



BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON, DC 20551

November 14, 2013

Mr. Bradford Hewitt
President and Chief Executive Officer
Thrivent Financial for Lutherans
625 Fourth Avenue South
Minneapolis, Minnesota 55415

Dear Mr. Hewitt:

This is in response to the application by Thrivent Financial for Lutherans (“Thrivent”) and Thrivent Financial Holdings, Inc. (together, the “Thrivent Companies”), both of Minneapolis, Minnesota, to deregister as savings and loan holding companies (“SLHCs”) pursuant to section 604(i) of the Dodd-Frank Act, 12 U.S.C. § 1467a(a)(1)(D)(ii)(II), and the Board’s Regulation LL, 12 CFR 238.4(d). The Thrivent Companies seek to deregister on the basis that their subsidiary federal savings association, Thrivent Trust Co. (formerly, Thrivent Financial Bank) (“Trust Company”), Appleton, Wisconsin, qualifies as a trust-only company pursuant to section 2(c)(2)(D) of the Bank Holding Company Act (“BHC Act”), 12 U.S.C. § 1841(c)(2)(D).

Background

Section 604(i) of the Dodd-Frank Act amended the Home Owners’ Loan Act (“HOLA”) to exclude from the definition of an SLHC a company with a subsidiary savings association that functions solely in a trust or fiduciary capacity as described in section 2(c)(2)(D). Under section 2(c)(2)(D), the term “bank” does not include an FDIC-insured institution that “functions solely in a trust or fiduciary capacity” if it meets the following criteria:

- i. all or substantially all of the deposits of such institution are in trust funds and are received in a bona fide fiduciary capacity;

- ii. no deposits of such institution which are insured by the Federal Deposit Insurance Corporation are offered or marketed by or through an affiliate of such institution;
- iii. such institution does not accept demand deposits or deposits that the depositor may withdraw by check or similar means for payment to third parties or others or make commercial loans; and
- iv. such institution does not –
 - I. obtain payment or payment related services from any Federal Reserve bank, including any service referred to in section 11A of the Federal Reserve Act; or
 - II. exercise discount or borrowing privileges pursuant to section 19(b)(7) of the Federal Reserve Act.¹

As part of a plan to transform Trust Company into a trust-only company, Thrivent donated approximately \$45 million in capital to a newly created credit union, Thrivent Federal Credit Union (“Credit Union”), Appleton, Wisconsin, “sponsored” by Thrivent.² Thrivent did not receive stock or other ownership interest in Credit Union in exchange for the donation. However, Thrivent received the right to designate a representative to the credit union’s board and established material business relationships with the credit union. Following the formation of Credit Union by Thrivent, Trust Company transferred its deposits, loans, and other assets to the credit union and limited its own activities to those permissible for trust-only companies under section 5(n) of HOLA.³

¹ 12 U.S.C. § 1841(c)(2)(D).

² Membership in Credit Union is open to: members, employees, and volunteers of Thrivent Financial for Lutherans; employees and volunteers of Credit Union; organizations or businesses owned by eligible persons; certain Lutheran organizations; and immediate family members or household members, including widows and widowers, of eligible persons. Trust Company does not have “membership”; rather it has customers. Anyone can be a customer of Trust Company, although many of its members are Thrivent Financial for Lutherans members.

³ Trust Company provides trustee, guardian, conservator, investment management, limited bill payment, medical claims reimbursement, agent, custodian, and tax-related services. Credit Union engages in retail banking, first mortgage, home equity, business banking, consumer loan, commercial loan, IRA, business treasury management, health savings account, and prepaid gift card activities.

Both Credit Union and Trust Company outsource most of their administrative and operational functions to Thrivent. Some of the same Thrivent personnel provide human resources, marketing and communications, call center, legal, finance, and information technology services to both entities. However, Thrivent maintains separate books and records for each entity, and the overlapping personnel perform the services in accordance with each institution's independent risk management and other policies, procedures, and guidelines. The common back-office arrangements are not evident to the public.

Credit Union and Trust Company operate with separate personnel, including management teams, and in separate locations not within close proximity of each other. Although each uses the term "Thrivent" in its name, the two institutions do not refer customers to each other, cross-market or tie each other's products or services, or use other common trademarks.⁴ Thrivent maintains a group website that provides information on both the credit union and the trust company. However, the information on the companies is located on separate webpages that are not linked to each other, and the website does not otherwise explicitly suggest any relationship between the two companies. There are no employee or director interlocks between the credit union and the trust company. The customer bases of the trust company and the credit union are overwhelmingly distinct,⁵ and the trust company has committed to impose measures to ensure that its customers are not encouraged to become customers of the credit union.⁶

⁴ Thrivent maintains three call centers: a central call center for Thrivent, a call center for the credit union, and a call center for the trust company. When the credit union receives a call intended for the trust company, the credit union forwards the call to the trust company (and vice versa). When Thrivent receives a call for the credit union or the trust company, it forwards the call to the appropriate entity. Thrivent and the credit union do not refer customers to the trust company for specific products (and vice versa). In any case, Trust Company does not offer any insured deposits and has committed to consult with Board staff prior to doing so. Accordingly, there are no insured deposits of Trust Company for Thrivent or Credit Union to market in contravention of the section 2(c)(2)(D)(ii) ban on affiliate marketing of insured deposits of a trust company.

⁵ There are 104 customers with accounts at both Credit Union and Trust Company. The deposit accounts of these customers represent approximately 1.1 percent of the total deposits of Credit Union, and the customer's trust accounts represent approximately 10 percent of Trust Company's assets under management.

⁶ Trust Company holds deposit accounts with Credit Union on behalf of its fiduciary clients and another account with its own operating funds. Trust Company is in the process of transferring these accounts to an unaffiliated depository institution.

The Section 2(c)(2)(D) Factors

As part of its approval of Trust Company's conversion to a trust-only institution, the Office of the Comptroller of the Currency ("OCC"), the chartering authority and primary supervisor of Trust Company, limited the institution's activities to those permitted under section 5(n) of HOLA. Trust Company's activities are substantially similar to the activities of the subsidiary savings associations of previous deregistration applicants and previously have been recognized by the Board as trust or fiduciary activities.⁷ The Board has consulted with the OCC and reviewed available information to confirm that Trust Company operates only in a trust or fiduciary capacity.

Section 2(c)(2)(D) requires that "all or substantially all of the deposits of such institution are in trust funds and received in a bona fide fiduciary capacity." The Board considers the "all or substantially all" requirement of section 2(c)(2)(D) to be met where 99 percent of all deposits are maintained in a trust or fiduciary capacity,⁸ not taking into account the \$500,000 in non-trust deposits the savings association must hold in order to receive federal deposit insurance.⁹ Trust Company meets this requirement: it conducts its business exclusively through trust and fiduciary accounts maintained at third-party institutions and does not maintain any deposit accounts directly for its customers.

The Board has confirmed, based on a review of supervisory information, consultations with the OCC, and information provided by the Thrivent Companies, that no products or services offered by Trust Company are marketed either by Thrivent or Credit Union. Trust Company does not offer deposit accounts to its customers or make commercial loans. Trust Company also does not obtain payment or related services from a Federal Reserve Bank or exercise discount or borrowing privileges with any Federal Reserve Bank. Trust Company obtains, and will continue to obtain, these services and privileges from third-party institutions. Finally, Thrivent and Trust Company have committed to abide by each of the section 2(c)(2)(D) requirements on an ongoing basis.

⁷ State Street Boston Corporation, 81 Federal Reserve Bulletin 297 (1995); JP Morgan & Co., Inc., 73 Federal Reserve Bulletin 810, 812 and fn. 5 (1987).

⁸ See Board letter to Raymond J. Manista dated September 26, 2012. See also letter dated February 28, 1997, from Oliver I. Ireland, Associate General Counsel, to S. Alan Rosen, Esq., and letter dated May 15, 1996, from Oliver I. Ireland, Associate General Counsel, to L. Richard Fischer.

⁹ 12 CFR 303.14(a). In order to be chartered as a federal savings association under section 5 of HOLA, the Office of Thrift Supervision required that the savings association be FDIC insured. 12 CFR 552.2-1(b)(3)(i). The OCC has retained the deposit insurance requirement. 12 CFR 152.1(b)(3)(i).

Compliance with Section 2(c)(2)(D)

The limited back- and front-office relationships between Thrivent, Credit Union, and Trust Company evidence a degree of interdependence, principally between the credit union and the trust company on the one hand, and between the credit union and Thrivent on the other. Consideration has been given to whether these relationships are consistent with the limitations in section 2(c)(2)(D) of the BHC Act.

Trust Company has taken measures to ensure its separateness from the Credit Union and Thrivent. The outsourcing relationships between Trust Company and Thrivent are on market terms and are to be conducted in full compliance with the trust company's policies and procedures, and separate books and records are required to be maintained. This ensures a degree of separateness for the back-office operations. Moreover, Trust Company has committed that it will not have director or employee interlocks with the credit union, will not induce customers of the trust company to become credit union members, will not receive any customer or product referrals from Thrivent or the credit union, and will require that Trust Company treat the credit union as an affiliate for purposes of anti-tying prohibitions and sections 23A and 23B of the Federal Reserve Act, 12 U.S.C. §§ 371c and 371c-1. The trust company will not maintain any customer or other accounts with the credit union. Although both the trust company and credit union will continue to use the name "Thrivent" and will continue to provide services to the same general set of eligible persons, the products and services of each will not be promoted together by the credit union, the trust company, or Thrivent.

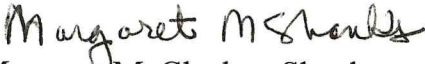
Thrivent has committed not to operate Credit Union and Trust Company as a single enterprise. Any change in the operations of, or relationships between, these entities may result in a different finding regarding the qualification of Trust Company for the exception provided in section 2(c)(2)(D).

Conclusion

Based on the foregoing and all the facts of record, including the most recent call report and report of examination of Trust Company and consultation with the OCC, the General Counsel and the Director of the Division of Banking Supervision and Regulation, acting pursuant to authority delegated by the Board, have approved the application by the Thrivent Companies to deregister as SLHCs. This action is taken in reliance on all the facts of record, including all the representations and commitments made to the Board in connection with the application. Those representations and commitments constitute conditions imposed in writing in connection with the approval of the Thrivent Companies' application to deregister as SLHCs and, as such, may be

enforced in proceedings under applicable law. Any change in the representations or commitments may result in a different conclusion and should be reported to Board staff promptly.

Sincerely yours,


Margaret McCloskey Shanks
Deputy Secretary of the Board

cc: Ron J. Feldman, Executive Vice President
Federal Reserve Bank of Minneapolis
Office of the Comptroller of the Currency