

## Mission:

To supervise savings associations and their holding companies in order to maintain their safety and soundness and compliance with consumer laws, and to encourage a competitive industry that meets America's financial services needs.

## Total Operating Level\*

(Dollars in Thousands)

Budget Activity	FY 2005	FY 2006	FY 2007		
	Obligated	Estimate	Estimate	Change	% Change
Supervise	187,434	215,500	220,888	5,388	2.5%
<b>Total Cost of Operations</b>	<b>\$187,434</b>	<b>\$215,500</b>	<b>\$220,888</b>	<b>\$5,388</b>	<b>2.5%</b>
Total FTE Usage	885	965	965	0	0%

\* OTS prepares its financial statements and performance plan financials in accordance with generally accepted accounting principles based upon accounting standards issued by the Financial Accounting Standards Board (FASB), the private-sector standards-setting body.

## Overview

The Office of Thrift Supervision (OTS) charters, examines, supervises and regulates federal savings associations insured by the Federal Deposit Insurance Corporation (FDIC). OTS also examines, supervises and regulates state-chartered savings associations insured by the FDIC and provides for the registration, examination and regulation of savings and loan holding companies and other affiliates.

In FY 2005, OTS:

- Regulated 866 savings associations with total assets of \$1.4 trillion,
- Regulated 486 holding company enterprises with approximately \$7.1 trillion in consolidated assets,
- Completed 681 comprehensive savings association examinations; 381 examinations of holding companies; and 74 examinations of companies providing data processing services to savings associations and holding companies, and

- Processed approximately 1,500 applications from savings associations and holding companies.

OTS examines savings associations every 12-18 months for safety and soundness and compliance with consumer protection laws and regulations. During these comprehensive exams, the association's ability to identify, measure, monitor, and control risk is evaluated, including the risk posed by other entities within the corporate structure. When weaknesses are identified, supervisory action is taken.

OTS strives to minimize the regulatory burden on savings associations by reducing the amount of on-site examination time, redesigning regulations to make them easier to understand, and eliminating unnecessary restrictions. It also tailors examinations to the risk profile of the institution and streamlines the examination procedures for smaller institutions.

OTS receives no appropriated funds from Congress. Income of the bureau is derived principally from assessments on savings associations and savings and loan holding companies.

The OTS FY 2006 budget of \$215.5 million directly supports OTS's strategic and performance goals that provide for proactive supervision of the industry,

reduced regulatory burden, and improved credit availability.

## Performance Highlights

Due to favorable economic conditions, a stable industry, and the regulatory oversight that OTS provides, the thrift industry is operating in a safe and sound manner and performing extremely well. OTS uses the CAMELS (Capital adequacy, Asset quality, Management, Earnings, Liquidity, and Sensitivity to market risk) rating system to evaluate an institution's financial condition and sensitivity to market risk. In FY 2005, 94 percent of savings institutions achieved CAMELS ratings of one or two. The industry's capital position was also strong, with over 99 percent of the savings associations meeting well-capitalized standards.

Timely examinations are critical to ensuring the financial soundness of the industry. OTS exceeded its performance target of 90 percent and started 93 percent of its safety and soundness examinations on time. For the third consecutive year, OTS managed its operations to ensure that assessment rate increases did not exceed the rate of inflation.

OTS, in concert with federal banking regulatory agencies and Treasury's Financial Crimes Enforcement Network (FinCEN), worked to abate

money laundering and terrorist financing by examining savings associations for compliance with the Bank Secrecy Act (BSA), the USA PATRIOT Act, and other anti-money laundering laws. OTS and other regulatory agencies issued interagency guidance on a wide variety of specific topics, such as customer identification program requirements, the provision of services to foreign embassies and foreign political figures, and information sharing requirements under the USA PATRIOT Act. To ensure BSA examination consistency, interagency examination procedures were issued and augmented by nationwide examiner training and banker outreach efforts attended by over 2,000 interagency examiners and 10,000 representatives of the banking industry, trade associations, and other interested parties.

OTS serves on several international task forces and working groups responsible for developing and implementing the international capital framework Basel II. Domestically, OTS and the other federal banking agencies are working to implement Basel II as a modern risk-based capital framework that enhances risk management and refines capital adequacy on a basis broadly consistent with capital standards governing foreign banking organizations.

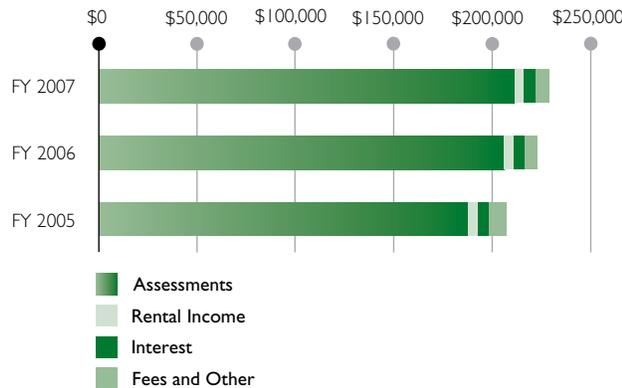
## OTS Performance by Budget Activity

Budget Activity	Performance Measure	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	
		Actual	Actual	Actual	Target	Target	
Supervision	Percent of thrifts with composite CAMELS ratings of 1 or 2 (%) (Oe)	93	93	94	✓	90	90
	Percent of safety and soundness exams started as scheduled (%) (Ot)	92	94	93	✓	90	90
	Percent of thrifts that are well capitalized (Well capitalized thrifts have capital higher than adequately capitalized thrifts.) (%) (Oe)	99.6	99.4	99.5	✓	95	95
	Percent of thrifts with compliance examination ratings of 1 or 2 (%) (Oe)	94	94	94	✓	90	90
	Difference between the inflation rate and the OTS assessment rate increase (%) (E)	0	0	0	✓	0	0
	Total OTS costs relative to every \$100,000 in savings association assets regulated (\$) (E) *	n/a	n/a	n/a	n/a	Baseline	TBD

(E) = Efficiency Measure (Oe) = Outcome Measure (Ot) = Output Measure

## OTS Revenue\*

(Dollars in Thousands)



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## Program Description

**Supervision (\$215,500,000)/965 FTE** Through the examination process, OTS assesses the financial condition and risk profile of savings associations, including their ownership structure, and identifies and addresses unsafe and unsound practices and violations of law and regulation. Through the off-site monitoring process, OTS monitors the financial performance of individual savings associations and the industry, enabling early identification of emerging trends or problems. When safety and soundness or compliance issues are identified, OTS acts promptly to ensure association management and directors institute corrective actions to address supervisory concerns. OTS ensures that its staff is well trained to identify and address current and emerging risks and that examiner guidance is appropriate and current. OTS continually assesses its examination procedures to ensure that there is an adequate review of the association’s controls and risk management processes.

## Capital Investments Summary

OTS has no major IT investments planned for FY 2006.

