

## OFFICE OF THRIFT SUPERVISION

### Application Requesting Exemption Under The Depository Institution Management Interlocks Act

**Order No.:** 2003-30

**Date:** July 28, 2003

**Docket No.:** 03970

The Office of Thrift Supervision (OTS) has reviewed an application (Application) requesting an exemption under the Depository Institution Management Interlocks Act (Act) and 12 C.F.R. § 563f.6(a) of the OTS management interlocks regulations on behalf of Terrance G. Hodel (Mr. Hodel), regarding Mr. Hodel's proposed service as a member of the boards of directors of IndyMac Bank, F.S.B., (Savings Bank) and IndyMac Bancorp, Pasadena, California, (Holding Company) while serving as a director of Luther Burbank Savings Association, Santa Rosa, California (Thrift) (collectively the Depository Organizations).

Mr. Hodel has served as a director of the Thrift since May 2002, and proposes to serve as a director of both the Savings Bank and the Holding Company. The Act and 12 C.F.R. § 563f.3(c) generally prohibit a management official of a depository organization from simultaneously serving as a management official of an unaffiliated depository organization, regardless of where the depository organizations are located, if one of the depository organizations in question has total assets in excess of \$2.5 billion and the other depository organization has total assets in excess of \$1.5 million. Pursuant to § 563f.6(a), the Application seeks to exempt Mr. Hodel's proposed service as a director of the Savings Bank and the Holding Company from the § 563f.3(c) prohibition.

Pursuant to § 563f.6(a), OTS may grant an exemption for an otherwise prohibited interlock if it determines that the interlock would not result in a monopoly or substantial lessening of competition or threaten safety and soundness. In analyzing the competitive effects of a proposed interlock, OTS must consider the product lines of the entities involved, their geographic locations and market areas to determine whether the firms are substantial competitors.

The Holding Company and the Thrift's savings and loan holding company are essentially shell companies that do not have subsidiaries engaged in significant operations other than their respective depository institution subsidiaries, the Savings Bank and the Thrift.

The Savings Bank and its branch offices are located in the Los Angeles—Long Beach Metropolitan Statistical Area (MSA). The Savings Bank focuses on underwriting single-family loans and home equity lines of credit. The Savings Bank offers its residential mortgage products nationwide, including in the San Francisco Bay area, and its construction loans in eight states, including California. The Thrift operates in the San Francisco Bay area, approximately 400 miles from the Savings Bank. The Thrift emphasizes multi-family residential and non-residential

mortgage loans. The Thrift's sole activity in the Los Angeles area has been to purchase a small number of multi-family loans originated by other lenders. The Savings Bank does not engage in multi-family lending.

The markets in which the Savings Bank and the Thrift compete are competitive. The Herfindahl-Hirschman Index scores for the deposit markets in the Santa Rosa and the San Francisco—San Jose—Oakland and the Los Angeles—Long Beach markets are 869, 1,269 and 852, respectively. The Savings Bank, which markets deposit products nationwide, has deposits totaling approximately \$145.7 million in the San Francisco Bay area, representing a market share of less than 1%. The Thrift, which primarily seeks deposits locally, has total deposits of approximately \$1.1 billion, with a market share in the San Francisco—San Jose—Oakland MSA of 0.26%, and in the Santa Rosa MSA of approximately 9.27%. The Savings Bank has deposits of approximately \$4.9 billion in the Los Angeles – Long Beach area. The Thrift deposits in the Los Angeles area total approximately \$11.1 million.

Lending activity in the San Francisco Bay area market causes the Savings Bank and the Thrift to be ranked, respectively, 32nd and 190th in size in the market, and their combined market share would be less than 1%. Lending activity in the Los Angeles—Long Beach market area causes the Savings Bank and the Thrift to be ranked, respectively, 18th and approximately 1000th in size in the market, and their combined market share would be less than 1.75%.

Based on the foregoing, we conclude that the proposed interlock will not have a significant impact on competition.

OTS has evaluated the proposed interlock from a supervisory perspective, and has concluded that the interlock will not present safety and soundness concerns.

Based on the Application and the foregoing analysis, OTS concludes that Mr. Hodel's proposed interlock meets the applicable approval criteria. Accordingly, the Application is hereby approved.

By order of the Director of the Office of Thrift Supervision, or his designee, effective July 28, 2003.

  
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Scott M. Albinson  
Managing Director  
Office of Supervision