

EXHIBIT B

Section: Modification of Conditions of Approval

Section 640

This section provides general information and guidance concerning the filing and processing of requests to the Office of Thrift Supervision (OTS) to remove or modify, in whole or in part, the conditions of approval of an application.

FILING REQUIREMENTS

Delegated Authority

When given specific authority to approve certain applications, or to impose conditions by the applicable regulation, delegation, or Director's Order, the Regional Director, or their designee, may also modify those conditions. If, however, the condition was imposed in connection with an OTS-Washington action and no specific delegation to the Regional Director, or their designee is contained in the Order, or the request involves a significant issue of law or policy, it must be forwarded to OTS-Washington for concurrent processing.

Expedited and Standard Processing Procedures

This application is not subject to the expedited processing procedures set forth in 12 C.F.R. Part 516. Accordingly, requests for modification of conditions of approval will be processed utilizing the procedures set forth in 12 C.F.R. §§ 516.210-516.290.

Prefiling Meeting Requirements

Prefiling meetings are not required for this filing. However, applicants are encouraged to contact the Regional Office, particularly in the event the transaction involves unique or novel issues, to determine if a prefiling meeting will expedite the application review process.

Information and Form Requirements

The savings institution must submit the original and two copies of its request to modify a condition of approval, along with the filing fee, to the appropriate Regional Office. All copies should be clearly marked as to the type of filing and should contain all exhibits and other pertinent documents.

If the request involves the removal or modification of a condition that was imposed in connection with approval of a nondelegated application, or is considered a policy issue, the institution must also file three copies of its request with the Applications Filing Room in Washington, D.C. in addition to the copies filed with the Regional Office. All copies should be clearly marked as to the type of filing and should contain all exhibits and other pertinent documents.

The following information must be included in a request to remove or modify a condition of approval:

- The identity of the original application, the approval of which imposed the condition; the OTS application tracking number, if known; the date OTS approved the application; the OTS approval order number (if applicable); a copy of the approval; a description of the condition

Section: Modification of Conditions of Approval

Section 640

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- or conditions that the institution wishes to have modified; and the proposed language of any modified condition requested;
- A certified copy of the board of directors' resolution authorizing filing the application for modification;
 - The reason(s) for requesting the modification, including the advantage to the institution and any apparent regulatory or policy considerations; and
 - If the requested modification will have any impact upon the savings institution's financial condition and operations, the effect should be described and appropriate pro forma financial information and projections provided for a three-year period.

Confidentiality

The applicant must submit in writing, concurrently with the submission of the application, any requests to keep specific portions of the application confidential. In accordance with the Freedom of Information Act, the request should discuss the justification for the requested treatment and should specifically demonstrate the harm (e.g., to competitive position, invasion of privacy) that would result from the public release of information. OTS will not treat as confidential the portion of an application describing the plan to meet the Community Reinvestment Act objectives.

Information for which confidential treatment is requested should be: (i) specifically identified in the public portion of the application by reference to the confidential section; (ii) separately bound; and (iii) labeled "confidential." The applicant should follow these same procedures when filing supplemental information to the application. OTS will determine whether information designated as confidential must be made available to the public under the Freedom of Information Act. OTS will advise the applicant before it makes information designated as confidential available to the public.

REVIEW GUIDELINES

Processing Procedures and Time Frames

As indicated, if this application does not qualify for processing under delegated authority, then it will be processed concurrently with OTS-Washington staff. As a general matter, correspondence from OTS regarding applications will be transmitted from OTS-Washington.

Within five business days of receipt of the application and the application fee, the Regional Office must notify the applicant of the application's receipt. The appropriate application fee must accompany each application in order for it to be considered filed. The application will not be considered filed until received by both OTS-Washington and the Regional Office.

Within five business days of receipt of the application, the Regional Office will begin its background investigations on individuals who were required to submit such information in connection with the application. Upon receipt of the application, the Regional Office must forward all FBI Fingerprint Cards to OTS-Washington for processing. The background investigations should include, at a minimum, a search of the applicants in the Westlaw and CIIS databases. If appropriate, the review

Section: Modification of Conditions of Approval

Section 640

may also require OTS to contact other regulatory agencies to seek additional comments on the applicants. This review may also require OTS to request examination reports from another agency. For applications involving insurance companies, the Insurance Risk Management Specialist in OTS-Washington should be contacted to conduct a review of the insurer. All issues that are disclosed in the background check must be addressed directly with the individual. Results of all background checks should be addressed in the Regional Office's digest.

If the application involves specialty areas, such as trust activities or CRA issues, OTS-Washington must provide a copy of the application to the corresponding OTS-Washington specialist.

Within 30 calendar days of receipt of a properly submitted application, OTS shall take the following actions.

- Deem the application complete;
- Request, in writing, any additional information necessary to deem the application complete; or
- Decline to further process the application if it is deemed by OTS to be materially deficient and/or substantially incomplete.

Failure by OTS to act within 30 calendar days of receipt of the application for processing shall result in the filed application being deemed complete, commencing the period for review.

OTS must timely review all requests for a waiver of an application requirement that certain information be supplied. Unless OTS requests, in writing, additional information about the waiver request, or denies the waiver request, the waiver request shall be deemed granted.

If additional information is requested, a response must be submitted within 30 calendar days of the letter requesting such information. The applicant may, in writing, request a brief extension of the 30-calendar day period for responding to a request for additional information, prior to the expiration of the 30-calendar day time period. OTS, at its option, may grant the applicant a limited extension of time in writing. Failure to respond to a written request for additional information within 30 calendar days of such request may be deemed to constitute withdrawal of the application or may be treated as grounds for denial or disapproval of the application.

After the timely filing of additional information in response to any initial or subsequent request by OTS for additional information, OTS has 15 calendar days to review the additional information for completeness or appropriateness and take one of the following actions:

- Request, in writing, any additional information necessary to deem the application complete;
- Deem the application complete; or
- Decline to further process the application if it is deemed by OTS to be materially deficient and/or substantially incomplete.

Section: Modification of Conditions of Approval

Section 640

The 15-day review period commences when the OTS receives a response that purports to respond to all questions in the information request. OTS may extend the 15-day review period for an additional 15 calendar days, if OTS requires the additional time to review the response. OTS will notify the applicant that it has extended the period before the end of the initial 15-day period.

Failure by OTS to act within 15 calendar days of receipt of the additional information shall result in the filed application being deemed complete, commencing the period for review.

For transactions involving combinations with existing operating institutions or a contribution of assets (companies, loans, receivables, etc.) to the de novo charter, OTS may elect to conduct an eligibility examination during the review process. OTS will not deem an application complete until it concludes the examination. In addition, OTS may request additional information as a result of the eligibility examination, and the applicant must submit a response in accordance with the time frames set forth in this section.

Once the application has been deemed complete, there is a 60-calendar day review period during which time OTS will take into consideration all factors present in the application and render a decision thereon. If, upon expiration of the 60-day review period, assuming no extension has been granted, OTS has failed to act, the application is deemed approved automatically, and the applicant may thereafter consummate the transaction. If multiple applications are submitted in connection with one transaction, the applicable review period for all applications is the review period for the application with the longest review period, subject to statutory review periods.

During the review period, OTS may request additional information if the information is necessary to resolve or clarify the issues presented in the application. OTS may also notify the applicant that the application is incomplete and require that the applicant submit additional information to complete the application. The review period can be extended an additional 30 calendar days if OTS determines that additional time will be required to analyze the proposed transaction. In such cases, OTS must notify an applicant prior to the expiration of the period for review. In situations in which an application presents a significant issue of law or policy, OTS may extend the applicable period for review of such application beyond the time period for review. In these cases, written notice must be provided to an applicant no later than the expiration of the time period.

Under 12 C.F.R. § 516.290, if OTS has not acted on a pending application within two calendar years after the filing date, OTS may deem the application withdrawn unless it is determined that the applicant is actively pursuing a final determination on the application. Applications that are subject to this withdrawal provision are those that have failed to timely take action such as filing required additional information, or OTS has suspended processing of an application based on circumstances that are, in whole or in part, within the applicant's control and have failed to take reasonable steps to resolve these circumstances.

For purposes of calculating processing time frames, OTS does not include the day of the act or event, in determining the date the time period commences. In determining the conclusion of a time period, when the last day of the time period is a Saturday, Sunday, or a Federal holiday, the last day will become the next day that is not a Saturday, Sunday, or Federal holiday.

Section: Modification of Conditions of Approval

Section 640

Decision Guidelines

The evaluation of a request to remove or modify a condition of approval should focus on the initial purpose of the condition, and whether approval of the request would affect the safe and sound operation of the institution, or significantly affect OTS's ability to monitor its operations. Consideration should also be given to OTS's current practice in imposing the condition in similar circumstances, and whether denial of the request would materially burden the institution. When acting upon a request for modification, OTS should consider the following factors:

- What was the intent of the condition as originally imposed? Was it a standard condition or a special purpose condition?
- If the condition was deemed to be a "standard" condition at the time it was imposed, has there been a subsequent change in the regulations or in OTS policy such that the condition is no longer routinely imposed?
- Is there a continuing need for the condition, and would modification or removal of the condition present any regulatory or policy implications?
- Can the activity that the condition was intended to control be sufficiently monitored through other means?
- How long has the condition been in effect and what has been the applicant's record of compliance?
- Does continued compliance with the condition impose an undue burden on the applicant or otherwise unnecessarily restrict operations in the current environment?

Conditions

Requests for modification of conditions of approval are not subject to standard approval conditions. OTS may condition its approval of these requests to include nonstandard conditions. If such nonstandard conditions are utilized, the Regional Office's digest must include appropriate justification for imposing such conditions.

NOTE: Any nonstandard conditions incorporated into the approval letter must be summarized in the National Applications Tracking System record for the application.

RECORDKEEPING REQUIREMENTS

OTS is required to consolidate all correspondence related to the processing of the notice or application into a file copy to be sent to a central file. Both the Regional Office and OTS-Washington will maintain a separate file copy for nondelegated filings. The file copy must include a copy of the original filing including all exhibits, all amendments, all internal and external correspondence between interested parties, all documentation associated with the review and analysis of the filing, and all decision, recommendation memorandum, and compliance material. The file copy must be organized and separated into public and confidential material, and clearly identified as such. The public and confidential sections must be arranged in chronological order.

Section: Modification of Conditions of Approval

Section 640

MONITORING AND CONTROL

A copy of the approval letter and other supporting documentation, as applicable, regarding the condition that is the subject of the modification application should be made available to the appropriate regional supervisory or examination staff in order to ensure periodic follow-up and documentation of compliance, if necessary.

A review of the application file should be made after all compliance material is received to ensure that the file is complete. Any deficiencies should be corrected before the file is sent to storage.

OTS-Washington may conduct a post audit review of the application in the Regional Office, including a review of the documentation maintained in the application file.

INFORMATION SOURCES

Regulations

12 C.F.R. Part 516

Application Processing Guidelines and Procedures