantly due to the impending financial services modernization legislation. As a result of the significant increase in the number of applications, staff concentrated their efforts on meeting the timeliness objectives. It is anticipated that the standards in the Applications Processing Customer Service Plan will be met during 2000.
Verification and Validation of Annual Performance Measurement Data

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. For example, the Examination Data System (EDS) supports the measure that reports the number of examinations completed to scheduled. The Thrift Information Management system (TIM) was implemented in 1997 and integrated: Examination Data System (EDS), Report of Examination (ROE), Regulatory Action Data System (RAD), Regulatory Plan System (RPS), Corporate Structure, Holding Company Structure, and National Application Tracking System (NATS). These systems continue to exist, but TIM provides access to those systems, ensures the data is consistent among the systems, and produces integrated reports. NATS supports the performance measure dealing with the application processing timeframes.

For each performance measure, a “contact person” is assigned. The contact person is responsible for ensuring that the “level of success” for his or her measure as reported in OTS’s Performance Report is accurate; the contact person is also responsible for keeping auditable records. In addition, the OTS quality assurance program, which has been in place since 1991, provides internal quality control for the examination process and for administrative functions performed in the five regional offices. OTS’s Quality Assurance Reviews determine the accuracy, reliability and fairness of information and financial data produced within the regions and ensures that all regional information complies with Federal Managers’ Financial Integrity Act (FMFIA) standards. FMFIA requires the heads of departments and agencies to establish internal accounting and administrative control programs in accordance with standards prescribed by the Comptroller General. The Quality Assurance program has been further enhanced through establishment of a new Office of Internal Review and Evaluation, reporting directly to the OTS Director.

The methodology used to capture the level of performance for each performance measure is described below:

Measure 1a-1: The number of thrifts that received each type of examination divided by the number of thrifts scheduled to receive this type of examination.

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 (including Community Reinvestment Act), trust, holding company, and information systems examinations, are conducted pursuant to internally generated examination frequency requirements. When an institution is examined, 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 five Regional Directors. Any examination or institution that falls outside of the specified guidelines for the examination time frame or duration is identified. When necessary, management will determine why standards are not being met and will initiate steps to improve performance. The quantitative value for this measure will be calculated separately for each examination type by dividing the number of examinations that were conducted by the number of examinations that were scheduled to be conducted.

Data Accuracy: Reasonable accuracy; data for this measure meets the accurate and auditable standards set forth under the above section entitled “Performance Data Quality for all Performance Measures.”
Measure 1b-1: The number of thrift institutions rated “4” or “5” during the measurement period that have an enforcement action, supervisory action or waiver in place or that have received a decision for waiver, enforcement action or supervisory action divided by the total number of thrift institutions that were rated “4” or “5” with examinations that were completed more than 60 days ago.

Definition: OTS employs its enforcement powers to advance the agency’s supervisory mission of maintaining a safe and sound thrift industry. Most new enforcement cases focus on correcting unsafe and unsound practices in thrifts before they result in the institution becoming undercapitalized.

OTS’s CAMELS system is the same as the CAMELS rating system used by the other financial regulators (FDIC, OCC, NCUA, and Fed) for describing the condition of banks and credit unions. CAMELS is an acronym for Capital Adequacy, Asset Quality, Management, Earnings and Liquidity/Risk Management, and Sensitivity. OTS uses five CAMELS classifications: Those with CAMELS ratings of 1 or 2 are the healthiest thrifts; those with ratings of 3 are experiencing some difficulty, but their overall strength makes failure unlikely; and those with ratings of 4 or 5 are problem thrifts presenting the highest degree of concern. The number of problem thrifts and their combined assets are currently at post-FIRREA lows. Not only are there few problem thrifts, but their financial condition is much stronger than that of problem thrifts during the early 1990’s.

OTS will measure this standard using a management report prepared monthly with information taken from the Regulatory Action Data System (RADS) which tracks institutions that are rated 4 or 5 and indicates whether these 4 or 5 rated institutions have received an enforcement action or decision for enforcement action within 60 days of the examination report.

Data Accuracy: Reasonable accuracy; data for this measure meets the accurate and auditable standards set forth under the above section entitled “Performance Data Quality for all Performance Measures.”

Measure 1c-1: The number of examination reports deemed generally consistent with OTS examination policies and procedures divided by the number of examination reports reviewed.

Definition: OTS believes that examination reports should effectively communicate safety and soundness concerns to boards of directors, and that our supervisory efforts should be responsive to thrift management’s concerns. The Quality Assurance Program (QA) solicits input from thrift managers on examination issues and the QA reviews a statistical sample of examination reports for clarity and consistency with national examination policies. Reviews are conducted on Safety and Soundness, Compliance/CRA, Trust, and Information Systems examination reports. National examination policies are contained in the examination handbooks (Thrift Activities, Compliance Activities, Trust Activities, and the interagency Electronic Data Processing (EDP) Examination Handbook). Examination handbooks are updated continuously to reflect new statutes, policies, and new activities being undertaken by the thrift industry.

OTS will measure this standard through the review of examination reports by the regional QA managers, all of whom are seasoned examiners. The performance measure will be calculated by dividing the number of examination reports found to be consistent with national policy by the total number of examination reports reviewed.

Data Accuracy: Reasonable accuracy; data for this measure meets the accurate and auditable standards set forth under the above section entitled “Performance Data Quality for all Performance Measures.”
Measure 1d-1: The number of times thrifts rated the value of the examination process as being “satisfactory” or “better than satisfactory” divided by the total number of thrifts that responded to the examination survey.

Definition: The service plan for the examination process was published in September 1994. Since then, when an institution receives a Safety and Soundness, Compliance, Community Reinvestment Act, or Information Systems examination, it also receives a survey form, the purpose of which is to assess OTS’s performance against the service plan. The current survey form contains 11 questions. Each question measures one aspect of the performance of the examination team during the examination. Each of the 11 questions is answered either “yes” (signifying “satisfactory” or “better than satisfactory” performance), or “no” (signifying “less than satisfactory performance”). In addition, five of the questions allow qualitative responses (“very satisfied,” “somewhat satisfied,” “somewhat dissatisfied,” and “very dissatisfied”).

The results from the service surveys are entered into a database. The regional service coordinator, who enters the results into the database, also enters an assessment as to whether the survey received an overall positive or negative response, based on the answers to each of the 11 questions, plus any narrative comments in the survey. The performance measure will be calculated by dividing the number of surveys that received a positive response by the number of surveys received during the period. The time frame for calculating this measure is November 1 through October 31; OTS changed the time frame for calculating this measure due to a suggestion made by Treasury’s Office of Inspector General. The survey response rate is about 60 percent.

Data Accuracy: Reasonable accuracy; data for this measure meets the accurate and auditable standards set forth under the above section entitled “Performance Data Quality for all Performance Measures.”

Measure 1e-1: Number of thrift institutions with a compliance rating of “4” or “5” during the measurement period and an enforcement action, supervisory action or waiver in place, or that have received a decision for waiver, enforcement action or supervisory action divided by the total number of thrift institutions rated “4” or “5” with examinations completed more than 60 days ago.

Definition: Each institution receives a compliance rating from 1 to 5 following its compliance examination, and the ratings are entered into the Examination Data System (EDS). The Regulatory Action Data System (RAD) contains supervisory and enforcement action data. OTS will measure this standard using a Thrift Information Management (TIM) report with information taken from EDS and RAD, which tracks institutions with compliance ratings of “4” or “5” and whether these institutions have received an enforcement action or decision for enforcement action within 60 days of the examination report.

Data Accuracy: Reasonable accuracy; data for this measure meets the accurate and auditable standards set forth under the above section entitled “Performance Data Quality for all Performance Measures.”

Measure 1f-1: The number of OTS-regulated thrift institutions that are at least “adequately capitalized” or are under a Prompt Corrective Action Directive or are recapitalized to at least the “adequately capitalized” level within 150 days of becoming undercapitalized, or that have received prior approval by the Deputy Director for exceeding the 150-day timeframe for issuance of the PCA Directive, divided by the total number of OTS-regulated thrift institutions minus those that are operating under an approved PCA Capital Plan or that have been undercapitalized for less than 150 days.

Definition: OTS has adopted a measure that addresses both of the objectives of PCA: 1) to recapitalize undercapitalized thrifts at the least cost to the deposit insurance fund; and 2) to do it “promptly.” The statute requires that institutions submit capital restoration plans within 45 days of becoming “undercapitalized,” and for the agency to act on the capital plan generally not later than 60 days after submission. The OTS policy is to formally act on capital plans through the issuance of a PCA directive. The measurement adopted allows 150 days from the thrift becoming “undercapitalized,” to issue the PCA Directive. This time...
frame includes notification, capital plan submission, review, decision on the capital plan, and issuance of the PCA Directive. Alternatively, 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.

OTS will measure its performance against this standard through the PCA Monitoring Reports prepared quarterly by the regional operations division of Supervision located in Washington using a report prepared by Research and Analysis, “List of Institutions by PCA Category.” The PCA monitoring reports contain aggregate data on the number of thrifts in the three PCA undercapitalized categories, an analysis of each PCA undercapitalized institution, the cause of the problem, and the strategy to recapitalize, including the appropriate time frames. The PCA Monitoring Reports also contain information on institutions that are just above the PCA adequately capitalized levels.

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

Data Accuracy: Reasonable accuracy; data for this measure meets the accurate and auditable standards set forth under the above section entitled “Performance Data Quality for all Performance Measures.”

The following three performance measures appeared in OTS’s 1999 Performance Plan and are included here as part of OTS’s 1999 Performance Report. These three measures are not part of OTS’s 2000 Performance Plan because they have been completed.

Measure 1g-1: The number of thrift institutions receiving a Year 2000 conversion review divided by the total number of thrift institutions scheduled for review.

Definition: OTS aggressively and affirmatively responded to the challenge of ensuring that the thrift industry’s operations and services were not disrupted by problems related to the millenial calendar year rollover. OTS completed four rounds of Year 2000 examinations. OTS oversight of thrift preparations will continue until any and all Y2K issues are resolved.

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

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

Data Accuracy: Reasonable accuracy; data for this measure meets the accurate and auditable standards set forth under the above section entitled “Performance Data Quality for all Performance Measures.”
Measure 1h-1: The number of OTS-regulated thrift institutions that, as of September 30, 1999 are rated “satisfactory” at their most recent Year 2000 examination or that are subject to appropriate supervisory action or enforcement action divided by the total number of OTS-regulated thrifts.

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

Data Accuracy: Reasonable accuracy; data for this measure meets the accurate and auditable standards set forth under the above section entitled “Performance Data Quality for all Performance Measures.”

Measure 1i-1: The number of outreach projects completed divided by the number of outreach projects planned, including Congressional projects.

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

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

Data Accuracy: Reasonable accuracy; data for this measure meets the accurate and auditable standards set forth under the above section entitled “Performance Data Quality for all Performance Measures.”

Measure 2a-1: The percentage of thrifts with less than satisfactory CRA ratings assigned in 2000 to which OTS offers or provides one-on-one community development related outreach and technical assistance to within 60 days of completion of the examination.

Definition: Since part of OTS’s long term strategic goal is to support the industry’s efforts to meet its CRA obligations, OTS will offer technical assistance to each institution that receives a “Needs to Improve” or lower CRA rating this year. We will always offer our assistance and then actively work with those who want our assistance. The assistance will be offered by either the Community Affairs program staff or the Compliance Examination staff.

Data Accuracy: Reasonable accuracy; data for this measure meets the accurate and auditable standards set forth under the above section entitled “Performance Data Quality for all Performance Measures.”

Measure 2a-2: The number of community development related regulatory barriers addressed divided by the number identified (investment authority or CRA).

Definition: These regulatory barriers would include barriers pertaining to both investment authority and CRA. Interpretations of, changes to, and guidance about the subject regulations would be an acceptable means for addressing the regulatory barriers. With respect to CRA, such guidance is generally done on an interagency basis, which frequently requires extensive consultations.
Data Accuracy: Reasonable accuracy; data for this measure meets the accurate and auditable standards set forth under the above section entitled “Performance Data Quality for all Performance Measures.”

Measure 2b-1: The number of outreach, training, or partnership building events held (or participated in) divided by the number of events planned (90%); the number of new areas or groups reached divided by the number targeted (85%); and the number of thrift participants divided by the number targeted (50%). (OTS will report a 100% success rate if the stated targets are met.)

Definition: Each year the Community Affairs staff establishes a program agenda and individual work plans for Washington and the regional offices that set forth goals for the year and are approved by senior management. Each activity is targeted to some portion of the OTS-regulated thrift industry, since the purpose of the Community Affairs program is to further OTS’s long term goal of supporting the thrift industry’s efforts to meet their CRA obligations, and to provide safe and sound loans, investments and financial services for low and moderate income individuals, communities, and other areas of greatest need. OTS will measure how much was accomplished relative to what was planned in the areas of outreach, training, and education. OTS will also measure the extent to which we were able to reach the targeted portions of the thrift industry through these efforts (number of institutions participating compared to those targeted).

Data Accuracy: Reasonable accuracy; data for this measure meets the accurate and auditable standards set forth under the above section entitled “Performance Data Quality for all Performance Measures.”

Measure 2b-2: The number of new partnerships formed, activities/programs commenced or investments made in 2000 as a result of OTS’s outreach, training, or partnership building activities. The goal is the 1999 baseline. If the 1999 baseline is met during 2000, OTS will report a 100% success rate.

Definition: Each OTS regional office will follow up periodically with thrifts and others with whom it has worked directly (through outreach, training, partnership building and one-on-one assistance) to determine whether an investment was made, partnership was formed or activity commenced as a result of the office’s work. OTS will report on those investments, partnerships or activities that it becomes aware of.

Data Accuracy: Reasonable accuracy; data for this measure meets the accurate and auditable standards set forth under the above section entitled “Performance Data Quality for all Performance Measures.”

Measure 2b-3: The number of speeches or presentations given by senior management on community development related topics divided by the number planned. (The 2000 targeted number of speeches is 25.)

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

Data Accuracy: Reasonable accuracy; data for this measure meets the accurate and auditable standards set forth under the above section entitled “Performance Data Quality for all Performance Measures.”

Measure 3a-1: Meet the application processing timeframes except when an application contains an issue of law or policy.

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 five Regional Offices. Certain complex transactions and those containing issues of policy or law are reviewed and acted upon in Washington. The mission of the applications program is to ensure that applications are processed within established timeframes and that application decisions are consistent with current OTS regulations and policies. All applications, unless eligible for expedited treatment, should be processed to a decision within 60 days from the date
they are deemed complete, unless they raise issues of law or policy. Expedited applications should be processed to a decision within 30 days from the date they are deemed complete.

The performance measure will be calculated by dividing the number of applications that were processed within the established timeframes by the total number of applications received.

Data Accuracy: Reasonable accuracy; data for this measure meets the accurate and auditable standards set forth under the above section entitled “Performance Data Quality for all Performance Measures.”

**Measure 3a-2: The number of OTS regulatory reinvention projects completed in question and answer plain language format divided by the number of OTS regulatory reinvention projects planned to be completed in that format.**

**Definition:** One of OTS’s continuing initiatives is to reduce the regulatory burden on thrifts and to rewrite our regulations in plain language question and answer format. This format makes our regulations easier to understand and enables savings institutions to find the information they need more quickly.

The quantitative value for this performance measure will be obtained by dividing the number of regulatory projects completed in plain language question and answer format by the number of OTS regulatory projects planned to be completed in that format.

Data Accuracy: Reasonable accuracy; data for this measure meets the accurate and auditable standards set forth under the above section entitled “Performance Data Quality for all Performance Measures.”

**Measure 3b-1:** The percentage of regulatory staff who will receive at least 30 hours of training designed to keep them current in regulatory issues and industry developments. The target for this measure is that 60% of OTS’s regulatory staff will receive this training; if the 60% target is reached, OTS will report a 100% success rate.

**Definition:** OTS will calculate this measurement 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 database of the Office of Professional Development (OPD).

Data Accuracy: Reasonable accuracy; data for this measure meets the accurate and auditable standards set forth under the above section entitled “Performance Data Quality for all Performance Measures.”

**Measure 4a-1:** The number of service plans that met their standards divided by the total number of service plans. (The goal is that all service plans will meet their standards at least 80% of the time.)

**Definition:** On September 11, 1993, President Clinton issued an Executive Order entitled “Setting Customer Service Standards.” The purpose of the Order was to facilitate the establishment and implementation of service standards within the government. The order requires agencies to survey their customers to understand their needs and expectations. Agencies must then set forth and publish standards that address needs. OTS subsequently established set standards for core external groups in response to the Executive Order.

OTS believes its primary stakeholders are the thrift institutions it charters, examines and supervises and the customers these institutions serve. OTS published a service plan in 1994 for the examination process. The standards for the examination process can be grouped by pre-examination process, examination fieldwork,
and post-examination process. OTS measures the standards set forth in this plan by conducting formal surveys and participating in town meetings and focus groups throughout the nation.

Service plans for Congressional Correspondence, Interpretive Opinions, Applications Processing, Public Information and Consumer Assistance have also been published. Other service plans will be created as needed. Every office with a published service plan reports to the OTS Ombudsman on a quarterly basis regarding whether it is meeting its stated service standards. The OTS Ombudsman analyzes the information and presents a detailed report to the agency’s senior managers.

The quantitative value for this performance measure will be obtained by dividing the number of service plans that met their stated goals 80 percent of the time by the total number of service plans. The OTS goal is that all of OTS’s service plans will meet their specified goals at least 80 percent of the time; if all customer service plans reach the 80% goal, a 100% success rate will be reported for this measure.

Data Accuracy: Reasonable accuracy; data for this measure meets the accurate and auditable standards set forth under the above section entitled “Performance Data Quality for all Performance Measures.”
Special Analysis

Program Evaluations of OTS Activities

OTS lists one program in its annual OMB budget submission - the supervision of thrift institutions. Both internal and external program evaluations and reviews are conducted periodically to determine whether or not specific OTS activities are accomplishing their stated objectives and ultimately contributing to OTS’s overall mission.

Summary Findings

OIG Audits and GAO Reviews - The most recent OIG audits and GAO reviews (conducted during FY 1998 and 1999) are listed below. Unless stated otherwise, the study or review contained no findings requiring OTS action.

GAO Evaluations:

<table>
<thead>
<tr>
<th>Project Name</th>
<th>Commenced</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>On-line Banking System Review</td>
<td>8/28/97</td>
<td>Completed 9/30/98</td>
</tr>
<tr>
<td>Review of OTS’s Year 2000 Efforts</td>
<td>11/20/97</td>
<td>Completed 3/18/98</td>
</tr>
<tr>
<td>125% Loan to Value Loans</td>
<td>2/9/98</td>
<td>Completed 8/13/98</td>
</tr>
<tr>
<td>Study of Subchapter S Corporations; the impact of changing the law.</td>
<td>12/13/99</td>
<td>Field work in progress.</td>
</tr>
<tr>
<td>Project Name</td>
<td>Commenced</td>
<td>Status</td>
</tr>
<tr>
<td>------------------------------------------------------------------------------</td>
<td>-----------</td>
<td>------------------------------------------------------------------------</td>
</tr>
<tr>
<td><strong>Treasury Department IG Projects</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consultative Study: Review of OTS’s Information Systems</td>
<td>9/10/97</td>
<td>Completed 9/30/98</td>
</tr>
<tr>
<td>Follow-up Audit on Procurement Operations</td>
<td>12/4/97</td>
<td>Field work completed 7/98; draft report received 7/28/99; response provided 8/27/99; audit team back onsite doing field work; fieldwork completed 11/99 but final report not yet received.</td>
</tr>
<tr>
<td>Evaluation of Domestic Grant, Loan, and Cooperative Agreement Programs</td>
<td>5/13/98</td>
<td>Completed 6/1/98</td>
</tr>
<tr>
<td>Joint Audit of the FFIEC Training Function</td>
<td>4/27/98</td>
<td>Completed 3/31/99</td>
</tr>
<tr>
<td>Satisfaction Survey re IG audit - Findings: OTS needs to strengthen conflict of interest controls over examiners resigning for employment with thrifts.</td>
<td>9/8/98</td>
<td>Completed 9/11/98</td>
</tr>
<tr>
<td>Review of Thrifts’ Compliance with the Community Reinvestment Act</td>
<td>5/25/99</td>
<td>Audit suspended until further notice.</td>
</tr>
</tbody>
</table>
Year 2000 Compliance of OTS’s Internal Systems - OTS began actively addressing the Y2K conversion of its internal systems in 1996 when it completed an assessment of its national systems and developed a conversion plan to complete all coding efforts by the end of 1998. OTS identified 15 mission-critical information technology systems that supported OTS industry, administrative and regulatory functions. OTS’s approach was to incorporate Year 2000 modifications in conjunction with scheduled system modifications. This gradual renovation approach provided ample time and resources for all systems to be compliant by year end 1998 and allowed over a year of production processing to occur with the renovated code before the Year 2000. As of October 1998, all mission-critical systems were renovated for Year 2000 compliance, tested and implemented in production.

OTS conducted Year 2000 certification testing at the agency’s Remote Disaster Recovery Center after the systems had completed renovation and implementation. All fifteen mission critical systems were tested in 1998. The objectives of the tests were to ensure that agency computing could be re-established at a remote center in the event of a disaster and to obtain formal Year 2000 certification by the system’s owners and respective management. OTS completed an additional round of tests in 1999 that ensured that changes to the application systems, the operating environment and external interfaces would not impact Year 2000 readiness.

The final step in OTS’s Y2K process involved contingency planning to address a Year 2000 system failure. Year 2000 IT Contingency Plans were developed in 1998 for each mission critical system to help OTS prepare for the continuity of critical services. During 1999 OTS met quarterly to review and update contingency plans.

OTS participated in assessments of its Year 2000 program by Congress, GAO and Treasury. Copies of the speeches and testimony are posted on OTS’s Year 2000 Web site. The Department of the Treasury, Office of Inspector General, performed a limited review of the Year 2000 conversion effort and concluded that OTS “has established an infrastructure for managing its conversion effort and minimizing the risk that a Year 2000 induced failure would have on its mission critical operations. There were no significant reportable issues nor recommendations for corrective action.”

Conclusion: As a result of OTS’s Y2K efforts, the millennial rollover went very well. OTS Regional staff contacted all thrifts during the weekend and learned that computer systems at OTS-regulated thrifts were operating normally. Within OTS, all national computer systems continued to operate with no problems after the rollover to the new year.

Regional Quality Assurance (QA) Program - OTS’s Quality Assurance Program provides an internal review process that exceeds the FMFIA standards and provides OTS’s Director with a firm basis for assurance that OTS’s examination and supervision programs are carried out in an effective and efficient manner.

FMFIA - The Federal Manager’s Financial Integrity Act (FMFIA) mandated the establishment of internal controls to protect federal programs from fraud, waste and abuse. OTS maintains strong internal controls, comprehensive financial management controls, personnel security controls, computer security controls, and strong asset accountability programs. OTS maintains budgetary integrity through the continual oversight and monitoring of its annual budget. Generated reports allow the budget staff to regularly analyze the status of all accounts, review all expenditures, and make recommendations to senior management regarding potential savings and/or possible overages in the various accounts.

OTS’s Annual Assurance Statement for the fiscal year ending September 30, 1999, as required by FMFIA, indicated that OTS’s management control systems are adequate and ensure that programs achieve their intended results; resources are used consistent with the OTS mission; programs and resources are protected from waste, fraud, and mismanagement; laws and regulations are followed; and reliable and timely information is obtained and used for decision making.

In addition, none of the quality assurance and other reviews, audits, management studies, or program and annual evaluations conducted during FY 1999 identified any Section 2 (programs and administrative functions) significant or “material” weaknesses, or Section 4 (financial systems) material nonconformances.
OTS reviews its existing FMFIA program annually to ensure that it satisfies all statutory requirements and OMB guidance, and that it facilitates managers’ participation and compliance. OTS’s FMFIA program will change as statutory requirements and OMB guidance change.

OTS has established an Investment Review Board, made up of senior officials (including one Regional Director, on a rotation basis), to systematically review OTS’s technology investments to ensure their continued efficiency, relevance and security.

**Audited Financial Statements** - The foundation of OTS’s financial management control program is its annual financial statement audit. The 1998 audit was conducted by the independent, certified public accounting firm of Deva & Associates, P.C. The audit was completed on March 31, 1999. For the ninth consecutive year, OTS was given an unqualified opinion on its financial statements and the report contained no reportable conditions. In addition, auditor testing confirmed that OTS’s financial management systems substantially comply with the Federal financial management systems requirements, applicable accounting standards, and the U.S. Standard General Ledger at the transaction level.

**Financial Management Systems** - OTS uses an off-the-shelf accounting system purchased from Computer Data Systems as the key component of its financial management system. OTS’s financial management system is comprised of the Primary Accounting System (which operates on a calendar-year basis), the Assessment Billing System, the Budget System, the Payroll/Personnel System, the Positions/Personnel Reporting System and the Time Activity Reporting System. Other critical components of the financial management system are the National Application Tracking System, and the Furniture, Fixtures, and Equipment Tracking System.

OTS’s financial management system produces accurate, relevant and timely information. Summary financial reports and budget variance reports are provided to senior management on a monthly basis to assist in decision making. OTS has received an unqualified audit opinion on all of its audited financial statements since 1990.

OTS continually enhances its financial management systems based on changing user needs. Regular updates incorporate changes in OPM and IRS rules and regulations. Currently, OTS is initiating a review and evaluation of the Primary Accounting System as part of an overall plan to modernize and enhance OTS’s administrative systems. The intent of this project is to identify and recommend ways to leverage OTS’s continuing investment in updated client/server technology in order to increase operational efficiency, lower costs, and provide for greater compliance with evolving government-wide administrative and financial system standards.
### Supplemental Information

**Aid by non-Federal Parties:** No non-Federal persons or other entities were used in the preparation of this performance plan. The only outside assistance utilized was provided by the Department of the Treasury and the Office of Management and Budget, in the form of guidance to help 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.

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

#### OTS’s Mission Statement as it appeared in the 1997 - 2002 Strategic Plan:

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

#### OTS’s Mission Statement as it appears today:

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

#### OTS’s Strategic Goals as they appeared in the 1997 - 2002 Strategic Plan:

<table>
<thead>
<tr>
<th>Number</th>
<th>Original Goal</th>
<th>Revised Goal</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Maintain and enhance our risk-focused, differential and proactive approach to the supervision of thrift institutions to contribute to a safe and sound industry.</td>
<td>Through efficient and effective supervision, maintain a safe and sound industry that meets its responsibilities to its customers and communities.</td>
</tr>
<tr>
<td>2.</td>
<td>Improve credit availability by encouraging safe and sound lending in those areas of greatest need.</td>
<td>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.</td>
</tr>
<tr>
<td>3.</td>
<td>Enhance competitiveness of the thrift industry to ensure its safety and soundness.</td>
<td>This strategic goal was deleted when the Gramm/Leach/Bliley Act was signed into law.</td>
</tr>
<tr>
<td>4.</td>
<td>Conduct operations efficiently to keep regulatory burdens on the thrift system at the minimum necessary level.</td>
<td>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.</td>
</tr>
<tr>
<td>5.</td>
<td>Provide exceptional customer service to all major customer groups, including the thrift institutions regulated by OTS and members of the public that deal with those thrift institutions, to make government more responsive.</td>
<td>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.</td>
</tr>
</tbody>
</table>