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February 7, 2001

Manager, Dissemination Branch
Information Management and Services Division
Office of Thrift Supervision
1700 G Street, NW
Washington, DC 20552

Re: Notice of Proposed Rulemaking: Savings and Loan
Holding Companies - Notice of Significant Transactions or
Activities and OTS Review of Capital Adequacy
Docket No. 2000-91

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To the Office of Thrift Supervision:

On behalf of First Investors Consolidated Corporation, I submit this comment letter with respect to Notice of Proposed Rulemaking: Savings and Loan Holding Companies - Notice of Significant Transactions or Activities and OTS Review of Capital Adequacy (Docket No. 2000-91), as published in the Federal Register on October 27, 2000 (65 F. Reg. 64392) ("NPRM").

General comments. In general, we believe that the proposed rules are unnecessarily broad and would be unduly burdensome to holding companies. In the fast changing world of globalized financial markets, holding companies must be able to adapt their businesses quickly. The NPRM would potentially limit these companies from quickly adapting their businesses by giving the OTS 30 days or more to disapprove certain activities or transactions it deems to pose a "material risk" to the thrift. The OTS, by regulation, would have the power to substitute its business judgment for that of the holding companies in areas in which it has little experience or expertise.

We believe that existing regulations provide the requisite safeguards to prevent the abuses that the OTS seeks to prevent. For example, the OTS is concerned that overleveraged holding companies may "look to the thrift to fund its operations." Holding companies, however, are subject to the provisions of Sections 23A and 23B of the Federal Reserve Act, which limit the amount and terms of loans to affiliates. These limits provide adequate protections.

If the OTS believes that some additional regulation is necessary, we strongly believe that notification alone is sufficient. A notification standard would provide a basis for further action by the OTS should it conclude that it must take further action, which it has the power to do under the existing regulatory framework.

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Section 584.100 - What Does This Subpart Do? Section 584.100 would provide that a holding company would be required to file a notice "if all of its subsidiary thrifts have consolidated assets that, when aggregated, represent less than 20 percent of the holding company's consolidated assets." The NPRM asks for comment on whether this percentage is appropriate.

We believe that this percentage is not appropriate. The NPRM acknowledges that structures in which regulated thrifts are not the "primary line of business of the consolidated parent organization," are less likely to be affected by the transactions covered by the NPRM. We submit that "less than 50 percent" is a more appropriate benchmark. If less than half of the holding company's consolidated assets is attributable to regulated thrifts, then the thrift activities should not be considered the "primary line of business."

Relying on the existing definition of a "diversified savings and loan holding company" is not appropriate because "diversified" is not a reliable indicator in this context. Indeed, a holding company's thrift activities could amount to less than one percent of its consolidated activities, yet under the definition of "diversified savings and loan holding company," it may be classified as "non-diversified." For example, if 95 percent of a holding company's consolidated net worth and consolidated net earnings is attributable to asset management activities of its non-thrift subsidiaries, those activities are considered "related activities" under 12 U.S.C. 1467a(c)(2). Thus, the holding company would be classified as "non-diversified," although its activities clearly would be diversified for purposes of determining whether the holding company's thrift activities are the "primary line of business."

The OTS seeks comment on whether it is also appropriate to exempt holding companies that control only savings associations with limited operations, such as those that conduct only fiduciary operations. The OTS also asks what types of thrifts should be exempt from the notice requirement.

We believe that it would be appropriate to exempt small thrifts (e.g., those with assets of less than \$250 million) because by definition, their operations are limited. Indeed, the OTS argues that a holding company that makes risky investments may turn to the thrift "to fund its operations." This concern applies less to small thrifts, which are substantially less likely to have the resources to fund holding company operations for any purpose, legitimate or not.

Section 584.110 - Must I file a notice? The NPRM requires holding companies to file a notice before engaging in any one of several enumerated transactions. Holding companies need not, however, file a notice if (1) the thrift has consolidated assets that, when aggregated, represent less than 20 percent of the holding company's consolidated assets; or (2) the holding company has consolidated tangible capital of 10 percent or greater following the transaction.

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We believe that a more appropriate standard for the second exception would be as follows: the holding company need not file a notice if, immediately following the transaction, (a) the holding company has consolidated tangible capital of 10 percent or greater; or (b) the thrift is "well capitalized" and the holding company's non-thrift capital is at least equal to the thrift's tangible capital. We believe this is a more reasonable approach because it recognizes that holding companies with thrifts with higher tangible capital should have more flexibility, a concept that is consistent with other OTS regulations.

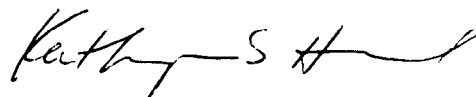
Section 584.140 - On what grounds will the OTS disapprove or condition the proposed activity or transaction? The OTS said its standard for disapproval would be whether the proposed transaction or activity would "pose a material risk to the financial safety, soundness, or stability" of the subsidiary thrift. The NPRM includes a number of factors that the OTS Regional Director would consider in making this determination. The proposed standard, however, is somewhat vague, and would give the OTS power to limit a holding company's ability to quickly raise capital.

As stated above, we strongly believe that a simple notification standard would be adequate. Under the existing regulatory framework, the OTS has ample authority and leverage to take other regulatory action if it believes a transaction jeopardizes the safety and soundness of a thrift.

Section 584.150 - When may I engage in the proposed activity or transaction? We note that the NPRM does not provide any apparent remedy should the OTS disapprove a holding company's notice. The proposed approval process may prevent holding companies from quickly responding to market conditions and forgo opportunities critical to their legitimate business plans.

If you have any questions or need any additional information, please call me at 732-855-3032.

Very truly yours,



Kathryn S. Head

President

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