

From: Linda M. Swan
Proposal: 1429 (RIN 7100-AD80) Reg LL & MM - Savings and Loan Holding Companies
Subject: Reg LL & MM Savings and Loan Holding Companies

Comments:

Dear Ms. Johnson:

As a director and member of Northeast Community Bancorp, MHC ("MHC") and a director and shareholder of Northeast Community Bancorp, Inc ("Company"), I respectfully submit this letter regarding the captioned Interim Final Rule ("IFR") related to Savings and Loan Holding Companies.

The mutual holding company is an essential part of a corporate structure for financial institutions - one that benefits shareholders, members and depositors alike. It allows a financial institution to remain focused on its regulatory requirements, business plan and serving its depositors and community, while preserving capital. The Dodd-Frank Act recognized the benefits of the mutual holding company structure. It was drafted in a manner that preserved those benefits by retaining the structure and grandfathering existing mutual holding companies. Those that passed Dodd-Frank have an expectation that any subsequent regulations will follow the spirit and tenor of the Act. Accordingly the IFR and any other resulting regulations should be consistent with Dodd-Frank.

The IFR is a major departure from Dodd-Frank. It places an undue burden on mutual holding companies and their management by requiring a member vote for dividend waivers. Such waivers currently require evaluation and approval by the board of directors, a process that is governed by directors' fiduciary duties. In addition, the applicable Federal Reserve Bank must also review and approve each dividend waiver to ensure it would not be detrimental to the safe and sound operation of the subsidiary savings association. The proposed additional member vote requirement provides no real benefit to the mutual holding company or its members. Instead, it imposes an unnecessary burden that will cost precious resources and increase expenses.

I am cognizant of a perceived conflict of interest as a result of my position as a director of the MHC and shareholder of the Company. However, no actual conflict exists and there is no potential for any harm to the members. Our directors are members of the MHC and shareholders of the Company and as such are being treated no differently than any other member or shareholder.

A waiver of the dividend by the MHC is a critical financial mechanism which allows the Company to retain additional capital which increases its ability to serve as a source of strength for the Bank. It also allows the Bank to retain additional capital instead of up-streaming capital through a dividend to the Company. In addition, any dividend paid to the MHC would generally be a taxable event given the average holding company ownership percentage retained by the MHC. As a result, the Company and indirectly the Bank, would needlessly lose valuable capital to taxes if forced to pay a dividend to the MHC. On average, the dividend payout ratio for publicly traded MHC's is substantially lower than that for all publicly traded thrifts. Similarly, the dividend yield for publicly traded MHC's and all publicly traded thrifts was substantially similar at 2.2% and 1.9%, respectively as of September 16, 2011.

It is clear that directors of MHC's consistently met their fiduciary duties and waive dividends only as a method of ensuring capital preservation and financial stability. Finally, members of the MHC are also depositors of the Bank. Accordingly, a dividend waiver benefits the MHC's members as depositors of the Bank.

Therefore, I respectfully request that the requirement for member approval of the dividend waiver be eliminated from the final rule. If I can provide any additional information, please feel free to contact me via email.

Very truly yours,

Linda M. Swan