Department of the Treasury
Office of Thrift Supervision
Transmittal

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Mergers and charter conversions involving federal savings associations will be streamlined under the attached final OTS rule.

The rule gives federal savings associations more flexibility to alter their charter either by changing their charter or by merging. The new OTS rule allows federally chartered savings associations to convert directly to state or national banks and establishes procedures non-thrifts must follow to convert to a federal savings association or savings bank. Such non-thrifts must be eligible for Federal Home Loan Bank membership.

Under the rule, well-managed, well-capitalized savings associations that wish to change to a bank charter need only notify OTS. A copy of the application filed with the new regulator may serve to satisfy the OTS notification requirement. Applications, subject to OTS approval or denial, are still required when the savings association has a CAMEL or Compliance rating of 3, 4 or 5; a less than satisfactory CRA rating; or fails its capital requirements.

The regulation also implements Title V of the Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA), which eased restrictions on combinations involving banks and savings associations. For example, FDICIA eliminated the previous requirement that a bank and a thrift combining in a so-called "Oakar" transaction be under the common control of a bank holding company. It also eliminated relative asset size requirements for the institutions involved. Finally, FDICIA gave federal savings associations specific authority to acquire or be acquired by any FDIC-insured depository institution.

FDICIA requires that the OTS review combination transactions where the resulting institution is a savings association. Since FDICIA was enacted in December 1991, OTS has been approving transactions under its provisions. The new regulation incorporates the FDICIA changes and makes other modifications to OTS' rules consistent with the revised statute.

No changes were made in the separate requirement that there can be no transfer of deposit insurance coverage from the Savings Association Insurance Fund (SAIF) to the Bank Insurance Fund (BIF), (or BIF to SAIF) in a thrift-bank combination. In a combination where both funds are involved, the resulting institution must pay a proportionate share of deposit insurance premiums to each insurance fund.

The new regulation:

- Allows federal stock savings associations to combine with any other FDIC-insured depository institution, and streamlines and simplifies conversion of federal savings associations to national banks or state banks.
- Permits commercial banks or any other stock form depository institutions that qualify for FHLBank membership to convert to federal stock savings associations.

- Allows federal mutual associations to combine with FDIC-insured stock depository institutions, but only if a mutual savings association survives.
- Explicitly allows federal savings associations to merge with uninsured depository institutions.
- Establishes procedures to expedite the processing of such merger or conversion transactions.

The rule was published in the *Federal Register*, Vol. 59, No. 167, pp. 44615-44627, and takes effect September 29, 1994.

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Attachment