

OFFICE OF THRIFT SUPERVISION

Approval of Service Corporation Application

Order No. 2002-61
Date: December 10, 2002
Docket No.: 15115

First Alliance Bank, Jacksonville, Florida (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 establish a Florida-chartered service corporation, AMC Holdings, Inc. (Service Corporation), and three lower-tier entities, all of which are limited liability companies organized under New York law: BNY Mortgage Company LLC (Mortgage Company), Primary Land Services LLC (Residential Title) and Hamilton Land Services LLC (Commercial Title). (The foregoing is referred to as the Application.)

In the proposed transaction, the Savings Bank's holding company, Alliance Capital Partners, Inc., will contribute the stock of the Service Corporation, a shell company, to the Savings Bank. The Mortgage Company, Residential Title, and Commercial Title conduct, respectively, mortgage banking, residential title insurance agency and commercial title agency businesses.

Section 559.4(a) of the OTS Subordinate Organization Regulations states that a service corporation of a federal association may engage in "any activity that all federal savings associations may conduct directly, except taking deposits," which includes the Mortgage Company's proposed activities: originating, servicing and selling residential mortgage loans. Section 559.4(f)(3) expressly authorizes service corporations of federal savings associations to conduct a title insurance agency business. Both Residential Title and Commercial Title will conduct title insurance activities, but only on an agency basis. Accordingly, OTS concludes that the proposed activities of the Service Corporation, the Mortgage Company, Residential Title and Commercial Title are permissible for service corporations of federal associations.

Section 5(c)(4)(B) of the Home Owners' Loan Act provides that a federal association may make investments in the capital stock, obligations, or other securities 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 Florida law. The Savings Bank's home office is located in Florida, and the Savings Bank will own all of the Service Corporation's stock. Accordingly, the Application meets these section 5(c)(4)(B) requirements.

OTS regulations, at 12 C.F.R. § 559.3(f)(2), state that a service corporation may invest in lower-tier entities, without the requirement that such lower-tier entities be incorporated in the same state or be owned solely by savings associations, as long as the lower-tier entity is engaged solely in activities that are permissible for a service corporation. OTS does not object to the fact that the Mortgage Company, Residential Title or Commercial Title (collectively, Lower-tier Entities) are New York limited liability companies, rather than corporations. OTS has taken the position that the HOLA authorization to invest in service corporations should be read to permit any organizational form that provides the same basic protections as the corporate form of organization, including limited liability.¹ Based on the nature of the Lower-tier Entities, OTS concludes that the establishment of the Lower-tier Entities is consistent with this standard.

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.² 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.

The Savings Bank's total investment in service corporations will be within the statutory and regulatory limits. Based on a review of the Application, OTS concludes that the establishment of the Service Corporation is not objectionable on safety and soundness or supervisory grounds, provided that the Savings Bank, the Service Corporation and the Lower-tier Entities satisfy the conditions set forth below, which are intended to ensure that the transaction is consummated as proposed.

For the reasons set forth above, OTS has determined that the Application satisfies all applicable approval standards and criteria and the Application is hereby approved, provided that the following conditions are complied with in a manner satisfactory to the Southeast Regional Director, or his designee (together, the Regional Director):

1. The proposed transaction must be consummated within 120 calendar days from the date of this Order;

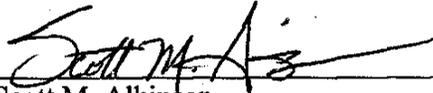
¹ See 61 Fed. Reg. 66561, at 66564 (Dec. 18, 1996).

² 12 C.F.R. § 559.5 (2002).

2. The Savings Bank must obtain prior written clearance from the Regional Director prior to approving any material deviation from the activities, facts, representations or level of investment described in the Application; and
3. Within 30 calendar days of the establishment of the Service Corporation and the Lower-tier Entities, the Savings Bank must submit written notice to the Regional Director of the date and amount of the capital contributed to the Savings Bank and provide a consolidated balance sheet of the Service Corporation as of the date of the consummation of the proposed transaction.

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

By order of the Director of the Office of Thrift Supervision, or his designee, effective
December 10, 2002.



Scott M. Albinson
Managing Director
Office of Supervision