

OFFICE OF THRIFT SUPERVISION

APPROVAL OF AN APPLICATIONS FOR CONVERSION TO FEDERAL SAVINGS ASSOCIATION CHARTER

Order No.: 99-30

Date: May 27, 1999

Kaiser Permanente Federal Credit Union, Pasadena, California ("the Credit Union"), seeks approval of the Office of Thrift Supervision (the "OTS") pursuant to 12 U.S.C. § 1464(e) and 12 C.F.R. §§ 543.8 and 543.9 for permission to convert from a Federally chartered, mutual credit union to a Federally chartered, mutual savings association to be known as Kaiser Federal (the "Savings Association"). The Savings Association will be a member of the Savings Association Insurance Fund.

The Credit Union requests that the Savings Association be granted an exception from compliance with the qualified thrift lender ("QTL") requirements of 12 U.S.C. § 1467a(m) for a period of two years from completion of the conversion. The requested exception would permit the Savings Association to reinvest prudently in QTL-qualified assets without undue risk or raising substantial safety and soundness concerns.

The OTS has considered the application and the request for an 18 month exemption from the QTL requirements, under the factors set forth in 12 U.S.C. §§ 1464(e) and 1467a(m) and 12 C.F.R. §§ 543.2(g)(1), 543.8 and 543.9. In addition, the OTS has considered a digest from the West Regional Office, an analysis prepared by the Office of Examination and Supervision and a legal opinion from the Business Transactions Division (collectively, the "Staff Memoranda"). For the reasons set forth in the Staff Memoranda, the OTS finds that the application satisfies the applicable approval standards, provided that the following conditions are complied with in a manner satisfactory to the West Regional Director, or his designee ("Regional Director"). Accordingly, the application is hereby approved, subject to the following conditions:

1. The Credit Union and the Savings Association must receive all required regulatory approvals prior to consummation of the proposed transaction with copies of all such approvals provided to the West Regional Office;
2. The proposed transaction shall be consummated no later than 120 calendar days after the date of this approval order, unless an extension is granted for good cause by the Regional Director;
3. On the business day prior to the date of consummation of the proposed transaction, the Chief Financial Officer of the Credit Union shall certify in writing to the OTS West Regional Office that no material adverse changes have occurred with respect to the financial condition or operation of the Credit Union since the date of the financial statements submitted with the Applications;

4. The Savings Association must advise the West Regional Office, in writing, within five (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 Applications and this Order;
5. The Savings Association must operate within the parameters of its business plan. The Savings Association must submit any proposed major deviations or material changes from the plan for the prior, written non-objection of the Regional Director. The request for change must be submitted a minimum of 60 calendar days before the proposed change is implemented;
6. No later than 60 calendar days after the consummation of the proposed transaction, the Savings Association must submit to the Regional Director for his review and approval, an enhanced compliance management program that includes, at a minimum, the following components:
 - a. The assignment of specific compliance responsibilities to individuals who are knowledgeable and experienced in administering consumer protection, nondiscrimination, and other compliance laws administered by the OTS;
 - b. Regular and comprehensive self-assessment reviews to ensure compliance on a day-to-day basis;
 - c. Periodic compliance audits;
 - d. Comprehensive training for all affected staff; and
 - e. Appropriate written policies and procedures;
7. No later than 30 days after the end of each calendar quarter, the Savings Association must submit a status report, in a form acceptable to the Regional Director, that details the implementation of its compliance management program and the results of its compliance monitoring efforts as required by the compliance management program. The reports shall be required until such time as the Regional Director deems them no longer necessary;
8. At least 30 days prior to the date of consummation of the proposed transaction, the Savings Association must submit written evidence, acceptable to the Regional Director, that the Savings Association's Year 2000 efforts comply with the terms, milestone dates, requirements and conditions contained in all Year 2000 guidance issued by the OTS and/or the Federal Financial Institutions Examination Council.

In addition, the OTS grants the Savings Association an exception from the QTL provisions of 12 U.S.C. § 1467a(m) for a period of two years following consummation of the proposed transaction. The Savings Association must adhere to the phase-in schedule included in the application, unless the Savings Association receives prior written approval for a variation from the Regional Director.

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 her designee, effective MAY 27, 1999.



Scott M. Albinson
Managing Director
Office of Supervision