

## OFFICE OF THRIFT SUPERVISION

### Approval of an Application by a Federally-Chartered Credit Union to Convert to a Federally Chartered Mutual Savings Bank

Order No.: 2003-58  
Date: December 1, 2003  
Re: OTS No. 17960

@LANTEC Financial Federal Credit Union, Virginia Beach, Virginia (Credit Union) seeks approval of the Office of Thrift Supervision (OTS) pursuant to 12 C.F.R. §§ 543.8 and 543.9 to convert to a federal mutual savings bank, Bank @LANTEC, Virginia Beach, Virginia (Savings Bank). (The foregoing is referred to as the Application.)

#### The Proposed Transaction

In the proposed transaction, the Credit Union proposes to convert directly from a federally chartered credit union to a Savings Association Insurance Fund (SAIF)-insured, federally chartered mutual savings bank. The Credit Union's members' interests in the newly converted savings bank would be identical to their interests in the Credit Union.

The Credit Union has an investment in Credit Union Service Company of Virginia, LLC (LLC). LLC provides ATM and shared branching services for credit unions, including the Credit Union. The Savings Bank will not use the LLC's services following the conversion. The Credit Union also has a deposit with the National Credit Union Share Insurance Fund (NCUSIF) and accounts and a membership in the Virginia League Corporate Federal Credit Union (VaFCU). The Credit Union represents that it will phase out investments in all these entities within three years of conversion to a federal savings bank.

The Credit Union has a wholly-owned subsidiary, Atlantec Financial Services, LLC (Atlantec), that owns the real estate where the Credit Union's branch offices are located. The Credit Union intends to dissolve the subsidiary and distribute its assets to the Credit Union prior to its conversion to a federal savings bank.

#### Conversion Application

The proposed conversion of the Credit Union to a federally chartered mutual savings bank requires OTS approval under 12 C.F.R. §§ 543.8 and 543.9. Section 543.8 allows a depository institution, as defined in section 552.13, that is in mutual form, to convert into a federal mutual savings bank, provided that: (i) the depository institution, upon conversion, will have its deposits insured by the Federal Deposit Insurance Corporation (FDIC); (ii) the depository institution, in accomplishing the conversion,

complies with all applicable state and federal statutes and regulations, and OTS policies, and obtains all necessary regulatory and member approvals; and (iii) the resulting federal mutual association conforms, within the time prescribed by the OTS, to the requirements of section 5(c) of the Home Owners' Loan Act (HOLA).

The Credit Union is a "depository institution" within the meaning of section 552.13. The Credit Union has applied to the FDIC for SAIF insurance of accounts for the Savings Bank. The FDIC has approved Credit Union's application. The Credit Union's members are scheduled to vote on the conversion at a December 2, 2003, meeting. OTS is conditioning approval of the Application on the Credit Union obtaining all required approvals.

With regard to the third requirement, compliance with section 5(c) of the HOLA, the Credit Union meets the requirements of 12 C.F.R. § 560.30 and section 5(c) of the HOLA, with the exception of the Credit Union's deposit with the NCUSIF, and its investments in the LLC and the VaFCU. OTS is imposing a condition requiring the Savings Bank, as the successor to the Credit Union, to liquidate these investments, including withdrawal of the NCUSIF deposit, as soon as practicable, but no later than 3 years after consummation of the transaction.

Accordingly, OTS concludes that the requirements under section 543.8 have been satisfied, subject to the imposition of the above-described conditions.

Section 543.9 of OTS' regulations adopts the approval standards of section 5(e) of the HOLA and section 543.2(g)(1). The HOLA provides that OTS may grant a federal savings association charter only: (i) to persons of good character and responsibility; (ii) if, in OTS' judgment, a necessity for such savings association exists in the community to be served; (iii) if there is reasonable probability of the association's usefulness and success; and (iv) if the association can be established without undue injury to properly conducted existing local thrift and home financing institutions. OTS regulations implementing this statute set forth the same standards, and, in addition, require OTS to consider whether the association will promote credit for housing consistent with the safe and sound operation of a federal savings association.

In addition, OTS' Community Reinvestment Act (CRA) regulations provide that an applicant for a federal thrift charter must submit with its application a description of how it will meet its CRA objectives. OTS takes the description into account when considering the application and may deny the application on that basis.

Based upon review of the application and other materials, as well as the fact that the Credit Union's management has received ratings that are consistent with approval, OTS concludes that this approval criterion has been satisfied.

With respect to the probability of usefulness and success, the Savings Bank, as the successor to the Credit Union's business, has demonstrated a reasonable probability of

success after the transaction. OTS has not objected to the Savings Bank's business plan. Accordingly, OTS concludes that this approval criterion has been satisfied.

OTS concludes that there is a necessity for the institution in the community, based on the Credit Union's existing operations. In addition, OTS concludes that the conversion of the Credit Union to a federal mutual savings bank will not cause undue injury to local thrift and home financing institutions, in light of the Credit Union's existing operations.

As for the provision of credit for housing, residential mortgage lending currently represents a substantial portion of the Credit Union's lending activities, and the business plan indicates that real estate lending will continue to grow after conversion to a federal savings bank. The business plan indicates compliance with the Qualified Thrift Lender test. Accordingly, OTS concludes that this approval criterion has been satisfied.

The Credit Union has provided an acceptable plan for compliance with the CRA. Accordingly, OTS concludes that approval of the Application is consistent with the CRA.

Based on the foregoing, OTS concludes that the requirements under section 543.9 have been satisfied.

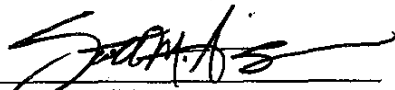
For the reasons set forth above, OTS finds that the Application satisfies the applicable approval standards, provided that the following conditions are complied with in a manner satisfactory to the Southeast Regional Director, or his designee (Regional Director). Accordingly, the Application is hereby approved, subject to the following conditions:

1. The Savings Bank and the Credit Union must receive all required regulatory and member approvals prior to consummation of the proposed transaction with copies of all such approvals provided to the Regional Director;
2. The proposed transaction must be consummated no later than 120 calendar days from the date of this Order;
3. On the business day prior to the date of consummation of the proposed transaction, the chief financial officer of the Credit Union must certify in writing to the Regional Director that no material adverse events or material adverse changes have occurred with respect to the financial condition or operation of the Credit Union as disclosed in the Application. If additional information having a material adverse bearing on any feature of the Application is brought to the attention of the Credit Union or OTS since the date of the financial statements submitted with the Application, the transaction must not be consummated unless the information is presented to the Regional Director, and the Regional Director provides written non-objection to the consummation of the transaction;

4. The Savings Bank must advise the Regional Director in writing within 5 calendar days after the effective date of the proposed transaction: (a) of the effective date of the proposed transaction; and (b) that the transaction was consummated in accordance with all applicable laws and regulations, the Application and this Order;
5. The Savings Bank must operate within the parameters of its three year business plan and submit any proposed major deviations or material changes from the plan during the three year period for the prior, written non-objection of the Regional Director. The request for change must be submitted no later than 60 calendar days prior to the desired implementation date with a copy sent to the FDIC Regional Office;
6. The Credit Union must dissolve Atlantec, in accordance with the representations in the Application, prior to consummation of the transaction; and
7. The Savings Bank must liquidate all interests in the LLC and the VaFCU as soon as practicable, but no later than 3 years after the consummation of the transaction, and must withdraw deposits from the VaFCU and the NCUSIF in accordance with representations in the Application. Upon the divestitures of these deposits and interests, the Savings Bank must submit documentation demonstrating, to the satisfaction of the Regional Director, that the interests have been liquidated and the deposits withdrawn.

Any time period specified herein may be extended by the Regional Director, for good cause, for up to 120 calendar days.

By order of the Director of the Office of Thrift Supervision, or his designee,  
effective December 1, 2003.

  
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Scott M. Albinson  
Managing Director  
Office of Supervision