

From: William C. Jennings
Proposal: 1429 (RIN 7100-AD80) Reg LL & MM - Savings and Loan Holding Companies
Subject: Reg LL & MM Savings and Loan Holding Companies

Comments:

October 25, 2011

Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
20th Street & Constitution Avenue NW
Washington, DC 20551

Re: Comment on Proposed Policies On Section 239.8 (1) of Regulation MM
(Via Email, with hard copy to follow)

Dear Ms. Johnson,

We appreciate the opportunity to comment on the proposed rule regarding the waiver of distributions to Mutual Holding Companies (MHC). I am both the director of a bank subsidiary of a MHC mid-tier holding company, but I am also an investor in the mid-tier holding company.

I am still Chairman and formerly CEO of First Federal Savings Bank of Frankfort, KY. Our bank converted to a full-stock ownership in 1995. At that time, we considered the mutual holding company structure primarily because the level of capital we were required to raise in a full-stock conversion was so high (a full conversion took us to a capital ratio of over 40%). At that time, we rejected the MHC structure because it would restrict dividend payments to those who actually invested in our company. We chose a full conversion but experienced many struggles in utilizing that high capital level in a safe manner (although we thankfully did not choose the path of leveraging the capital through unsafe growth).

In 2005, our company was approached by what was to become Kentucky First Federal Bancorp, MHC. They were also a very-highly capitalized thrift looking to convert to stock-ownership and to utilize the capital raised in a wise manner. However, they had an even higher capital ratio than our bank and the markets were such that a full conversion would result in adequate capital to a bank eight to ten times their size.

By 2005, the OTS had begun granting dividend waivers. As such, the MHC was the perfect solution to raise a manageable level of capital-to still make the acquisition of our company, provide an investment opportunity for all their depositor/members, and to still retain one of the highest capital ratios in our industry. However, neither party would consider the transaction without the availability of the dividend waiver.

We urge the Fed to maintain this flexible and beneficial form of ownership in a

manner that allows for continued dividend waivers. We believe that MHC ownership will die without it. The provisions put forth by the Fed as potential conditions for obtaining the waiver are untenable and likely impossible. These provisions of Reg MM should be rescinded and the Fed should embrace MHCs and dividend waivers both for existing companies and for the 600+ existing mutuals who will need some flexibility in the future if they are to consider raising capital.

Sincerely,

William C. Jennings