

CATHERINE K. ROCHESTER

October 28, 2011

Board of Governors of The Federal Reserve System
20th Street and Constitution Ave., NW
Washington, DC 20551
Email: regs.comments@federalreserve.gov

RE: Docket NO. R-1429
RINN No. 7100 AD 80

Dear Members of the Board:

I am writing in response to the Board's Interim Final Rule setting forth regulations for savings and loan holding companies as referenced above. Specifically, my responses pertain to Regulation MM with regard to SLHCs and the dividend waiver provisions relating to mutual holding companies ("MHCs").

I have been a thrift and bank consultant, a Chief Financial Officer of a billion dollar inter-state thrift, and being President of my own NASD broker-dealer specializing in mutual to stock conversions and capital raising for thrift institutions. Currently I am an investor in thrift institutions, an industry I believe serves as a key component of the backbone of America's economy and economic well-being.

Having spent over 30 years as a thrift institution expert, I believe the proposed legislation is NOT in the best interests of the thrift industry, its public shareholders or its depositors. My objections to the proposed legislation are as follows:

1. Conflict of interest clause is counter-productive.

Any legislation that discourages persons who have management responsibility of a company from investing their own funds in the company they govern is counter-productive to the financial well-being of that company. The proposed "conflict of interest" clause would force the majority of board members to sell their stock holdings in order to comply with such requirements. This action would be contrary to public investors' interests. Investors in MHC controlled companies want their boards to own substantial stock in it, thereby aligning management's interests in the financial success of the company with those of their own. Of course, the board still is subject to its fiduciary obligations to the bank and holding companies.

2. Dividends are a significant investment decision factor.

Expected dividends are a significant decision factor for those who purchase stock in MHC controlled companies. If the proposed legislation is implemented, it is likely that many companies under an MHC structure will be forced to cut their dividends to public shareholders since many MHC controlled companies do not have earnings sufficient to pay both the public and its MHC. You will not only be taking away future incentive to invest in these MHC controlled companies, but will also take away a major portion of the expected return for those stockholders who have already invested based on current regulations.

3. Paying dividends to the MHC does not add value to mutual members.

The premise that paying dividends to an MHC adds value to it and, therefore, its mutual members is based on assumptions that are weak. The value of the MHC would only accrue to its mutual members if all of the following events were to occur: 1) the MHC does a second step conversion, 2) the majority of the mutual members exercise their rights to purchase stock in the second step and 3) the value of the stock rises in the after-market. Even if one were to assume that the MHC will eventually convert to full stock ownership, most mutual members DO NOT exercise their subscription rights to purchase stock. In fact, history has proven that typically only five percent (5%) of a mutual's members (depositors and borrowers) exercise their subscription rights to purchase stock. The remaining 95% of stock is sold to persons who have no banking interest in the institution. Moreover, the subscription rights exercised by those few members only has value if the stock price rises in after-market trading. The subscription right is worthless if they could buy the stock at equal or lesser value in after-market trading. Therefore paying a dividend to the MHC essentially adds only phantom value to its members.

4. Proposed legislation is unduly costly and burdensome.

The proposed requirement to get mutual members to approve waiver of dividend to the MHC is overly burdensome, very costly and extremely restrictive. Most mutual members do not vote on thrift matters. In fact, thrifts routinely hire professional proxy solicitors in order to get the majority vote needed to convert to stock ownership or re-organize into an MHC. Proxy solicitation to waive the MHC dividend would be cost prohibitive to most thrift institutions.

In conclusion, the proposed rules affecting dividend waivers add significant cost and burden to an already weak thrift industry while adding only insignificant phantom value to very few of the thrift's members. Thus, I strongly urge you to adopt rules more consistent with the former OTS rules for dividend waivers.

Thank you for the opportunity to respond.

Sincerely,

Catherine K. Rochester