



July 31, 2014

**Conditional Approval #1104
August 2014**

Mr. Dana L. Stonestreet
President and Chief Executive Officer
HomeTrust Bank
10 Woodfin Street
Asheville, North Carolina 28801

Re: Application by HomeTrust Bank, Asheville, North Carolina to Convert from a Federal Savings Bank to a National Bank with the Title "HomeTrust Bank, National Association," Asheville, North Carolina
OCC Control Nos: 2014-NE-Conversion-138680
2014-NE-Subs&Equities-138895
R2-2014-0053

Dear Mr. Stonestreet:

The Office of the Comptroller of the Currency (OCC) hereby conditionally approves the application by HomeTrust Bank, Asheville, North Carolina (HomeTrust or Applicant) to convert from a federal savings association to a national bank operating under the name "HomeTrust Bank, National Association" (HTNA), and to be headquartered in Asheville, North Carolina.

The OCC also hereby grants approval for HTNA to retain all of HomeTrust's branches and certain subsidiaries and investments, as explained in more detail below.

These approvals are granted after a thorough evaluation of the applications, other materials you have supplied, and other information available to the OCC, including commitments and representations made in the application and by the Applicant's representatives during the application process, including in part, that prior to conversion the capital structure will be realigned to comply with the minimum capital requirements of 12 U.S.C. §§ 35, 36, 52, and 371d to the extent applicable.

Background

The OCC approved HomeTrust's conversion from a federally chartered mutual savings association to a federally chartered stock savings association on May 14, 2012. HomeTrust consummated its conversion from mutual to stock form of ownership on July 10, 2012. The Applicant is subject to post-conversion restrictions from the mutual to stock conversion for a period of three years after the stock conversion.

HomeTrust is a federal saving association with branches in North Carolina, South Carolina, and Tennessee. HomeTrust is wholly-owned by HomeTrust Bancshares, Inc. (HBI), a savings and loan holding company which was formed in conjunction with the bank's conversion to stock form. HomeTrust seeks approval: to convert to a national banking association; to retain its main office and branches following the conversion; and, to retain its subsidiaries and other investments. On July 1, 2014, HBI applied to the Federal Reserve Bank (FRB) of Richmond to become a bank holding company. The decision on the FRB application is pending.

Legal Authority

A. Conversion to a National Bank Charter

The conversion of HomeTrust to a national bank charter is legally authorized pursuant to: Section 5154 of the Revised Statutes, 12 U.S.C. § 35; Section 5 of the Home Owners Loan Act, 12 U.S.C. § 1464(i)(5); and, the OCC's corresponding regulations at 12 C.F.R. §§ 5.24 and 152.19. In deciding a conversion application, the OCC takes into account whether the institution can operate safely and soundly as a national bank in compliance with applicable laws, regulations and policies.¹ The OCC's regulations also provide that an application for conversion may be denied if: a significant supervisory, Community Reinvestment Act (CRA)², or compliance concern exists with the applicant³; approval is inconsistent with applicable law, regulation, or policy⁴; or, the applicant fails to provide necessary information that the OCC has requested.⁵ Further, the OCC may deny a conversion application if the conversion would permit the applicant to escape supervisory action by its current regulator.⁶

The OCC has conducted a thorough review of the conversion application in light of the factors detailed above and has determined that the results of this review are consistent with approval of HomeTrust's conversion application. Therefore, the OCC hereby approves the conversion of HomeTrust to a national bank. Following conversion, HTNA will continue to operate HomeTrust's main office in Asheville, North Carolina as HTNA's main office.

¹ 12 C.F.R. § 5.24(d)(1).

² See 12 U.S.C. § 2901 to 2908 and the OCC's corresponding regulations at 12 C.F.R. Part 25. Among other factors, the OCC takes into account the record of performance under the CRA of each applicant bank in considering an application for conversion to a national bank charter. 12 U.S.C. § 2903(a)(2); 12 C.F.R. § 25.29(a)(4).

³ 12 C.F.R. §§ 5.13(b)(1) and 5.24(d)(1).

⁴ 12 C.F.R. §§ 5.13(b)(2) and 5.24(d)(1).

⁵ 12 C.F.R. §§ 5.13(b)(3) and 5.24(d)(1).

⁶ 12 C.F.R. § 5.24(d)(1).

B. Branch Retention after Conversion

Upon consummation of HomeTrust's conversion to a national bank, HTNA is legally authorized to retain all of HomeTrust's branches pursuant to Section 341 of the Enhancing Financial Institution Safety and Soundness Act of 2010, 12 U.S.C. § 5451.⁷ Consequently, HTNA is authorized to retain all of HomeTrust's branches.

C. Retention of Subsidiaries and Investments

HomeTrust has subsidiaries and investments that HTNA seeks to retain following the conversion. For the reasons discussed below, HTNA is hereby authorized to retain the following subsidiaries and investments as nonconforming assets subject to the conditions noted below.

- HomeTrust Financial, Inc. (HFI) – This is an inactive, wholly owned subsidiary of HomeTrust. Applicant has represented that it has no plans for HFI to engage in any activities and that it will dissolve HFI within three months after consummation of the conversion. Accordingly, HTNA must divest or dissolve HFI within three months after consummation of the conversion.⁸
- Western North Carolina Service Corporation (WNCSC) – This is a wholly-owned service corporation of HomeTrust. WNCSC's activities are: acting as trustee under deeds of trust for mortgages made by HomeTrust⁹; owning certain HomeTrust bank premises¹⁰; holding certain real estate assets which are permissible investments for the service corporation of a federal savings association but impermissible for a national bank; and, holding a noncontrolling investment which is a permissible investment for the service corporation of a federal savings association but impermissible for a national bank. Accordingly, HTNA must, within two years of the conversion, divest of WNCSC or bring WNCSC's activities into conformance with applicable national banking law.¹¹

⁷ The Enhancing Financial Institution Safety and Soundness Act of 2010 is Title III of the Dodd-Frank Wall Street Reform and Consumer Protection Act (July 21, 2010).

⁸ HFI, therefore, does not engage in any activities otherwise permissible for a national bank subsidiary and is a nonconforming subsidiary. *See* 12 C.F.R. §§ 5.24(d)(1) and 5.34(e)(1). The OCC will permit converting banks a reasonable period of time after conversion, not to exceed two years, to divest of or conform any nonconforming assets where those assets are not being retained under 12 U.S.C. § 35. *See* 12 U.S.C. § 35.

⁹ This is a permissible activity for the operating subsidiary of a national bank. *See* 12 U.S.C. § 24(Seventh) and 12 C.F.R. § 5.34(e)(1), (e)(5)(v)(B), (e)(5)(C), and (e)(5)(D); *see also* OCC Corporate Decision No. 2011-10 (June 20, 2011) and OCC Conditional Approval No. 914 (July 20, 2009).

¹⁰ This is a permissible activity for the operating subsidiary of a national bank. *See* 12 U.S.C. §§ 24(Seventh) and 371d and 12 C.F.R. § 5.34(e)(1), (e)(5)(v)(A), (e)(5)(v)(B), and 5.37(d); *see also* OCC Conditional Approval No. 952 (Mar. 26, 2010).

¹¹ As noted above, the OCC will permit converting banks a reasonable period after conversion, not to exceed two years, to divest of or conform any nonconforming assets. *See* 12 U.S.C. § 35; *see also* OCC Corporate Decision No. 97-14.

Mr. Dana L. Stonestreet

Control Nos: 2014-NE-Conversion-138680, 2014-NE-Subs&Equities-138895, R2-2014-0053

Merger Notification

HomeTrust filed a notification with the OCC pursuant to 12 C.F.R. § 163.22(b)(1)(ii) (Notification) with respect to the proposed conversion to a national bank. The OCC's regulations do not require the OCC to act on the Notification. The OCC acknowledges that HomeTrust has filed the required Notification. To ensure that our files are properly closed on HomeTrust, please surrender HomeTrust's savings association charter to the OCC as soon as practical after the effective date of the conversion.

Section 1818 Conditions

These approvals are subject to the following conditions:

1. No later than three (3) business days after consummation of the conversion, HTNA shall enter into a written Operating Agreement with the OCC on terms and conditions acceptable to the OCC. HTNA shall thereafter implement and adhere to the terms of the Operating Agreement.
2. Within two years of the effective date of the conversion, HTNA shall divest of its nonconforming assets as detailed below.

The conditions of this approval are conditions "imposed in writing by a Federal banking agency in connection with any action on any application, notice, or other request" within the meaning of Section 8 of the Federal Deposit Insurance Act, 12 U.S.C. § 1818. As such, the conditions are enforceable under 12 U.S.C. § 1818.

Consummation Requirements

Please refer to the *Conversion* booklet of the Licensing Manual for steps to complete the conversion.

This conditional approval is granted based on the OCC's understanding that other applicable regulatory approvals, nonobjections or waivers with respect to the conversion have been or will have been received prior to the conversion, as appropriate.

As a reminder, the Northeastern District Licensing Office (LIC/NE) must be advised in writing in advance of the desired effective date for the conversion so that the OCC may issue the necessary conversion authorization. The OCC will include branch authorizations in the letter authorizing the conversion.

The following items must be satisfactorily addressed on or before the effective date of the conversion of HomeTrust:

1. If a director, officer, employee, or principal shareholder of the bank (including an entity in which such person owns an interest of 10 percent or more) is involved in the sale of credit

Mr. Dana L. Stonestreet

Control Nos: 2014-NE-Conversion-138680, 2014-NE-Subs&Equities-138895, R2-2014-0053

life insurance to loan customers, the bank should ensure compliance with 12 C.F.R. 2, which among other things, prohibits a covered person from retaining commissions or other income from the sale of credit life insurance connected with any loan the bank makes.

2. The board of directors must adopt and have in place policies, practices, and procedures to ensure the safe and sound operation of the bank. The board also must review those policies, practices, and procedures continually and ensure the bank's compliance with them.
3. HomeTrust has represented that it intends to maintain its membership in the Federal Home Loan Bank (FHLB) system. If, at any time, HomeTrust ceases to be a member of the FHLB system, it must use its best efforts, including contacting the appropriate FHLB or the Federal Housing Finance Board, to dispose of any stock in the FHLB. The OCC will consider this stock a nonconforming asset for any period that HomeTrust is not a member of the FHLB system.
4. The converting institution must apply to the Federal Reserve for membership.
5. The converting institution must ensure that all other required regulatory approvals, non-objections, or waivers have been received.
6. The directors must own qualifying shares in conformance with 12 U.S.C. § 72 and 12 C.F.R. § 7.2005.
7. If the converting institution is subject to the Home Mortgage Disclosure Act (HMDA), it must ensure that its reporter identification number included on its HMDA transmittal sheet is changed to reflect its new OCC charter number.
8. The converting institution must notify the OCC if the facts described in the filing materially change at any time prior to consummation of the conversion.
9. Upon completion of all steps required to convert to a national banking association, the converted bank must submit the "Conversion Completion Certification" (enclosed) certifying that all of the steps required to convert HomeTrust to a national banking association have been completed.

When the institution has satisfactorily completed all of the above steps, the OCC will issue a "Conversion Completion Acknowledgment" officially authorizing the institution to commence business as a national banking association. The OCC will provide the charter certificate under separate cover.

If the conversion is not consummated within six months from the date of this conditional decision, the approval will automatically terminate unless the OCC grants an extension of the time.

Mr. Dana L. Stonestreet

Control Nos: 2014-NE-Conversion-138680, 2014-NE-Subs&Equities-138895, R2-2014-0053

This conditional approval and the activities and communications by OCC employees in connection with the filings do not constitute a contract, express or implied, or any other obligation binding upon the OCC, the United States, any agency or entity of the United States, or any officer or employee of the United States, and do not affect the ability of the OCC to exercise its supervisory, regulatory and examination authorities under applicable law and regulations. Our approval is based on the HomeTrust's representations, submissions, and information available to the OCC as of this date. The OCC may modify, suspend or rescind this decision if a material change in information on which the OCC relied occurs prior to the date of the transaction to which this decision pertains. The foregoing may not be waived or modified by any employee or agent of the OCC or the United States.

A separate letter is enclosed requesting your feedback on how we handled your applications. We would appreciate your response so we may continue to improve our service.

All correspondence regarding this application should reference the application control numbers and be submitted to the Licensing Analyst at the LIC/NE. If you have any questions, please contact Licensing Analyst Laurie Powell at (917) 344-3432 or via email at powella@occ.treas.gov.

Sincerely,

signed

Stephen A. Lybarger
Deputy Comptroller for Licensing