EXTENSION OF THE USE OF INDICATIVE RATINGS FOR SAVINGS AND LOAN HOLDING COMPANIES (SLHC)

Attention: Chief Executive Officer of Each Tenth District SLHC

Subject: Supervision of SLHCs

Background: Effective July 21, 2011, Title III of the Dodd-Frank Wall Street Reform and Consumer Protection Act (DFA) transferred to the Board of Governors of the Federal Reserve System (Board) the supervisory functions of the Office of Thrift Supervision (OTS) related to SLHCs and their nondepository subsidiaries. DFA also provides that all regulations, guidelines, and other advisory materials issued by the OTS on or before the transfer date with respect to SLHCs and their nondepository subsidiaries will be enforceable until modified, terminated, set aside or superseded.

On July 21, 2011, the Board issued Supervision and Regulation (SR) Letter 11-11 and Consumer Affairs (CA) Letter 11-5, describing the supervisory approach the Federal Reserve intended to use during the first supervisory cycle for SLHCs. In part, the guidance communicated the Federal Reserve’s plan to transition SLHCs from the CORE rating system to the Board’s RFI/C(D) rating system (referred to as RFI) and to assign “indicative” ratings.

Current Guidance: On April 11, 2013, the Board issued SR Letter 13-8 and CA Letter 13-5, announcing the Federal Reserve’s intention to continue to use RFI to assign “indicative” ratings to SLHCs. The first supervisory cycle was used by the Federal Reserve to learn more about the unique operational features of SLHCs; to acquaint SLHCs with the Board’s supervisory policies, approaches, and expectations; and to evaluate the appropriateness of RFI for SLHCs. In most cases, the use of RFI worked well; however, the Federal Reserve continues to evaluate the appropriateness of RFI for those SLHCs predominately engaged in specialized insurance or commercial activities.

The Federal Reserve will soon issue a notice seeking public comment on the application of RFI to SLHCs, including any other modifications to the rating system that the Federal Reserve considers appropriate and necessary to accommodate the unique characteristics of SLHCs. Until finalization of the rating system for SLHCs, the Federal Reserve will continue to issue “indicative” RFI ratings to these organizations. Furthermore, the Federal Reserve will continue to apply the other elements of the supervisory approach for SLHCs described in SR 11-11/CA 11-5.

Contact: If you have questions or comments regarding SR 13-8/CA 13-5, please contact Assistant Vice President Rick Lay at (800) 333-1040, extension 8812323.

Internet: A copy of SR13-8/CA 13-5 and a copy of SR 11-11/CA11-5 and Attachments are available on the Board’s web site at: