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March 26, 2004

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Regulation Comments
Chief Counsel's Office
Office of Thrift Supervision
1700 G Street, NW
Washington, DC 20552

Attention: No. 2004-06 (Assessments and Fees)

Dear Sir or Madam:

Teachers Insurance and Annuity Association of America ("TIAA") is pleased to have the opportunity to comment on the Office of Thrift Supervision's ("OTS") proposal (the "Proposal") to establish a system of semi-annual assessments for savings and loan holding companies ("SLHCs") instead of the current practice of charging examination fees. TIAA is a SLHC based on its indirect ownership of TIAA-CREF Trust Company, FSB, a trust-only federal savings bank chartered in 1998. TIAA is one of the largest life insurance companies in the United States with net admitted assets of $ 151 billion as of year-end 2003.

TIAA supports the OTS's desire to move from an hourly-based charge for examinations of SLHCs to a more predicable semi-annual assessment for supervision. Such a move should assist SLHCs in more accurately predicting their regulatory expenses for future periods. However, several aspects of the OTS's proposed methodology for calculating SLHC assessments raise concerns which we address below.

1. <u>Assessment of Top-Tier SLHCs</u>

The Proposal assumes that all SLHCs prepare financial statements under generally accepted accounting principles ("GAAP") and that under GAAP all SLHCs are required to prepare consolidated financial statements. As the OTS has recognized in the instructions to the Thrift Financial Report's Schedule HC, SLHCs that are non-public insurance companies may only prepare financial statements under Statutory Accounting Principles ("SAP") and may not prepare GAAP financial statements. Under SAP, subsidiaries are accounted for using the equity method of accounting and consolidated financial statements are not produced. The OTS, recognizing our unique structure, recently notified TIAA that it, and not the TIAA Board of Overseers, which is the parent of TIAA, is the designated holding company filer for purposes of TIAA-CREF Trust Company, FSB's TFR Schedule HC. TIAA only prepares SAP financial statements and does not prepare GAAP financial statements. We recommend that the final regulations provide the OTS with flexibility to take into account the often unique organizational structures of SLHCs in determining which entity in a chain of ownership is appropriate to use for calculation of the semi-annual assessment. This flexibility should also permit the OTS to appropriately consider the financial statements that are prepared by those entities, so that an additional and unnecessary reporting requirement is not inadvertently added.

2. Risk and Complexity

TIAA believes that the Proposal over simplifies the relationship between risk and complexity. Simple organizations that lack diversified sources of revenue may pose significantly greater risks to their subsidiary savings associations than more complex organizations that engage in more diversified businesses. Likewise, the Proposal recognizes a variety of negative factors to be considered in evaluating a SLHC's financial condition, but does not address positive factors. In particular, a downgrade in debt rating by a major debt rating agency is considered, but not whether a SLHC receives a high debt rating from a major debt rating agency. For the insurance industry, the fact that an insurance company receives the highest claims paying rating from Standard & Poors, Moodys and A.M. Best is good indication of its financial strength. TIAA believes that large complex organizations that receive ratings in the two highest ratings categories from major ratings agencies should be automatically deemed low risk for purposes of the Proposal and placed in Category I under the risk and complexity component.

3. Organizational Form Component

TIAA strongly believes it is appropriate for SLHCs that only own trust-only savings associations to be treated differently for purposes of the Proposal than SLHCs that own savings associations that take insured deposits from the public. Trust-only savings associates are typically owned by significant financial institutions, such as TIAA, that are already subject to functional regulation by state insurance departments, the Securities and Exchange Commission and other regulatory authorities. Trust-only savings associations do not pose the same types of risks, or raise the same public policy concerns, as do insured deposit taking savings associations. As noted in the proposal, SLHCs that own trust-only savings associations typically have sizeable assets, which would result in significant assessments under the Proposal. TIAA believes that a reduction in the assessment is appropriate in order to recognize the lower costs to the OTS of supervising SLHCs that control trust-only savings associations.

Conclusion

As discussed above, TIAA believes that the Proposal would allow for increased predictability of SLHC regulatory expenses. As noted above, however, we believe that certain aspects of the Proposal need to be modified to more accurately reflect the risks, and associated costs of supervision, presented by large, complex, financially-strong SLHCs which have savings association subsidiaries engaged in limited activities.

We would be pleased to discuss our views further if this would be helpful.

Very truly yours,

Andrew C. Svarre

cc: George W. Madison, Esq.
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