OTS PROPOSES THREE-TIER MUTUAL HOLDING COMPANY

WASHINGTON, D.C., June 5, 1997 -- In response to requests from several of the 34 mutual holding companies it supervises, the Office of Thrift Supervision (OTS) today proposed allowing them to set up a modified corporate structure with a new subsidiary that could sell stock and later buy it back without adverse tax consequences.

The subsidiary would be a holding company sandwiched between the mutual holding company and its savings association in a three-level corporate structure. The subsidiary holding company would hold all of the stock of the savings association. The subsidiary could sell up to 49.9 percent of its stock to the public, but the controlling interest in the subsidiary holding company would reside with the parent mutual holding company.

The tax advantage of this arrangement would occur if the subsidiary holding company were to buy back stock it had sold to the public. Such a buyback would not trigger tax obligations related to bad debt reserve recapture as now occurs if a thrift subsidiary of a mutual holding company sells and then repurchases stock.

The new subsidiary holding company would be federally chartered by OTS, and its proposed charter and bylaw requirements are modeled after those for federal stock savings associations.

The investment powers of the subsidiary holding company would be limited to those of the parent mutual holding company. The entity also would have to follow the same rules on issuing stock that apply to a savings association, including the requirement that a new issue of stock must first be offered to the depositors of the savings association before being offered to the general public. All stock issues would have to receive prior approval from OTS.
As in the current two-level mutual holding company, depositors of the savings association would own the mutual holding company and have full voting rights.

Mutual holding companies were first authorized by Congress as part of the Competitive Equality Banking Act of 1987.

OTS has already approved 4 applications for adding a subsidiary holding company to the corporate structure. Six additional applications have been filed and are being considered.

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The Office of Thrift Supervision (OTS), a bureau of the U.S. Treasury, regulates and supervises the nation's thrift industry. OTS' mission is to ensure the safety and soundness of thrift institutions and to support their role as home mortgage lenders and providers of other community credit and financial services.

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