



MICHIGAN LEAGUE
of Community Banks

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February 9, 2001

Manager, Dissemination Branch
Office of Thrift Supervision
Information Management Services Division
1700 G Street, N.W.
Washington, D.C. 20552

Re: Savings and Loan Holding Companies Notice of Significant Transactions or Activities and OTS Review of Capital Adequacy 65Fed. Reg. 64392 (Oct 27, 2000)

The Michigan League of Community Banks is pleased for the opportunity to comment on the proposed regulations issued by OTS which would require certain savings and loan holding companies to notify OTS prior to making an commitment to engage in significant debt of asset acquisition transactions, as well as transactions that would reduce capital or for which prior notice might be required by OTS at its discretion.

The Michigan League of Community Banks (League) is a state trade association of savings and commercial banks which includes approximately 15 thrift holding companies that would be affected by the proposed regulations.

Summary Position

On behalf of its members, the League must strenuously oppose this proposal in terms of the specific regulations being proposed, as well as the broader implications inherent in the proposal. It is the League's position that the proposed regulations are non-responsive to OTS' concerns about maintaining the franchise value of thrifts in holding companies, the potential for excessive leveraging by holding companies, and the alleged abuses that may exist in a few organizations

The proposed rule creates an unnecessary regulation that will create an unjustifiable level of regulatory burden for hundreds of well-run, well-capitalized S&L holding companies. At the very least, the proposal creates a burdensome, previously unknown and practically unworkable prior notice requirement. At worst, it represents an unjustifiable imposition of OTS' judgement in place of the business judgement of the management of S&L holding companies

In short, we believe this proposal takes a scattergun approach to a problem that is best addressed by a more targeted BB gun strategy. We believe that the proposal is fatally flawed, cannot be massaged into a workable proposal, and therefore must be withdrawn.

In a broader sense, we are concerned that the proposal is an unjustified and statutorially baseless first step toward the establishment of capital regulations at the holding company level, and generally stripping the thrift holding company structure of the unique characteristics that make it a desirable option for the institutions that utilize it.

League Concerns

We believe that OTS has legitimate concerns when a holding company acts to put its savings institution subsidiary at risk. However we believe that OTS already has adequate tools and supervisory authorities to prevent the rare cases of abuse. OTS' track record in this regard stands in testament to that fact.

OTS has the ability to communicate regularly in an ongoing and meaningful way with its regulatees, and has the means at hand to have a good understanding of how they are operating. We also expect that advances in electronic reporting to OTS and the SEC will further enhance OTS ability to know what is going on in its holding companies.

We also have substantial issues with the prior notice provisions and their impact on the ability of holding companies to consummate transactions in a timely fashion, and view the notice provision as unnecessary make-work. If adopted in their current form, S&L holding companies will be handcuffed by this regulation and will be forced to operate at a significant competitive disadvantage.

Conclusion

One of the great attractions of the savings and loan holding company structure has been its flexibility. While we support safety and soundness for all institutions, we do not believe that anything in this proposal adds in any substantial way to improvement in safety and soundness. On the other hand, it most certainly detracts from the advantages of the S&L holding company, thus jeopardizing the future of a corporate structure that has shown itself to be very valuable.

We believe that OTS has more than adequate remedies at hand to act against those who might abuse the structure, and urge that the current proposal be withdrawn in its entirety.

Sincerely,


Robert G. Howell