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October 22, 2012

**Via Email: [regs.comments@federalreserve.gov](mailto:regs.comments@federalreserve.gov)**

Jennifer J. Johnson, Secretary  
Board of Governors of the Federal Reserve System  
20th and C Streets, N.W.  
Washington, D.C. 20551

RE: Proposed Capital Requirements for Savings and Loan Holding Companies  
Docket No. R-1430; RIN No. 7100-AD87

Ladies and Gentlemen:

Thank you for the opportunity to comment on the Basel III capital proposals that were issued in June 2012 by the Board of Governors Federal Reserve (“Board”), the Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation.

Crest Savings Bank (“Crest”) is a New Jersey state-chartered savings bank with \$386 million in assets that operates eight banking offices in Cape May County, New Jersey. Its mutual holding company, Crest Savings Bancorp, MHC, and Crest’s immediate parent company, Crest Savings Bancorp, Inc., are regulated as savings and loan holding companies rather than bank holding companies pursuant to Section 10(I) of the Home Owner’s Loan Act. Founded as a mutual savings association in 1919, Crest remains committed to serve its local communities as a mutually owned organization and has no plans to issue stock to the public or to convert to the stock form of ownership.

While we endorse and join in the comments separately submitted by the New Jersey Bankers Association and believe that the application of the Basel III capital proposals to community banking organizations should be thoroughly reexamined by the federal banking regulators, we are writing this separate comment letter to express our concerns over certain provisions of the Basel III proposals that adversely and unfairly affect savings and loan holding companies (SLHCs). In particular, as further addressed below, (i) the Board should use its discretionary authority to include SLHCs under \$500 million in the exemption provided for bank holding companies (BHCs) of such size from the Basel III capital rules; and (ii) the Board should respect the statutory language of Section 171 of the Dodd-Frank Act that provides a July 21, 2015 effective date for the imposition of uniform capital requirements on SLHCs rather than imposing an effective date of January 1, 2013.

**1. The Board should apply the Dodd-Frank Act’s exemption for small bank holding companies to SLHCs with assets of less than \$500 million.**

The Board’s Small Bank Holding Company Policy Statement (“Policy Statement”) has for many years excluded BHCs with assets of less than \$500 million from the consolidated capital requirements applicable to BHCs. In the Dodd-Frank Act’s



provisions requiring uniform capital requirements for BHCs and SLHCs (Section 171), Congress effectively codified the Board's Policy Statement by providing that the minimum capital requirements of Section 171 do not apply to small BHCs that are subject to the Policy Statement as in effect on May 19, 2010. Unfortunately, since SLHCs of less than \$500 million in assets are not subject to the Policy Statement by its terms, the statute does not expressly provide for the exemption's coverage of small SLHCs. The preamble to the Basel III capital rule reflects the Board's position that Section 171 does not permit it to include small SLHCs within the scope of the exemption for small BHCs.

Although we anticipate that Crest's holding companies will be well-capitalized under Basel III's capital rules for depository institution holding companies, the application of such rules to our holding companies will require considerable additional compliance expense, compared with the reporting requirements applicable to small BHCs, and will also limit the flexibility in the use of debt securities and debt instruments that is currently enjoyed by all SLHCs as well as by small BHCs. Assuming the Board does not revise the Basel III capital proposal to apply the small BHC exemption to small SLHCs, Crest's holding companies – and presumably hundreds of other small SLHCs – will probably decide to convert to state-chartered corporations and become BHCs. Our advisers have informed us that the cost of such a change in status is likely to exceed \$50,000, consisting primarily of proxy expenses and legal fees.

We believe that Congress clearly intended in the Dodd-Frank Act to exempt small depository institution holding companies, not just bank holding companies, from consolidated capital requirements. Furthermore, we note that the Board's proposal deviates from the Dodd-Frank Act on certain key issues – for example, the lack of permanent grandfathering for trust preferred securities for certain holding companies and the disregarding of the July 21, 2015 effective date provided by Section 171 for the application of uniform capital requirements to SLHCs – and we submit that the Board has similar discretion under its rulemaking authority to correct what was clearly an oversight in the drafting of Section 171.

**2. The January 1, 2013 effective date for the imposition of the Basel III capital rules on SLHCs should be changed to July 21, 2015, as provided in the Dodd-Frank Act.**

Historically, SLHCs, unlike BHCs, have not generally been subject to regulatory capital requirements. In the Dodd-Frank Act, Congress for the first time mandated that SLHCs become subject to uniform capital requirements. Specifically, Section 171 of the Dodd-Frank Act (the "Collins Amendment") requires the Board to establish minimum leverage and risk-based capital requirements for both BHCs and SLHCs that are no less stringent than the capital requirements in effect for banks as of July 21, 2010. In recognition of the need to provide a transition period for SLHCs to comply with such uniform capital requirements, the Collins Amendment expressly provides that the new capital requirements for SLHCs "shall be effective 5 years after July 21, 2010."

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It is difficult to imagine a stronger statement of Congressional intent as to the effective date of capital requirements for SLHCs than that stated by the plain words of the Collins Amendment. There may be a regulatory rationale for ignoring the statutory language and Congress' clear intent; however, none is offered by the preamble to the Basel III capital proposal, which contains no reference whatsoever to the effective date set by Section 171. In the absence of any apparent reason for the accelerated effective date of the Basel III capital rules for SLHCs, we urge the Board to conform the final rule to the July 21, 2015 effective date provided by the Collins Amendment.

We also note that at no time prior to the issuance of the Basel III proposal did the Board give any indication that it was considering instituting its own effective date for savings and loan holding companies in place of the July 21, 2015 date provided by Section 171. Accordingly, savings and loan holding companies were, upon the issuance of the Basel III proposal in June 2012, faced with the completely unexpected need to revise their capital plans and to comply with new regulatory capital requirements within an extremely short time frame of six months. Quite apart from the need to address the conflict between the Basel III proposal's effective date and the plain language of the Dodd-Frank Act, the Board should provide a delayed effective date for SLHCs as a matter of fairness.

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We appreciate the Board's consideration of our comments. I would welcome the opportunity to respond to any questions you may have.

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**CREST SAVINGS BANK**  
Jay M. Ford  
President and Chief Executive Officer