

Press Releases

April 14, 1998

OTS 98-28 - OTS Proposes Vote Change for Federal Mutual Thrifts

Office of Thrift Supervision

NEWS

FOR RELEASE at 11:00 a.m. EDT

For further information

Tuesday, April 14, 1998

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OTS 98-28

202/906-6913

OTS Proposes Vote Change For Federal Mutual Thrifts

WASHINGTON, D.C., April 14, 1998 - The members of a federal mutual savings association would be given greater flexibility in setting their voting rights under a rule proposed today by the Office of Thrift Supervision (OTS).

In the past year, on a case-by-case basis, OTS granted the requests of two credit unions to retain their one member, one vote status when they converted to a federal, OTS-regulated thrift. The rule change would automatically give the option to all mutual institutions, including existing federal mutual thrifts, and credit unions and state-chartered mutual savings banks that convert to a charter granted by OTS.

Members, or depositors, of mutual institutions may vote for the board of directors and on other matters affecting the institution. However, the rules for OTS-chartered thrifts and other mutual institutions now differ as to how many votes each member may cast.

Many credit union members, for example, may cast only one vote. But a depositor in an OTS thrift may be permitted to cast up to 1,000 votes: one vote for every \$100 in deposits, with a cap on total votes set by the institution anywhere within a range of 50 to 1,000.

The proposed rule change would simply revise the range of maximum votes to one to 1,000. By adopting a cap of one vote, converting institutions could keep their current one member, one vote formula, rather than one that permits more votes for larger amounts on deposit.

The new range of maximum votes is proposed to be adopted as a preapproved charter option, so that existing federally chartered OTS thrifts, as well as those converting to an OTS-issued charter, could adopt any vote cap in the range without the prior approval of OTS. All that is required to adopt a preapproved charter option is for the institution's board of directors to adopt the charter amendment, obtain the approval of the members, and notify OTS.

Historically, the maximum number of votes has been pegged to the maximum amount of deposit insurance: in 1933 the maximum was 50 votes per member and the deposit insurance was limited to \$5,000. When deposit insurance limits were raised to \$40,000 in 1974, the vote cap was raised to 400 votes per member, and when in 1980 the insurance limit went to \$100,000, federal mutual thrift charters were allowed up to 1,000 votes per member.

The notice of proposed rulemaking was published in today's Federal Register. Comments will be accepted for the next 60 days.

Charter and Bylaws; One Member, One Vote (4/14/98)

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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.