



Office of Thrift Supervision
Department of the Treasury

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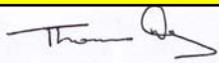
RESCINDED

March 18, 2009

This document and any attachments are superseded by OCC 2012-17.

MEMORANDUM FOR

FROM:

Thomas E. Day 
Managing Director, Risk Management

SUBJECT:

Monitoring and Documenting the Use of Funds from Federal Financial Stability and Guaranty Programs

The Federal Government has instituted several programs to promote financial stability and improve liquidity conditions for insured depositories. These initiatives consist of direct capital injections, federal guarantees on financing and expanded borrowing facilities. These initiatives support insured depositories in prudently meeting the credit needs in their markets and to strengthen their capital. Savings associations participating in Federal financial stability and guaranty programs are expected to document how their participation supports prudent lending and/or their efforts to work with borrowers to avoid preventable foreclosures. Consequently, each participating savings association should implement a process to monitor its use of these federal programs.

In particular, these savings associations should document their utilization of the federal programs for review during examinations. They should also summarize the information in published annual reports and financial statements. Including such information in public reports will increase the transparency of fund usage and provide important information for shareholders and the public to evaluate the participation in these programs.

A monitoring and documentation process should include, at a minimum, the following elements:

- Business and operating plans that include projections for the use of funds and a timetable for repayment. Also, identify the portion of the TARP funds allocated to foreclosure mitigation.
- A process for ensuring that the institution uses the Capital Purchase Program (CPP) funds consistent with the Supplemental Supervisory Information (SSI) that accompanied the institution's approved CPP application, or an explanation and discussion of the rationale for deviation from the SSI.

- Regular reports to the Board detailing fund usage.
- Reports that demonstrate satisfaction with the Emergency Economic Stabilization Act (EESA) requirements and the securities purchase agreement. (See U.S. Treasury EESA website: <http://www.treasury.gov/initiatives/eesa/> for details.)
- An internal audit program that monitors compliance with EESA, fund usage and other requirements, such as executive compensation, stock repurchase and other restrictions, as well as periodic reporting requirements.

OTS will monitor thrift and HC use of Federal Program Funds through off-site monitoring and periodic examinations. The reviews will assess the institution's progress in deploying Federal Program Funds and management's monitoring and reporting on such uses.

Questions regarding these requirements should be addressed to Thomas Day, Managing Director, Risk Management, at (202) 906-7933 or Austin Honig, Program Manager, Troubled Asset Relief Program (TARP), at (202) 906-6389.