

Overview

Mission Statement

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.

Program Summary by Budget Activity

Dollars in Thousands

	FY 2010 Actual	FY 2011 Estimated 1/	FY 2012 Estimated	Change FY10 to FY12	
				\$ Change	% Change
Supervision of the Thrift Industry	\$232,047	\$253,605	\$0	(\$232,047)	(100.0%)
Total Resources	\$232,047	\$253,605	\$0	(\$232,047)	(100.0%)
Total FTE	1,016	1,021	0	(1,016)	(100.0%)

(1) The Dodd-Frank Wall Street Reform and Consumer Protection Act, Public Law 111-203 (Dodd-Frank Act), abolishes and transfers the functions of the Office of Thrift Supervision in Fiscal Year 2011.

FY 2011 Priorities

- Maintain a focus on the mission of examining, supervising, and regulating thrifts and their holding companies and service providers:
 - Provide regulatory guidance to thrifts and holding companies.
 - Resolve any outstanding issues and complete projects (in preparation for transition).
 - Streamline internal processes (in preparation for transition and consideration of limited resources).
- Continue to have appropriate communications with OTS staff and OTS-regulated institutions regarding the future.
- Effectively manage OTS property, people, information, and monetary resources.
- Provide OTS staff with opportunities to succeed in the post transition environment.
- Partner with the other financial regulators to coordinate a seamless transition of institutions, and resources to the future regulatory agency structures.
- Manage internal processes to provide an orderly transition of institutions and resources, in a manner that ensures equitable treatment of staff.

Table of Contents

Overview	1
Mission Statement	1
Program Summary by Budget Activity	1
Section 1 – Purpose	3
1A – Description of Bureau Vision and Priorities	3
Section 2 – Budget Adjustments and Appropriation Language.....	4
2.2 – Operating Levels Table	4
Section 3 – Budget and Performance Plan	5
3.1 – Budget by Strategic Outcome	5
3.2.1 Supervision of the Thrift Industry Budget and Performance Plan	6

Section 1 – Purpose

1A – Description of Bureau Vision and Priorities

The Office of Thrift Supervision (OTS) was established by Congress as a bureau of the Department of the Treasury pursuant to the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, Public Law 101-73. In July 2010, Congress passed and the President signed the Dodd-Frank Wall Street Reform and Consumer Protection Act, Public Law 111-203 (Dodd-Frank Act), abolishing and transferring the functions of the Office of Thrift Supervision in Fiscal Year 2011.

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, FDIC-insured savings associations and provides for the registration, examination, and supervision of savings association affiliates and holding companies. OTS sets capital standards for Federal and State savings associations and reviews applications of state-chartered savings associations for conversion to federal thrifts. Under the Dodd-Frank Act, the supervision of federal savings associations is transferred to the Office of the Comptroller of the Currency (OCC), supervision of savings association holding companies is transferred to the Federal Reserve, and supervision of state chartered savings associations is transferred to the FDIC and its consumer financial protection function to the Bureau of Consumer Financial Protection (CFPB).

OTS receives no appropriated funds from Congress. Income of the bureau is derived principally from assessments on savings associations and their holding companies, examination fees, and interest on investments in U.S. Government obligations. As of September 30, 2010, the OTS regulated 741 thrifts with total assets of \$928 billion. The OTS also supervises 436 holding company enterprises with approximately \$4.2 trillion in U.S. domiciled consolidated assets. These enterprises owned 398 thrifts with total assets of \$717 billion or 77 percent of total thrift industry assets.

Section 2 – Budget Adjustments and Appropriation Language

2.2 – Operating Levels Table

Dollars in Thousands

Office of Thrift Supervision	FY 2010 Obligated	FY 2011 Estimated 1/	FY 2012 Estimated
FTE	1,016	1,021	-
Object Classification			
11.1 - Full-time permanent	\$119,225	\$117,711	\$0
11.3 - Other than full-time permanent	\$947	\$8,906	\$0
11.8 - Special personal services payments	\$18,756	\$1,497	\$0
12 - Personnel benefits	\$62,206	\$73,636	\$0
13 - Benefits for former personnel	\$300	\$213	\$0
21 - Travel and transportation of persons	\$16,943	\$16,998	\$0
22 - Transportation of things	\$238	\$339	\$0
23.2 - Rental payments to others	\$4,405	\$4,945	\$0
23.3 - Communication, utilities, and misc charges	\$3,296	\$4,313	\$0
24 - Printing and reproduction	\$159	\$216	\$0
25.1 - Advisory and assistance services	\$2,218	\$2,981	\$0
25.2 - Other services	\$2,724	\$3,000	\$0
25.3 - Other purchases of goods and services from Govt. accounts	\$5,986	\$5,668	\$0
25.4 - Operation and maintenance of facilities	\$5,725	\$5,851	\$0
25.7 - Operation and maintenance of equip	\$454	\$622	\$0
25.8 - Subsistence and support of persons	\$0	\$35	\$0
26 - Supplies and materials	\$2,019	\$2,155	\$0
31 - Equipment	\$3,048	\$3,324	\$0
32 - Land and structures	\$1,193	\$1,195	\$0
Total Budget Authority	\$232,047	\$253,605	\$0
Budget Activities			
Supervision of the Thrift Industry	\$232,047	\$253,605	\$0
Total Budget Authority	\$232,047	\$253,605	\$0

(1) The Dodd-Frank Wall Street Reform and Consumer Protection Act, Public Law 111-203 (Dodd-Frank Act), abolishes and transfers the functions of the Office of Thrift Supervision in Fiscal Year 2011.

Section 3 – Budget and Performance Plan

This table lists all FY 2012 resources by strategic goal, objective and outcome outlined in the FY 2007-2012 Treasury Department Strategic Plan. The Treasury Strategic Plan provides a description of what the agency intends to accomplish over the next five years.

For detailed information about the FY 2007-2012 Treasury Strategic Plan, please go to: <http://www.treasury.gov/about/budget-performance/strategic-plan/Pages/index.aspx>

3.1 – Budget by Strategic Outcome

Dollars in Thousands

Treasury Strategic Outcome	FY 2010 Enacted	FY 2011 Estimated 1/	FY 2012 Estimated	Percent Change
Strong U.S. economic competitiveness	23,205	25,360	-	-100.00%
Prevented or mitigated financial and economic crises	208,042	228,245	-	-100.00%
Total	\$232,047	\$253,605	\$0	-100.00%

(1) The Dodd-Frank Wall Street Reform and Consumer Protection Act, Public Law 111-203 (Dodd-Frank Act), abolishes and transfers the functions of the Office of Thrift Supervision in Fiscal Year 2011.

3A - Supervision of the Thrift Industry (\$253,605): On December 9, 1996, the FFIEC adopted the CAMELS rating system (Capital adequacy, Asset quality, Management, Earnings, Liquidity and Sensitivity to market risk) as the internal rating system to be used by the federal and state regulators for assessing the safety and soundness of financial institutions on a uniform basis. The CAMELS rating system puts increased emphasis on the quality of risk management practices. OTS assigns a composite CAMELS rating to savings associations at each examination. OTS adjusts the level of supervisory resources devoted to an association based on the composite rating. The CAMELS rating is based upon a scale of 1 through 5 in increasing order of supervisory concern.

The FFIEC first approved a uniform, interagency compliance rating system in 1980. The rating system reflects, in a comprehensive and uniform fashion, the nature and extent of a savings association's compliance with consumer protection statutes, regulations and requirements. The Compliance Rating System is based upon a scale of 1 through 5 in increasing order of supervisory concern.

OTS elected to combine safety and soundness and compliance examinations to attain exam efficiencies and to improve risk assessment. Using comprehensive exam procedures, compliance with consumer protection laws is reviewed at more frequent intervals, which has improved the quality of the examination process.

Capital absorbs losses, promotes public confidence and provides protection to depositors and the FDIC insurance fund. Capital provides a financial cushion that can allow a savings association to continue operating during periods of loss or other adverse conditions. The Federal Deposit Insurance Act established a system of prompt corrective action (PCA) that classifies insured depository institutions into five categories (well-capitalized; adequately capitalized; undercapitalized, significantly undercapitalized; and critically undercapitalized) based on their relative capital levels. The purpose of PCA is to resolve the problems of insured depository institutions at the least possible long-term cost to the deposit insurance fund.

OTS examines savings associations every 12-18 months for safety and soundness, and compliance with consumer protection laws. OTS performs safety and soundness examinations of its regulated savings associations consistent with statutory authority. When OTS identifies safety and soundness or compliance issues during its risk-focused examinations, it acts promptly to ensure association management and directors institute corrective actions to address supervisory concerns. OTS staff often meets with the savings association's board of directors after delivery of the Report of Examination to discuss findings and recommendations.

Beginning in FY 2006, OTS included a performance measure that reflects the efficiency of its operations while meeting the increasing supervisory demands of a growing and more complex thrift industry. This measure supports OTS' ongoing efforts to efficiently use agency resources. The efficiency measure is impacted by the relative size of the savings associations regulated. Approximately 60 percent of all savings associations have total assets of less than \$250 million and are generally community-based organizations that provide retail financial services in their local markets. The measure does not include the assets of the holding company enterprises regulated by OTS.

3.2.1 Supervision of the Thrift Industry Budget and Performance Plan

Supervision of the Thrift Industry Budget Activity					
Resource Level	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
	Actual	Actual	Actual	Estimated 1/	Estimated
Appropriated Resources	\$0	\$0	\$0	\$0	\$0
Reimbursable Resources	\$245,699	\$233,571	\$232,047	\$253,605	\$0
Total Resources	\$245,699	\$233,571	\$232,047	\$253,605	\$0

Budget Activity Total	\$245,699	\$233,571	\$232,047	\$253,605	\$0
------------------------------	------------------	------------------	------------------	------------------	------------

Measure	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
	Actual	Actual	Actual	Target	Target
Percent of Safety and Soundness Exams Started as Scheduled (Ot)	94.0	94.0	97.0	90.0	Disc
Percent of Thrifts that are Well Capitalized (Oe)	98.4	97.0	95.0	95.0	Disc
Percent of Thrifts with Composite CAMELS Ratings of 1 or 2 (%) (Oe)	90.0	84.0	77.0	80.0	Disc
Percent of Thrifts with a Compliance Examination Ratings of 1 or 2 (Oe)	95.8	95.0	92.0	90.0	Disc
Total OTS Costs Relative to Every \$100,000 in Savings Association Assets Regulated (E)	15.1	19.88	24.01	24.0	Disc

Key: Oe - Outcome Measure, E - Efficiency Measure, Ot - Output/Workload Measure, M - Management/Cust. Satisfaction, DISC - Discontinued, and B - Baseline

(1) The Dodd-Frank Wall Street Reform and Consumer Protection Act, Public Law 111-203 (Dodd-Frank Act), abolishes and transfers the functions of the Office of Thrift Supervision in Fiscal Year 2011.

Percent of Safety and Soundness Exams Started as Scheduled - OTS examines savings associations every 12-18 months for safety and soundness, and compliance with consumer protection laws. OTS performs safety and soundness examinations of its regulated savings associations consistent with statutory authority. When OTS identifies safety and soundness or compliance issues during its risk-focused examinations, it acts promptly to ensure association management and directors institute corrective actions to address supervisory concerns. OTS staff often meets with the savings association's board of directors after delivery of the Report of Examination to discuss findings and recommendations.

Percent of Thrifts That Are Well Capitalized - Capital absorbs losses, promotes public confidence and provides protection to depositors and the FDIC insurance fund. Capital provides a financial cushion that can allow a savings association to continue operating during periods of loss or other adverse conditions. The Federal Deposit Insurance Act established a system of prompt corrective action (PCA) that classifies insured depository institutions into five categories (well-capitalized; adequately capitalized; undercapitalized, significantly undercapitalized; and critically undercapitalized) based on their relative capital levels. The purpose of PCA is to resolve the problems of insured depository institutions at the least possible long-term cost to the deposit insurance fund.

Percent of Thrifts With Compliance Examination Ratings of 1 or 2 - The FFIEC first approved a uniform, interagency compliance rating system in 1980. The rating system reflects, in a comprehensive and uniform fashion, the nature and extent of a savings association's compliance with consumer protection statutes, regulations and requirements. The Compliance Rating System is based upon a scale of 1 through 5 in increasing order of supervisory concern. OTS combines safety and soundness and compliance examinations to attain exam efficiencies and to improve risk assessment.

Percent of Thrifts With Composite CAMELS Ratings of 1 or 2 - On December 9, 1996, the FFIEC adopted the CAMELS rating system (Capital adequacy, Asset quality, Management, Earnings, Liquidity and Sensitivity to market risk) as the internal rating system to be used by the federal and state regulators for assessing the safety and soundness of financial institutions on a uniform basis. The CAMELS rating system puts increased emphasis on the quality of risk management practices. OTS assigns a composite CAMELS rating to savings associations at each examination. OTS adjusts the level of supervisory resources devoted to an association based on the composite rating. The CAMELS rating is based upon a scale of 1 through 5 in increasing order of supervisory concern.

For detailed information about each performance measure, including definition, verification and validation, please go to: <http://www.treasury.gov/offices/management/dcfo/accountability-reports/>