# DIME SAVINGS BANK

(62)

March 24, 2003

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

RE: Thrift Financial Report Revisions, OMB No. 1550-0023

Dear OTS Chief Counsel's Office:

The Dime Savings Bank of Williamsburgh would like to thank the Office of Thrift Supervision for the opportunity to respond to the proposed changes to the Thrift Financial Report ("TFR") as published in the Federal Register on January 23, 2003. The Dime is a federally chartered savings institution headquartered in Brooklyn, New York with assets of $3.0 billion.

Although The Dime is fully supportive of the OTS' efforts towards enhancing the usefulness of the TFR data from a supervisory standpoint and of its attempts to more closely align its information with that collected by other federal regulatory agencies, we do have objections to several of the proposals.

<u>EXECUTIVE SUMMARY</u>

- For the reasons listed below, we request that the OTS refrain from accelerating the reporting deadlines for the TFR and Schedules HC and CMR.
- OTS regulated institutions should not be asked to collect and compile additional new cash flow data, specifically on the 'source of refinanced loans'.
- In an issue not addressed under the current proposal, we request that the OTS consider changing the line item reporting of both 'Mortgage Prepayment Fees' and 'FHLB Dividend Income'.
- While we do not object to the non-public reporting of any financial information that the OTS shows is necessary to its regulatory oversight mission, in these times of increasing competition among banks, the onus of providing the OTS with additional publicly-available information continues to place its institutions on a more uneven disclosure playing field with their non-OTS rivals.

DISCUSSION

- Our most strenuous objection is with proposal number 36 (Shorter Deadlines for TFR, Including Schedules HC and CMR) which would shorten the filing date of the TFR from 30 to 20 calendar days after the end of the quarter, and for Schedules HC and CMR, from 45 to 30 calendar days after the end of the quarter. Proposal number 36 effectively reduces the number of business days from 22 to 14, or a decrease of approximately 36%. I would like to emphasize that these shorter reporting time periods not only affect smaller organizations but also larger institutions such as ours.

  Like most institutions over the past few years, we have also had to consolidate job functions. Therefore, it is not correct to infer that we have more resources available than a smaller institution for completing such reports. Our month-end/quarter-end bookkeeping and financial report preparation currently takes place in an efficient and orderly progression. Many reports and sub-schedules can only be prepared in sequential order. Even if we hired additional TFR report preparers, this information still requires verification through the same managerial staff.

  In addition, as a publicly held company, we are required to have an interim audit of our books prior to releasing earnings to the SEC and to the public. The investment community is used to timely release of information, usually the third week after the quarter ends. In fact, the SEC will also soon be shortening the preparation time for the 10-Q and 10-K. Earlier TFR filing deadlines would place an additional burden on the time and attention of our financial report preparers and supervisors. I am concerned that the pressure of a more compressed deadline schedule will unwittingly lead to less thoughtful work and inadvertent errors in reporting.

  The proposal to shorten the TFR deadline not only creates heightened reporting concerns, but it also evokes a larger standing issue regarding the proposed accelerated submission of the CMR, a report which requires a plethora of additional data gathering and compiling, most of which is not required from non-OTS regulated institutions.

- Our next objection concerns reporting disclosures. Even under the current TFR reporting scheme, since converting to public ownership we have been concerned that certain public information required of OTS regulated institutions puts us in a more revealing position than non-OTS regulated competitors in our marketplace. Under this proposal, the disclosure disparity widens. Our objection stems not from the fact that the OTS requests certain information from us which then becomes available to the public, but rather, that similar information provided by non-OTS regulated institutions is not made publicly available.

  - Proposal Number 9 - Bank-Owned Life Insurance – The proposed change seems to put OTS regulated institutions in a more revealing position than non-OTS

regulated banks. OTS regulated institutions would now **have** to outwardly disclose this information, while non-OTS regulated institutions would not.

- Proposal Number 13 - Federal Home Loan Bank (FHLB) Dividend Income - The proposed change seems to put OTS regulated institutions in a more revealing position than non-OTS regulated banks. OTS regulated institutions would now **have** to outwardly disclose this information, while non-OTS regulated institutions would not.

- Proposal Numbers 19 through 22 – Schedule CF Changes – We believe that the most objectionable disparity in publicly-disclosed information between OTS and non-OTS regulated institutions involves Schedule CF. The publicly-disclosed FDIC Call Report **does not require any cash flow data.** Our objection stems not from the fact that the OTS requests certain information from us which then becomes available to the public, but rather, that such information is not provided by non-OTS regulated institutions, and therefore creates an unfair disclosure environment.
    - It is also proposed that OTS regulated companies collect and report information on refinanced loans that would include not only loans where the reporting institution held the original mortgage, but also refinanced loans where another institution held the original mortgage. This proposal will require OTS regulated companies to institute new data gathering and compilation methods not presently in place. Non-OTS regulated companies have no such reporting requirement. We would like to understand better how this information helps with the regulatory oversight mission. And, again, it appears to be information that only OTS regulated companies would be compiling and disclosing publicly, and would therefore be available to our non-OTS regulated competitors in our marketplace.

- There are two important financial reporting disparities between OTS regulated and non-OTS regulated institutions that currently exist that we would like to see the OTS consider adding to its proposed reporting changes – that is in the categorization of Mortgage Prepayment Fees and Dividend Income on FHLB Stock. These are important line item reporting distinctions for institutions which receive loan prepayment fee income, primarily multifamily lenders like Dime, and dividend income on FHLB stock.

    - Mortgage loan prepayment fees are currently classified as "Other Fees and Charges" (non-interest income) on Schedule SO of the TFR. FDIC regulated institutions, on the other hand, we believe are rightly required to report prepayment fees as yield adjustments to their mortgage loan income (interest income). During periods of high loan prepayments, this reporting difference causes OTS regulated institutions like Dime to **appear** to have both lower Net Interest Margin and higher fee income than our non-OTS regulated peers. For

comparative purposes, the reporting difference causes inconsistencies on two lines of the Operating Statement.

- This reporting is especially misleading in the current economic environment where margin compression is of significant concern to regulators and investors. Changing the reporting definitions would be a significant improvement in financial reporting in the current environment where conformance and consistent reporting of income and expense sources is demanded.
- To give you an indication of the scale of the reporting disparity for our institution, last year, we collected over $7.4 million in prepayment fees which represented approximately 4% of gross interest income. Had prepayment fees been reported in interest income, the bank's reported net interest margin would have been higher by nearly 30 basis points.

SUMMARY

In summary, while we understand that it is always desirable to have access to financial information as timely as possible, we think the cost to OTS regulated institutions outweighs any potential benefit that might accrue. The OTS should consider sharing with its institutions a cost/benefit analysis before implementing any changes. This may end up causing accelerated reporting with the potential of increasing numbers of errors which will produce more of a workload not only on the part of bank personnel in filing corrected reports, etc., but on the part of OTS personnel as well.

We respectfully request that the OTS refrain from changing the reporting deadlines for the TFR, and Schedules HC and CMR. In addition, we request that the OTS reconsider its mix of public and non-public information requests. In these times of increasing competition among banks, the onus of providing the OTS with some publicly-available information seems to place its institutions on an uneven playing field with their non-OTS rivals.

Sincerely,

Kenneth J. Mahon
Executive Vice President and Chief Financial Officer
The Dime Savings Bank of Williamsburgh
209 Havemeyer Street, Brooklyn, NY 11211
(718) 782 – 6200, ext. 8265