



*Community Banking At Its Best!*

April 14, 2006

**VIA FACSIMILE (202.906.6518)**

Regulation Comments  
Chief Counsel's Office  
Office of Thrift Supervision  
1700 G Street, N.W.  
Washington, D.C. 20552

Re: Notice of Proposed Rule Making  
Federal Savings Association Bylaws; Integrity of Directors  
OTS Docket No.: 2006-05  
RIN: 1550-AC00

Dear Sir or Madam:

We appreciate the opportunity to comment on the above referenced Notice of Proposed Rule Making regarding the optional pre-approved director integrity bylaw that federal savings associations and their holding companies may adopt.

We support the proposal and the OTS's rationale for it. Depository institutions, more than any other business enterprise, depend upon the trust of their customers. Anything that would undermine that trust is antithetical to the best interests of the institutions, their depositors and the public. The integrity of the individuals charged with the fiduciary responsibility to lead and direct the operations of a bank in a safe and sound manner is of utmost importance in engendering and maintaining the public's trust.

We support the indefinite disqualification period as opposed to the existing maximum period of ten years. We concur with the OTS's view that the bank itself is in the best position to judge the extent of reputation risk it is willing to assume. It would be reasonable for a Board of Directors, in the exercise of that business judgment, to determine that the gravity of the misconduct giving rise to disqualification and the resulting unacceptable level of reputation risk to the institution does not diminish with the passage of time, if ever. The Board of Directors should have the flexibility to act based on that reasoned judgment.

We also support expanding the types of orders that would subject an individual to disqualification. Cease and desist orders issued by other regulatory agencies may give



risc to an unacceptable level of reputation risk, regardless of whether the order related to the banking or financial services business.

Finally, we also support the provision barring disqualified persons from either directly or indirectly nominating individuals to serve on boards of directors of federal savings associations. However, we are concerned that this prohibition could easily be avoided through concerted action with another person. Accordingly, we would like to see the model bylaw language expanded to include an "acting in concert" provision so that a disqualified person could not act in concert with a qualified person to advance a nomination.

Thank you for your consideration of these comments.

Sincerely,

A handwritten signature in black ink, appearing to read "SEB", with a large, stylized flourish extending from the end of the signature.

Steven E. Brady  
President and CEO