

November 19, 2018

The Honorable Randal K. Quarles
Vice Chairman for Supervision
Board of Governors of the Federal Reserve System
Eccles Board Building
20th and C Street, N.W.
Washington, D.C. 20219

RE: Federal Reserve Board Approach to OCC Covered Savings Associations

Dear Vice Chairman Quarles:

Attached is the comment letter that the American Bankers Association (ABA) filed today with the Office of Comptroller of the Currency (OCC) on its notice of proposed rulemaking implementing a new section of the Home Owners' Loan Act (HOLA) enacted as part of the Economic Growth, Regulatory Relief and Consumer Protection Act (Act). The new section, referred to as the HOLA Flexibility Act, provides covered savings associations with the option of electing to be treated as a national bank without going through the expense or process of changing their corporate structures or governance.

ABA has long supported the enactment of the HOLA Flexibility Act and notes the bipartisan support for the full Act. ABA applauded the OCC for its diligent development of the proposed rules and encouraged their prompt finalization.

In response to a question from Congressman Rothfus during the House Financial Services Committee hearing last week, you indicated support for the congressional intent underlying the HOLA Flexibility Act and the FRB's willingness to work with the OCC. We greatly appreciate that expression of support and note its importance because the OCC rule will impact the FRB and its supervision of Savings and Loan Holding Companies (SLHCs) and Mutual Holding Companies (MHCs). The need for the two agencies to work collaboratively to implement the statutory provisions is triggered by a requirement in the SLHC Act that failure of the underlying federal savings association to meet its Qualified Thrift Lender (QTL) test requires the SLHC to become a bank holding company. The issue, simply put, is that there is no failure if the QTL does not apply – the situation a covered savings association will find itself in after electing its new status.

The purpose of the HOLA Flexibility Act is to provide a means for savings associations to exercise the powers and authorities of national banks without the expense of changing charters, governance, or structure. For some, such as mutually chartered savings associations, there is no national bank charter that otherwise would allow them to remain in mutual form, while operating with certain powers of a national bank. The HOLA Flexibility Act permits all OCC supervised savings

associations to elect to exercise lending and investment powers and authorities of national banks and become diversified lenders rather than concentrated residential real estate banks.

It is our goal to raise the issue so that the two agencies may work harmoniously in their implementation of the new statutory authority in a timely fashion. Both agencies need to implement in a complementary fashion for Congressional intent to be accomplished. Again your expression of cooperation with the OCC is helpful and will speed the FRB's supportive response.

ABA respectfully requests that the FRB consider issuing the appropriate regulatory caveat to Regulation LL and MM that covered savings associations, as that term is defined by the OCC in its final rule, have not failed QTL – rather that the requirement does not apply. Doing so promptly eliminates uncertainty and works cooperatively with the OCC.

Thank you for considering ABA's request and we stand ready to answer questions or discuss the issues raised.

Sincerely,



Naomi Camper
Chief Policy Officer
American Bankers Association