

From: Northeast Community Bank , John McKenzie
Proposal: 1429 (RIN 7100-AD80) Reg LL & MM - Savings and Loan Holding Companies
Subject: Reg LL & MM Savings and Loan Holding Companies

Comments:

Ms. Jennifer J. Johnson
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551

Re:Comment on Docket No. R-1429 and RIN No. 7100 AD 80

Savings and Loan Holding Companies

Dear Ms. Johnson,

As a director and member of Northeast Community Bancorp, MHC (the "MHC") and a director and shareholder of Northeast Community Bancorp, Inc. (the "Company"), I respectfully submit this comment letter regarding Docket No. R-1429 - Interim Final Rule related to Savings and Loan Holding Companies (the "IFR").

The mutual holding company is an essential part of a corporate structure for financial institutions and, most importantly, a corporate structure that benefits shareholders, members and depositors alike. There is no disadvantage to utilizing a mutual holding company structure. Indeed, such a structure allows a financial institution to remain focused on its regulatory requirements, business plan and serving its depositors and its community, while preserving capital. The Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank") recognized the benefits of the mutual holding company structure and was drafted in a manner that preserved those benefits through the retention of the mutual holding company structure and the grandfathering of certain existing mutual holding companies. Those that voted on and passed Dodd-Frank have an expectation that any subsequent regulation required under Dodd-Frank will follow the spirit and tenor of Dodd-Frank. Accordingly, the IFR and any other regulations implemented as a result of Dodd-Frank should be consistent with Dodd-Frank.

Unfortunately, the IFR is a major departure from Dodd-Frank with respect to mutual holding companies. The IFR places an undue burden on mutual holding companies and their management through the requirement of a member vote for dividend waivers. Dividend waivers currently require the review and approval of a mutual holding company's board of directors, a process that is governed by directors' fiduciary duties. In addition, the applicable Federal Reserve Bank must also review and approve each dividend waiver to ensure such waiver would not be detrimental to the safe and sound operation of the subsidiary savings association. The additional member vote requirement under the IFR provides no real benefit, tangible or intangible, to a mutual holding company or its members. Instead, the member vote requirement imposes an unnecessary burden that will cost the mutual holding company precious resources and increase expenses.

Finally, while I am cognizant of a perceived conflict of interest as a result of my position as a director of the MHC and shareholder of the Company, no actual conflict exists and there is no potential for any harm to the members of the MHC. Our directors are members of the MHC and shareholders of the Company and as such are being treated no differently than any other MHC member or Company shareholder. A waiver of the dividend by the MHC is a critical financial mechanism which allows the Company to retain additional capital, thereby increasing its ability to serve as a source of strength for Northeast Community Bank (the "Bank"), or, in the alternative, allows the Bank to retain additional capital instead of up-streaming capital via a dividend to the Company.

In addition, any dividend paid to the MHC by the Company would generally be a taxable event, based on the average holding company ownership percentage retained by the MHC. As a result, the Company, and indirectly the Bank, would needlessly lose valuable capital to taxes if it were forced to pay a dividend to the MHC. Moreover, the dividend payout ratio for publically traded MHCs is substantially lower than the dividend payout ratio for all publically traded thrifts, on average. Similarly, the dividend yield for publically traded MHCs and all publically traded thrifts was substantially similar at 2.16% and 1.87%, respectively, as of September 16, 2011. It is clear that directors of MHCs consistently meet their fiduciary duties and waive dividends only as a method of ensuring capital preservation and financial stability. Finally, members of the MHC are also depositors of the Bank. Accordingly, a dividend waiver by the MHC benefits the MHC's members as depositors of the Bank. We therefore, respectfully request that the requirement for member approval of the dividend waiver the MHCs be eliminated from the final rule.

If there are any questions concerning this comment letter or if I can provide any additional information, please feel free to contact me at (203) 605-9031. Thank you for your attention to this matter.

Very truly yours,

John F. McKenzie
Northeast Community Bank