

OFFICE OF THRIFT SUPERVISION

Approval of Service Corporation Application

Order No. 2002-15

Date: June 3, 2002

Re: Docket No. 8059

Abacus Federal Savings Bank, New York, New York (Savings Bank) has applied to the Office of Thrift Supervision (OTS), pursuant to 12 U.S.C. §1828(m) and 12 C.F.R. Part 559, to engage in certain activities through its wholly-owned corporation, Abacus Medical Management Corp. (Service Corporation). Specifically, the Savings Bank proposes to use the Service Corporation to engage in the processing of account receivables and payables for medical service providers, to engage in certain collection activities, and to sell medical discount cards issued by a third party to customers of the Savings Bank and to others. (The foregoing is referred to as the Application.)

A service corporation of a federally chartered savings association may engage in data processing and providing accounting services in connection with financial documents or if otherwise finance-related.¹ In addition, a Service Corporation may act as a collection agency.² A Service Corporation also may conduct activities as agent for its customers.³ Accordingly, the Service Corporation's proposed activities are permissible under 12 C.F.R. § 559.4.

Section 5(c)(4)(B) of the Home Owners' Loan Act authorizes a federal association to make investments in the capital stock of any corporation organized under the laws of the State in which a federal savings association's home office is located, if such corporation's entire capital stock may be purchased only by savings associations of such state and federal associations with their home office in the state. The Service Corporation is a corporation, organized under the laws of New York, where the Savings Bank's home office is located, and the Savings Bank is the Service Corporation's sole shareholder. Accordingly, the application meets these section 5(c)(4)(B) requirements.

Under section 5(c)(4)(B), and the OTS subordinate organization regulations, federal savings associations may invest up to three percent of assets in service corporations, provided that any investment in excess of two percent of assets must serve primarily community, inner city, or community development purposes. In addition, OTS may, at any time, limit a savings association's investment in a service corporation, or may limit or refuse to permit any activities of a service corporation, for supervisory, legal, or safety and soundness reasons.

¹ 12 C.F.R. § 559.4(b) (2001).

² 12 C.F.R. § 559.4(c) (2001).

³ See 66 Fed. Reg. 65822, 65825 (Dec. 21, 2001), to be codified at 12 C.F.R. § 559.4(i).

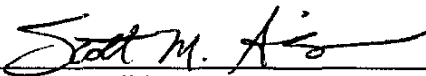
The Savings Bank's total investment in its service corporations will be within the statutory and regulatory limits.

Based on the application, OTS concludes that the establishment of the Service Corporation is not objectionable on safety and soundness or supervisory grounds, provided that the Service Corporation and Savings Bank are subjected to certain conditions, set forth below, which are intended to ensure that the continued operation of the Service Corporation does not create safety and soundness or supervisory concerns.

Based on the foregoing, the Application is hereby approved, provided that the conditions set forth below are complied with in a manner satisfactory to the Northeast Regional Director, or his designee (Regional Director).

1. The Savings Bank must receive all required regulatory approvals prior to consummation of the proposed transaction with copies of all such approvals provided to the Regional Director;
2. The Service Corporation must commence the activities proposed in the Application within one hundred twenty (120) calendar days from the date of this Order. This time period may be extended for up to 120 calendar days, for good cause, by the Regional Director;
3. The Savings Bank must obtain prior written clearance from the Regional Director prior to any deviation from the activities, facts, representations or level of investment in the Service Corporation described in the Application;
4. The Service Corporation's computer system for the medical account receivables and payables business must remain a stand-alone system and must not interface with any of the systems of the Savings Bank without the prior written non-objection of the Regional Director; and
5. The medical account receivables and payables business of the Service Corporation must be conducted for domestic business only.

By order of the Director of the Office of Thrift Supervision, or his designee, effective June 3, 2002.



Scott M. Albinson
Managing Director
Office of Supervision