

OFFICE OF THRIFT SUPERVISION

Approval of Acquisition and Merger

Order No.: 98-42

Date: April 20, 1998

Golden State Bancorp, Inc. ("Holding Company") has applied to the Office of Thrift Supervision ("**OTS**") under 12 U.S.C. §1467a(e) and 12 C.F.R § 574.3 to acquire **CenFed** Bank a Federal Savings Bank Pasadena, California (the "Bank"). In addition, the Holding Company's subsidiary, Glendale Federal Bank, Federal Savings Bank, Glendale, California (the "**Thrift**"), has applied to the OTS under 12 U.S.C. §§1467a(s) and 1828(c) and 12 C.F.R. §§ 552.13 and 563.22 to acquire the Bank in a merger transaction. (The two applications are referred to herein as the "Applications".) Both the Bank and the Thrift are federally chartered savings banks insured by the Savings Association Insurance Fund.

The OTS has reviewed the Applications, as supplemented by the Holding Company and the Thrift, as well as a protest **from** the Greenlining Institute (the "Protestant"). In addition, the OTS has considered a digest dated April 6, 1998, by the OTS West Regional Office, an analysis prepared by Corporate Activities, an analysis prepared by Compliance Policy and a legal opinion issued by the Business Transactions Division (collectively, the "**Staff Memoranda**").

For the reasons set forth in the **Staff Memoranda**, except with respect to the discussions therein of the Protestant's allegations regarding low levels of home mortgage originations by the Thrift, the OTS finds that the Applications **satisfy** the approval standards set forth at 12 U.S.C. §§ 1467a(e) and 1828(c), and 12 C.F.R. §§ 552.13, 563.22, and 574.7, as well as all other applicable statutes and regulations, including the Community Reinvestment Act ("**CRA**"), 12 U.S.C. §§ 2901, *et seq.*, and the OTS Regulations thereunder at 12 C.F.R. Part 563e.

With respect to the Protestant's allegations regarding low levels of home mortgage originations by the Thrift, the OTS finds that the Applications **satisfy** the above-referenced standards for the reasons set forth in this paragraph. The OTS review of the Applications confirmed that the proportion of the **Thrift's** home purchase lending to low- and moderate-income and minority individuals and areas is **significantly** below Home Mortgage Disclosure Act averages in its markets. Certain of the conditions set forth below are intended to address these deficiencies, and to ensure that the OTS is able to monitor the Thrift's progress in curing such deficiencies. Nevertheless, the OTS concludes that the Thrift's **lending** record, overall, is marginally satisfactory, particularly in light of (i) lending other than home purchase loans, particularly small business loans and small farms loans; (ii) the Thrift's maintenance of a presence in the markets at issue; and (iii) the lack of any evidence of discrimination by the **Thrift**. Also, the OTS concludes that the Thrift's performance under the investment component of the CR4 Regulations is satisfactory, and that the Thrift's performance under the service component of the OTS **CRA** regulations is satisfactory. Accordingly, while the OTS believes that the home mortgage lending concerns raised by the Protestant are significant, the OTS concludes that it is appropriate to address such concerns through conditioning this approval.

Accordingly, the Applications are hereby approved, provided that the following conditions are complied with in a manner satisfactory to the West Regional Director, or his designee ("Regional Director"):

1. The proposed **transaction** must be **consummated** in accordance with the Plan of Merger, dated August 17, **1997**, and amended on December 1, 1997, 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, and the merger of the Bank and the **Thrift** must occur no earlier than **15** calendar days **after** the date of this approval order;
2. All required regulatory and shareholder approvals must be received prior to consummation of the transaction with copies of all such approvals supplied to the Regional Director;
3. On the business day prior to the date of consummation of the proposed transaction, the chief executive officers of the Holding Company, the **Thrift** and the Bank must **certify** in writing to the Regional Director that no material adverse events or material adverse changes have occurred with respect to the financial condition or operations of the Holding Company, the Thrift or the Bank since the date of the financial statements submitted with the application;
4. No later than 5 calendar days after the date of consummation of the proposed transaction, the Holding Company must file with the Regional Director a certification of legal counsel stating: (i) the effective date of the transaction and (ii) that the transaction was consummated in accordance with the provisions of all applicable laws and regulations, the application and this approval order;
5. No later than 30 calendar days following the date of consummation, the Thrift must submit evidence that it has advised, in writing, each accountholder whose withdrawable accounts in the **Thrift** will exceed **\$100,000** as a result of the transaction of the effect of the transaction on their deposit insurance coverage;
6. Within 30 days of approval of this application, the **Thrift** must submit a plan for ensuring that its HMDA data accurately reflect only internal loan originations and bona fide whole loan purchases. As part of this plan, the Thrift should detail the specific quality control features it has taken to ensure the accuracy and eligibility of its HMDA data. **The Thrift** should provide specific evidence that its 1997 HMDA submission is accurate in this regard;
7. Within 30 days of approval of this application, the Thrift must begin to collect income and race data for targeted residential loan purchases that it expects to make part of its CRA lending record;

8. Within 30 days of approval of this application, the **Thrift** must submit and implement a plan, acceptable to the Regional Director to improve its overall mortgage lending record and to increase the distribution of its mortgage lending to low and moderate-income individuals and **communities**, to levels equivalent to at least the latest available HMDA aggregate averages in its assessment areas. The Thrift must also submit and implement a parallel plan for increasing the distribution of its mortgage lending to minority individuals and communities;

9. No later than 30 days after the end of each calendar quarter, the **Thrift** must continue to submit a status report, in a form acceptable to the Regional Director detailing: (a) the results of its various **lending** products, programs and initiatives, with special emphasis on its affordable housing initiatives; and (b) its progress in improving its overall lending record and increasing the levels of its lending to low and moderate income and minority individuals and communities; and (c) progress of its partnership efforts with local community small business intermediaries to provide technical assistance and training on credit management to low-income and minority small business owners; and (d) progress toward meeting its commitment to expand by **\$50** million its multifamily affordable housing lending through a pilot program in Los Angeles and San Diego Counties;

10. The Thrift must also place a copy of its status report prepared under Condition 9 of this Order in its CRA public file maintained under 12 C.F.R. 563e.43 no later than 15 days after such report is submitted to the Regional Director. The Thrift may redact any supervisory or proprietary business information **from** the status report subject to the review and approval of the Regional Director; and

11. *The Thrift's Year 2000 Project Management Program must adhere to the terms, deadlines, requirements and conditions contained in the Year 2000 guidance issued by the OTS and/or the Federal Financial Institutions Examination Council ("**FFIEC**") including the May 5, 1997 **FFIEC** Year 2000 **Project Management Awareness** statement, the December 17, 1997 **FFIEC Safety and Soundness Guidelines Concerning the Year 2000 Business Risk**, the March 17, 1998 **FFIEC Guidance Concerning Institution Due Diligence in Connection with Service Provider and Software Vendor Year 2000 Readiness**, the March 17, 1998 **FFIEC Guidance Concerning the year 2000 Impact on Customers**, the April 10, 1998 **Guidance Concerning Testing for Year 2000 Readiness** and any subsequent OTS or FFIEC Year 2000 guidance, regulations or other requirements.*

Any time period specified herein relating to the Applications 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 April 20, 1998.



John E. Ryan
Acting Executive Director, Supervision