WASHINGTON, D.C., Nov. 14, 1997 - The Office of Thrift Supervision (OTS) announced today that it has approved an application from the Principal Mutual Life Insurance Company, Des Moines, Iowa, to create a federally chartered thrift institution that will operate on the Internet. The new thrift institution, Principal Bank, will be regulated by OTS, as will its holding companies.

OTS Director Ellen Seidman pointed out that approximately 10 insurance companies currently operate thrift subsidiaries, and that OTS has previously approved two all-Internet thrifts.

Ms. Seidman said OTS had resolved the issues of law and policy raised by the application that recently caused OTS to extend the October 31 deadline for a final decision.

The holding company plans to engage in cross marketing of certain products between the thrift and other subsidiaries. Before it engages in any cross-marketing, it must obtain OTS' approval, and OTS reserves its authority to evaluate the appropriateness of marketing disclosures on the differences between insured and uninsured products by having its examiners periodically spot check the representations made by those selling Principal's products. Principal's cross-marketing activities also must comply with the interagency regulatory statement on retail sales of nondeposit investment products.
The OTS order sets forth a number of conditions that must be met before and after the thrift commences operations. As with other Internet thrift approvals, OTS requires Principal to certify that adequate security measures are in place to protect account holders. Principal must have a security review performed by independent computer security specialists, and must conduct a similar review before adding any new Internet service.

The OTS approval requires that any electronic data processing vendor hired by Principal must agree to allow OTS to examine its operations insofar as it provides services to Principal. The thrift must adhere to the guidance issued in June 1997 by OTS pertaining to retail on-line personal computer banking.

OTS also requires that it must approve any changes to the thrift's CRA plan and that Principal must comply with any future changes to OTS' CRA regulations or policies. Similar OTS approval will be necessary for any changes to the amount of loans the thrift might purchase from Principal Residential Mortgage, Inc., an affiliate organization.

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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. For copies of news releases or other documents call PubliFax at 202/906-5660, or visit the OTS web page at www.ots.treas.gov