FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

THIS IS THE BEGINNING OF MUR # 2381

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JAN 16 A8:59

FEDERAL HOME LOAN BANK BOARD

SUPERVISORY AGENT - SECOND DISTRICT

ONE WORLD TRADE CENTER, FLOOR 103 NEW YORK, N.Y. 10048

FHLBB NO.

January 14, 1987

JAN 16 A10:23

Mr. Charles N. Steele
General Counsel
Federal Election Commission
999 "E" Street, N.W.
Washington, D.C. 20463

Dear Mr. Steele:

This letter is to advise your office of possible violations of the Federal Election Campaign Act of 1971, as amended, by The Northfield Savings Bank, FSB, 1731 Victory Boulevard, Staten Island, New York 10314. Mr. Paul E. Proske is the bank's chairman of the board and chief executive officer.

A Federal Home Loan Bank Board Special Limited Examination (enclosed) of the subject institution as of October 30, 1986 disclosed that the bank allowed a candidate for state office, Ms. Elizabeth Connelly, to use space in a bank-owned building free of charge. Additionally, a reporter from NBC News, in a telephone conversation with Supervisory Agent Angelo Vigna of this bank, indicated that a public campaign disclosure revealed the bank to have made a $750 contribution to the campaign of Ralph Lamberti, for the office of Boro President.

This matter was brought to the attention of Mr. Proske, who informed us that the contributions resulted from Northfield's adherence to guidelines applicable to state chartered savings banks, which reportedly allow contributions of up to $5000 per annum. While we are not in a position to comment upon regulations promulgated by the New York State Banking Board, we can confirm that Northfield converted from a state to a Federally chartered savings bank on June 28, 1983. In addition, available documentation (enclosed) indicates that the authority to contribute to political campaigns was "grandfathered" by the Federal Home Loan Bank Board. Although the activity was grandfathered, we recognize that the Federal Election Commission may not find the activity to be appropriate at this time.

We would appreciate hearing from you concerning whatever action your office may consider in connection with this matter, and ask that you provide us with copies of all relevant correspondence with the bank. Please feel free to call should you have any questions or require any additional information.

Very truly yours,

Robert C. Albanese
Supervisory Agent

Enclosure

FEDERAL HOME LOAN BANK

OFFICE OF REGULATORY FUNCTIONS

REPORT OF EXAMINATION
(Special Limited)

NAME OF INSTITUTION NORTHFIELD SAVINGS BANK, FSB

DOCKET NUMBER 2197 DISTRICT NUMBER 2

DATE OF EXAMINATION October 30, 1986

Sept. 1986

FEDERAL HOME LOAN BANK
OFFICE OF REGULATORY FUNCTIONS
REPORT OF EXAMINATION

Name and Address of Institution	District No.:	Docket No.:
NORTHFIELD SAVINGS BANK, FSB 1731 Victory Boulevard Staten Island, New York 10314	2	2197

Type of Examination:

Special Limited

Examination commenced October 30, 1986

Examination concluded October 30, 1986

Service Corporations and Other Affiliates Examined Which are a Part of This Report

None.

PROHIBITION OF DISCLOSURE OR RELEASE

This document is the property of the Federal Home Loan Bank Board and is furnished to the institution for its confidential use. Under no circumstances shall the institution, or any of its directors, officers, or employees, disclose or make this document or any portion of it public in any manner.

If a subpoena or other legal process is received calling for production of this document, the District Director of Regulatory Functions should be notified immediately. The attorney at whose instance the process was issued, and, if necessary, the court which issued the process, should be advised of the above prohibition, and referred to Part 505 of the General Regulations of the Federal Home Loan Bank Board.

Directors, in keeping with their responsibilities, should review this report thoroughly. This report should not be considered an audit report.

Sept. 1986

Name and Address of Institution	District No.:	Docket No.:
NORTHFIELD SAVINGS BANK, FSB 1731 Victory Boulevard Staten Island, New York 10314	2	2197

Type of Examination:

Special Limited

Examination commenced October 30, 1986

Members of the Board:

As required by the Rules and Regulations for Insurance of Accounts, we have conducted an examination of the above-named institution as of the date shown above and submit herewith the results of our findings.

Our examination was conducted to determine the bank's compliance with FHLBB T Memorandum 68.

/s/ Kenneth J. Doherty
Examiner-in-Charge
Federal Home Loan Bank

Date: October 30, 1986 Docket No. 2197

COMMENTS

On June 28, 1983, the bank converted from a New York State chartered institution to its current charter of a Federal Savings Bank. Among the powers and rights that were grandfathered in the conversion was the right to make up to $5,000 in annual contributions to candidates for state and local political office.

Discussions with Chairman of the Board Proske disclosed that the bank was presently allowing an incumbent Assemblywomen Elizabeth Connelly, to use space in a bank-owned building free of charge.

Chairman Proske explained that the building was one of seven adjacent stores that the bank had purchased. The bank was in the process of converting the site into a branch. He added that as the tenants leases expired they were not renewed. As the tenants vacated the stores, the bank began renovations. One tenant has refused to move. This forced the bank to stop its renovations. The bank is now attempting to remove the tenant through court proceedings.

Chairman Proske further explained that the physical condition of the properties combined with the legal action being taken by the bank resulted in the property being of no use to the bank at the present time and as such, consented to its use by the Assemblywomen.

The examiner visited the location. The store in question is approximately 800 square feet. As Chairman Proske stated, the property is in the midst of a renovation with the corner store still occupied.

With regard to monetary donations to candidates for state and local office, Cha Proske stated that the bank has made contributions, but always within the $5,000 aggregate limitation.

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Bank Work

FEDERAL HOME LOAN BANK BOARD

No. 83-285

Date: May 24, 1983

WHEREAS, the Federal Home Loan Bank Board ("Board") has considered the complete record of the cause and merits of the applications of The Northfield Savings Bank, Northfield, New York ("Northfield"), filed on June 2, 1982, with the Federal Home Loan Bank of New York, for conversion to a Federal charter and insurance of its accounts; and

WHEREAS, the Board has determined that Northfield shall be subject to Federal laws pertaining to discrimination in the extension of home mortgage loans or adjustments in terms of mortgage instruments based on neighborhood or geographic area and to the Consumer Credit Protection Act (12 U.S.C. §1601 et seq.) unless the Board subsequently determines otherwise; and

WHEREAS, the Board has determined that pursuant to Section 5(i) of the Home Owners' Loan Act ("HOLA") to grandfather certain activities and certain investments in which Northfield is presently authorized to engage in as a mutual savings bank pursuant to New York law; and

WHEREAS, the Board has determined that a Federal mutual savings bank may continue to follow applicable state laws with respect to grandfathered activities and investments, to the extent they are not inconsistent with the Rules and Regulations for Insurance of Accounts ("Insurance Regulations") and for Federal Mutual Savings Banks and the Regulations for the Federal Home Loan Bank System (12 C.F.R. - Chapter V - Subchapters B, C, and D) ("Bank System Regulations"); and

WHEREAS, the Board has recognized that immediate compliance with an extensive system of new regulations could be disruptive to the continued smooth operation of a converting mutual savings bank; and

WHEREAS, the Board has determined that compliance with New York law [illegible]iting charges relating to demand deposit accounts may not be in the best interest of the safety and soundness of Northfield;

IT IS RESOLVED, that the applications are hereby approved:

Provided, that the (1) name of the resulting Federal mutual savings bank shall be Northfield Savings Bank, F.S.B. ("Northfield FSB"), and that the principal office of Northfield become the home office of Northfield FSB and that the operating branch offices and all public accommodation offices of Northfield become the branch offices of Northfield FSB; and

2

Provided, within 30 days of approval of this resolution, that Northfield FSB submit, in a form satisfactory to the Office of General Counsel, for incorporation into the official record of the conversion, a list of all investments and activities not otherwise authorized under section 5 of the HOLA, which Northfield was authorized to engage in as a mutual savings bank under New York law as of the date of the conversion stating the degree Northfield was authorized to engage in such activities and investments as a mutual savings bank under New York law and which contains a copy of the appropriate sections of New York laws and regulations authorizing the activity or investment and which contains any activity or investment approved by the state legislature but not yet in effect; and

Provided, that after all of the conditions in this resolution approving the conversion have been satisfied, a Charter B (Rev.) be issued to Northfield; and

3

Provided, that Northfield pays an amount equal to the greater of 2/1[illegible] of one percent of its deposits or $1,000 to the Federal Savings and Loan Insurance Corporation as an admission fee; and

Provided, that upon issuance of a Federal charter and of a commitment of insurance of accounts, Northfield will be considered an institution insured for more than twenty (20) years for the purposes of compliance with 12 C.F.R. §563.13; and

Provided, that Northfield takes action to eliminate all deficiencies disclosed in the June 30, 1982, examination report made in connection with the insurance of accounts' application; and

Provided, that the Supervisory Agent at the Federal Home Loan Bank of New York finds that the final form of the Charter and Bylaws for Northfield are consistent with the terms of this Resolution and with the form of such charter and bylaws prescribed by 12 C.F.R. §§544.1, 544.5-1 to the extent such prescribed form is consistent with this Resolution; and

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FEDERAL HOME LOAN BANK BOARD

No. 83-285

Page Three

Provided, that Northfield FSB amends all security forms to conform with the Rules and Regulations for Insurance of Accounts and obtains approval from the Supervisory Agent for the issuance of the security forms, except that for savings accounts accepted prior to issuance of its Federal charter, Northfield FSB need not comply with 12 C.F.R. §§563.1 - 563.3-3 unless the accounts and securities are renewed or extended after such issuance; and

Provided, that Northfield shall not be required to comply with the provisions of New York law (N.Y. Banking Law §234.1 (McKinney 1980)) prohibiting charges in connection with demand deposit accounts; and

Provided, that in order to ensure the safety and soundness of the activities and investments grandfathered by this resolution, and except as otherwise provided herein, Northfield FSB shall comply with the Insurance Regulations and the the Bank System Regulations (12 C.F.R. Chapter V - Subchapters B, C, and D) as now in effect, or as hereafter amended; and

Provided, that the Supervisory Agent is authorized to establish a phase-in period not to exceed one year, for compliance with the Insurance and Bank System regulations and Northfield FSB advise the Board, within 60 days of the date of this resolution, of any noncompliance with the Board's rules and regulations and the period of time it estimates will be required to comply with applicable rules and resolutions; and

Provided, that except for those conditions which require compliance with the Insurance regulations and are governed by the preceding provision of this resolution, the foregoing conditions shall have been complied with in a manner satisfactory to the Supervisory Agent at the Federal Home Loan Bank of New York not later than six months from the date of this Resolution, unless, prior to expiration of such period, a request to the Supervisory Agent for an extension of the time limit shall have been received and granted; and

Provided, that the plan of governance for Northfield be revised to conform with 12 C.F.R. §543.11 as now in effect or, as hereafter amended; and

Provided, that upon the effectiveness of the aforesaid conversion of Northfield to a Federal mutual savings bank and the insurance of its members' accounts by the Federal Savings and Loan Insurance Corporation: (i) all savings accounts and time deposits of Northfield shall automatically be converted into savings accounts and time deposits of Northfield FSB in identical amounts as those held by Northfield, and in the case of time deposits, such deposits of Northfield FSB shall bear an interest rate and carry a maturity date identical with the stated interest and maturity date, respectively, of the time deposits held by Northfield; (ii) all of the property of Northfield shall immediately become, without any conveyance or transfer, the property of Northfield FSB, Northfield FSB shall assume all liabilities and assets of whatever kind and shall succeed to all the rights, obligations, and relations, fiduciary or otherwise of Northfield, and Northfield FSB shall be considered the same business and corporate entity as Northfield, although as to rights, powers, and duties, Northfield FSB shall be governed by Federal law and regulation; (iii) said conversion shall have no effect upon the rights of creditors, borrowers, or accountholders, of any kind, of Northfield; and (iv) all passbooks, certificates of deposit, loan documents, agreements, and other instruments of Northfield shall continue with full validity and effect as obligations of Northfield FSB; and

Provided, that except as hereinabove required, there have been no substantial changes with respect to Northfield or to Northfield FSB as disclosed in the information currently before the Board; and

Provided, that no additional information having an adverse bearing on any feature of the application has been received by the Board.

By the Federal Home Loan Bank Board

J. J. Finn
Secretary

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Federal Home Loan Bank Board

Memo

OFFICE OF EXAMINATIONS AND SUPERVISION

INTER-OFFICE COMMUNICATION

FROM: Edward J. O'Connell, III

DATE: March 11, 1983

TO: Patrick G. Berbakos
Assistant Supervisor
Office of District Banks

SUBJECT: Northfield Savings Bank
Staten Island (New York)
New York
FHLBB No. 2197
Assets: $163,173,000
as of 12/31/82
Application for Conversion
to Federal Charter and
FSLIC Insurance of Accounts

File

Proposal

Northfield Savings Bank (Northfield) is an existing state-chartered mutual savings bank, the accounts of which are insured by the FDIC. Northfield, a member of the FHLBank of New York since 1933, is applying to convert to federal charter under the name "Northfield Savings Bank, FSB"; and insurance of accounts by the FSLIC.

Recommendation

The Supervisory Agent recommends approval of the applications. This Office concurs with that recommendation subject to the conditions that Northfield be required to adopt the model charter and bylaws set forth in Federal Regulations 544.1 and 544.5-1 which are contained in Board Resolution No. 82-791 dated December 8, 1982. We also recommended that the bank be authorized by the approving resolution to assess a reasonable service charge on its demand accounts.

The Supervisory Agent also recommends that all activities outlined in Exhibit G of subject application, including a subsequent revision of Exhibit G, be grandfathered. The recently enacted Garn - St Germain Depository Institutions Act of 1982 (Garn - St Germain Act) expanded the grandfathering authority for existing state-chartered savings banks. We believe it is appropriate to apply this expanded grandfathering authority to the subject application. We have no supervisory objection to the grandfathering of any of the activities in which the bank may now engage under New York law. Therefore, in the event the Board has not yet adopted regulations implementing the grandfather provisions of the Garn - St Germain Act prior to the time the Board acts on subject application, we recommend that the approving resolution authorize Northfield to continue to make any investment or engage in any activity to the degree it was so authorized to do as a mutual savings bank under the laws of New York. Also, we would have no supervisory objection to authorizing Northfield to engage in any other future activity which the State of New York may authorize for state-chartered mutual savings banks, subject to the prior written approval of the Principal Supervisory Agent at the Federal Home Loan Bank of New York.

Comments

The eligibity examination as of July 23, 1982 resulted in a composite rating of 2B based on ratings of "B" in all areas excepting Net Worth and Scheduled Items and, Substandard Assets which received ratings of "A". The examination report disclosed no major areas of concern and the exceptions noted are not considered significant.

1. - Financial Condition and Operations

Northfield had total assets of $163,173,000 as of December 31, 1982. Net worth at that date was $10,194,000 or 6.3% of assets. The bank, unlike most thrift institutions in the New York area, has shown profitable operations. Net income for the year ended December 31, 1982 was approximately $502,000.

The FHLBank of New York performed two viability tests using a low and high interest rate scenario. Both tests indictaed that Northfield would generate positive income for five years, excepting for the fifth year of the high interest rate scenario. A summary of the results of the five year test are presented below:

FHLBank of New York
Viability Test - Northfield SB
(000's Omitted)

Low Interest Rates

	6/30/82	6/30/83	6/30/84	6/30/85	6/30/86	6/30/87
Assets	$160,193	$177,708	$193,734	$212,953	$239,127	$261,405
Deposits	146,099	161,905	176,619	194,637	219,395	240,684
Borrowings	67	247	347	447	550	650
Net Worth	10,502	10,729	11,707	12,761	13,513	13,697
NW/TA	6.3%	6.0%	6.0%	6.0%	5.7%	5.2%
Net Income	381	577	978	1,054	752	184

High Interest Rates

	6/30/82	6/30/83	6/30/84	6/30/85	6/30/86	6/30/87
Assets	$160,193	$177,708	$193,460	$212,591	$238,811	$261,433
Deposits	146,099	161,905	176,690	194,898	220,107	242,206
Borrowings	67	247	347	447	550	650
Net Worth	10,152	10,729	11,476	12,108	12,376	11,883
NW/TA	6.3%	6.0%	5.9%	5.7%	5.2%	4.6%
Net Income	381	577	747	632	268	(493)

2. Grandfather Powers

Exhibit G of the application, and a subsequent revision of Exhibit G sets forth the activities for which grandfathering is requested. The Supervisory Agent does not believe that any grandfathered item is of an especially controversial nature and no supervisory objection is taken to any of the activities requested.

Section 313 of the recently enacted Garn - St Germain Act amended Section 5(a) of the Home Owners Loan Act to permit federal savings banks which were formally organized under state law as mutual savings banks to continue, to the extent authorized by the Board, to make any investment and engage in any activity authorized for mutual savings banks under state law. Although the Board has not yet adopted regualtions implementing the new provisions, we believe it would be in the best interests of the applicant and the FSLIC to apply the expanded grandfathering authority to the subject application. Based on our review of the bank's current investment and activity authority, we have no supervisory objection to the grandfathering of all investments and activities currently authorized for mutual savings banks under New York law. In addition, we would have no supervisory objection to granting Northfield the authority to engage in any other future activities which the State of New York may authorize for state-chartered savings banks. However, in order to protect the interests of the FSLIC, such additional activities should be subject to the prior written approval of the Principal Supervisory Agent at the FHLBank of New York.

3. CRA

The bank received a rating of "3" (satisfactory) for CRA performance in connection with the eligibity exam.

Edward J. O'Connell III
Regional Director

I concur:

WKF:cec

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EXHIBIT G

1. The activities in which Northfield Savings Bank was engaged on December 31, 1977 and the types of investments which it then held, have been arranged in general ledger format as follows:

    Exhibit G-1-I - Asset Related Activities

    Exhibit G-1-II - Liability Related Acitvities

    Exhibit G-1-III - All Other Activities

    Activities in which the Bank is presently engaged but was not on 12/31/77 have been noted in Exhibit G-1-IV

    Activities which are planned but not yet activated are noted in Exhibit G-1-V -- "Activities Which Are Planned for the Future."

    The statutory or regulatory basis for each activity is indicated by reference to the appropriate section of the New York State Banking Law, New York State General Regulations of the Banking Board and/or New York State Superintendent of Banks Regulations.

    The figures cited in Exhibits G-1-I and G-1-II are those which were reported to the New York State Banking Department in the Bank's 1977 Annual Report. Copies of these reports are attached as Appendix 1 and 2. The identification numbers for the items listed in Exhibit G-1-I and G-1-II correspond with the line numbers of Appendix 1 and 2.

2. Northfield Savings Bank's average ratio of equity, corporate bond, and consumer loan investments to the Bank's total assets for the five-year period immediately preceding the filing of this application, 1977-1982, are attached as Exhibit G-2-I. Detailed information on the figures cited by year, 1977-1982, is attached.

...nvestments - 90% loans - housing ...nce payments Section 2 U.S. Housing ...of 1937 as amended; 95% loans insured ...y state of New York Mortgage Agency	B.L. Sec. 235.6 (K,L)
Stock of Federal Reserve Bank	B.L. Sec. 235-16
Certificates of Investment - Savings Bank Life Insurance fund	B.L. Sec. 235-22
Advances to surplus fund of Life Insurance Department	B.L. Sec. 235-23
Obligations issued or guaranteed by the international bank for reconstruction and development	B.L. Sec. 235-24
Puerto Rico included as cities and state of U.S.	B.L. Sec. 235-27
Loans and investments for modernization and rehabilitation of real estate	B.L. Sec. 235-a
Establishment of a Savings Bank Life Insurance Department	Article VI-A Sec. 262
Investment in obligations of certain persons sixty-five years or over incurred to satisfy real property tax indebtedness	B.L. Sec. 6a

I. Under Chapter 883 of New York State Laws of 1980:

Activity	Statutory and or Regulatory Basis
Mortgages: Real estate loans on unimproved property in New York State: 60% or 70% loan-to-value ratio: re-payment within 5 years.	B.L. Sec. 235 subdiv.5-a
Mortgage loans on leaseholds not less than 21 years with annual pay-ment of principal to amortize loan within 4/5 of unexpired term; equal monthly payments within certain time periods.	B.L. Sec. 235 subdiv.6(1)
New proposed Part 82 expands scope of AML's includes baloons, co-ops, increases in loan-to-value ratios and mandates disclosure and notice require-ments.	B.L. Sec. 6-f; B.B.Reg.Part 82

second mortgage loans to natural persons at negotiated rates above $4,000 secured by real property. Part 80 proposed amemdments authorize certain junior AML's including a secured revolving credit account, prescribes uniform disclosure and notification requirements similar to those required in Part 82.	B.L. Sec. 6a; B.B.Reg.Part 80
<u>Other Investments</u>:	
Different percentage limits based on assets, net worth, etc. for investments in housing projects,foreign obligations, mortgage service corporations, investment companies, etc.	B.L. Sec. 235 subdiv.21(1-a); 21(a)(2);21(e); 26-a(1);26(e);28
No percentage of asset limitation for commercial real estate loans within New York State.	
Invest in registered investment companies banks eligible investments.	B.L. Sec.235 subdiv.26(e)
May invest in any "bank service corporation" as defined in federal Bank Service Corporation Act (12 U.S.C.1861 <u>et seq</u>.) If approved by Banking Board	B.L. Sec. 235 subdiv.26(ee)
Leeway Investments - 5% of assets and 1% of assets per individual investment	B.L. Sec. 235.29 (a) & (b)
<u>Borrowings and Deposits</u>:	
Corporate savings and time deposits savings and time deposits. Corporate demand deposits can be accepted in connection with a loan relationship.	B.L. Sec. 235(8c); B.B. Reg. Part 77
<u>Miscellaneous</u>:	
Branching, unlimited	B.L. Sec.240(2)(c); B.L. Sec.240-a; B.B. SupervisoryPolicy G-6
Provide pensions and life insurance in accordance with N.Y. State Banking Law.	B.L. Sec. 250

II. Under Chapter I of New York State Laws of 1983:

Activity	Statutory Regulatory Basis
Mortgages:	
Sec.17 Second mortgage loans authorized for cooperatives.	B.L. Sec. 235 subdiv.6-a Eff. 2.22/83
Commercial Loans:	
Sec.18 Commercial loans up to 10% of assets. Aggregate unsecured loans to single borrower up to 15% of net worth; secured loans to single borrower subject to net worth limits applicable to banks and trust companies depending upon the collateral, e.g., 35% of capitol stock, surplus and undivided profits if loans secured by bills of lading, warehouse receipts, or similar documents.	B.L. Sec. 235 subdiv.8-c Eff.2/22/83
Other Investments:	
Sec.20 Authorized to acquire and otherwise engage in leasing transactions of personal property permitted commercial banks under B.L. Section 96 subdiv. 12.	B.L. Sec. 235 subdiv.28-b Eff.2/22.83
Borrowings and Deposits:	
Sec.9 Subject to Banking Board regulations, may accept treasury tax and loan accounts and pledge collateral to secure such accounts.	B.L. Sec. 234 subdiv.24 Eff.2/22/83
Miscellaneous:	
Sec.21 With prior approval of the Superintendent and the Banking Board, a savings bank may open and occupy out-of-state branches.	B.L. Sec. 240 subdiv. 2(a) Eff.2/22/83
May make contributions to candidates for State and Local offices up to a maximum of $5,000	
Chapter 259 Laws of 1983 eliminate the provisions of law which limit the total amount of investment in equity securities to a fixed percentage of net worth.	B.L. Sec. 235.26 (h) & (i)

FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

February 3, 1987

Mr. Robert C. Albanese
Supervisory Agent- Second District
Federal Home Loan Bank Board
One World Trade Center
Floor 103
New York, NY 10048

Re: Pre-MUR 176

Dear Mr. Albanese:

This is to acknowledge receipt of your letter on January 16, 1987, advising us of the possibility of a violation of the Federal Election Campaign Act of 1971, as amended, (the "Act"), by The Northfield Savings Bank. You will be notified as soon as the Commission takes action on this submission.

If you have any questions, please contact Anne Weissenborn, the attorney assigned to this matter, at (202) 376-5690. For your information, we have attached a brief description of the Commission's procedures for handling matters such as these.

Pursuant to 2 U.S.C. § 437g(a)(4)(B) and 437g(a)(12)(A), the Commission's review of this matter shall remain confidential.

Sincerely,

Charles N. Steele
General Counsel

By: Lois G. Lerner
Associate General Counsel

Enclosure

FEDERAL ELECTION COMMISSION
999 E Street, N.W.
Washington, D.C. 20463

FIRST GENERAL COUNSEL'S REPORT

DATE AND TIME OF TRANSMITTAL BY OGC TO THE COMMISSION ________________		Pre-MUR #176	
		Staff Member: Anne Weissenborn	

Source of Pre-MUR:	Referral from Federal Home Loan Bank Board, Second District
Respondent's Name:	The Northfield Savings Bank, Staten Island, New York
Relevant Statute:	2 U.S.C. § 441b
Internal Reports Checked:	None
Federal Agencies Checked:	FHLBB

GENERATION OF MATTER

This matter was generated as the result of a referral by the Federal Home Loan Bank Board ("FHLBB"), Second District, concerning apparent contributions by the Northfield Savings Bank of Staten Island, New York, to candidates for state and local offices. (Attachment 1).

SUMMARY OF ALLEGATIONS

On January 14, 1987, Robert C. Albanese, Supervisory Agent, Second District, Federal Home Loan Bank Board ("FHLBB"), wrote to this Office to report that a "special limited examination" of the Northfield Savings Bank of Staten Island, New York, had revealed that the bank had allowed a candidate for state office to use space in a bank-owned building free of charge and had also made a $750 contribution to a candidate for borough president. In comments attached to Mr. Albanese's letter (Attachment 1, page

6), the statement is made that, according to the chairman of the Bank, "the bank has made contributions [to candidates for state and local office], but always within the $5,000 aggregate limitation" established by New York state law." Thus there may have been other contributions to candidates besides the two explicitly cited in the referral.

FACTUAL AND LEGAL ANALYSIS

2 U.S.C. § 441b states that "(i)t is unlawful for . . . any corporation organized by authority of any law of Congress to make a contribution or expenditure in connection with any election to any political office . . . ."1/ Federal savings banks are chartered by the Federal Home Loan Bank Board pursuant to 12 U.S.C. § 1464 and thus are corporations organized by authority of a law of Congress. (See Advisory Opinion 1981-33.)

11 C.F.R. § 114.2(a) states, "(C)orporations organized by authority of any law of Congress are prohibited from making a contribution or expenditure... in connection with election to any political office, including local, state and Federal offices." (See Advisory Opinion 1982-28.) 11 C.F.R. § 114.1(a)(1) defines "contribution or expenditure" to include any direct or indirect payment" or "anything of value" provided a candidate.

According to information supplied by the FHLBB, the Northfield Savings Bank ("Northfield") converted from state to

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1/ Section 441b also prohibits "national banks" from making contributions to any candidate. National banks are institutions regulated by the National Bank Act and chartered by the Comptroller of the Currency.

federally-chartered status on June 28, 1983. In a document dated May 24, 1983, approving Northfield's application for conversion (Attachment 1, page 7), the FHLBB determined that, pursuant to Section 5(i) of the Home Owners' Loan Act, "certain activities . . . in which Northfield is presently authorized to engage in [sic] as a mutual savings bank pursuant to New York law" would be "grandfathered" in as permissible activities for the bank in its new, federal status. Earlier, a memorandum from the Regional Director of the FHLBB to the Assistant Supervisor, Office of District Banks, dated March 11, 1983, had recommended approval of conversion by Northfield to federal charter status and had stated that the grandfather provisions of the Home Owners Loan Act would permit the bank "to engage in any activity to the degree it was so authorized to do as a mutual savings bank under the laws of New York." (Attachment 1, page 11.) The list of activities attached to this latter memorandum included the making of "contributions to candidates for State and local offices up to a maximum of $5000." (Attachment 1, page 17.)

In his letter of referral to the Commission, Mr. Albanese states," "Although the activity [contributions to political campaigns] was grandfathered, we recognize that the Federal Election Commission may not find the activity to be appropriate at this time." (Attachment 1, page 1.)

As a federally-chartered savings bank, Northfield comes within the purview of 2 U.S.C. § 441b. According to information provided in the referral, Northfield has made both direct and in-kind contributions to state and local candidates since its conversion to federal status in June, 1983. At the least these alleged contributions have included a $750 contribution to a candidate for borough president, and provision of office space (800 sq. ft.) of unspecified value to a candidate for state office.

The statute upon which the FHLBB and Northfield have apparently relied is 12 U.S.C. § 1464(i)(5)(A)(ii), which states that

> (a)ny Federal savings bank formerly organized as a mutual savings bank under State law may continue to make any investment or engage in any activity not otherwise authorized under this section, to the degree it was authorized to do so as a mutual savings bank under State law.

The laws of the State of New York permit banking institutions to make contributions to candidates for state and local office up to a maximum of $5,000.

There is nothing in 12 U.S.C. § 1464 which indicates an intention on the part of Congress to exempt savings banks chartered by the FHLBB from the prohibitions of 2 U.S.C. § 441b.[2/]

2/ On March 29, 1983, final amended regulations implementing the grandfathering authority of 12 U.S.C. § 1464(i)(5)(A)(ii) were published in the Federal Register. (See 12 C.F.R. § 543.11-1). Apparently the FHLBB recognized possibilities for conflicts with other statutes because the regulations included at subsection (d) the statement, "This section shall not be construed to permit the exercise of any particular authority on a more liberal basis than is allowable under the most liberal construction of either state or federal law or regulation." The publication of the amended regulations came approximately 2 1/2 weeks after the internal FHLBB memorandum recommending conversion and grandfathered powers re. Northfield, but before final FHLBB approval of the conversion as recommended.

It was not within the authority of the FHLBB to authorize such an exemption. It was the responsibility of Northfield to determine the legality of its contributions. Therefore, this Office recommends that the Commission open a Matter Under Review and find reason to believe that the Northfield Savings Bank has violated the latter statute. Any reliance by Northfield upon authorizations by FHLBB will be considered as possible mitigating circumstances.

RECOMMENDATIONS

1. Open a Matter Under Review.
2. Find reason to believe that Northfield Savings Bank violated 2 U.S.C. § 441b.
3. Send attached letter, General Counsel's Factual and Legal Analysis, and interrogatories.

3/24/87
Date

Lawrence M. Noble
Acting General Counsel

Attachments
1. Referral
2. Letter, General Counsel's Factual and Legal Analysis, and Interrogatories

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of	)	
	)	
The Northfield Savings Bank, Staten Island, New York	)	Pre-MUR 176 (MUR 2381)
	)	

CERTIFICATION

I, Marjorie W. Emmons, Secretary of the Federal Election Commission, do hereby certify that on March 27, 1987, the Commission decided by a vote of 5-0 to take the following actions in Pre-MUR 176:

1. Open a Matter under Review.
2. Find reason to believe that Northfield Savings Bank violated 2 U.S.C. § 441b.
3. Send letter, General Counsel's Factual, Legal Analysis and interrogatories, as recommended in the First General Counsel's Report signed March 24, 1987.

Commissioners Aikens, Elliott, Josefiak, McGarry, and Thomas voted affirmatively for the decision; Commissioner McDonald did not cast a vote.

Attest:

3-30-87
Date

Marjorie W. Emmons
Marjorie W. Emmons
Secretary of the Commission

Received in the Office of Commission Secretary:	Wed.,	3-25-87,	9:12
Circulated on 48 hour tally basis:	Wed.,	3-25-87,	4:00
Deadline for vote:	Fri.,	3-37-87,	4:00

88040690655

FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

April 6, 1987

Mr. Paul E. Proske, Chairman
of the Board
Northfield Savings Bank, FSB
1731 Victory Boulevard
Staten Island, New York 10314

RE: MUR 2381

Dear Mr. Proske:

On March 27, 1987, the Federal Election Commission found that there is reason to believe Northfield Savings Bank violated 2 U.S.C. § 441b, a provision of the Federal Election Campaign Act of 1971, as amended ("the Act"). The Factual and Legal Analysis, which formed a basis for the Commission's finding, is attached for your information.

Under the Act, you have an opportunity to demonstrate that no action should be taken against Northfield Savings Bank. You may submit any factual or legal materials that you believe are relevant to the Commission's consideration of this matter. Please submit such materials to the General Counsel's Office, along with answers to the enclosed interrogatories, within 15 days of your receipt of this letter. Where appropriate, statements should be submitted under oath.

In the absence of any additional information demonstrating that no further action should be taken against Northfield Savings Bank, the Commission may find probable cause to believe that a violation has occurred and proceed with conciliation.

If you are interested in pursuing pre-probable cause conciliation, you should so request in writing. See 11 C.F.R. § 111.18(d). Upon receipt of the request, the Office of the General Counsel will make recommendations to the Commission either proposing an agreement in settlement of the matter or recommending declining that pre-probable cause conciliation be pursued. The Office of the General Counsel may recommend that pre-probable cause conciliation not be entered into at this time so that it may complete its investigation of the matter.

Further, the Commission will not entertain requests for pre-probable cause conciliation after briefs on probable cause have been mailed to the respondent.

Requests for extensions of time will not be routinely granted. Requests must be made in writing at least five days prior to the due date of the response and specific good cause must be demonstrated. In addition, the Office of the General Counsel is not authorized to give extensions beyond 20 days.

If you intend to be represented by counsel in this matter, please advise the Commission by completing the enclosed form stating the name, address, and telephone number of such counsel, and authorizing such counsel to receive any notifications and other communications from the Commission.

The investigation now being conducted will be confidential in accordance with 2 U.S.C. §§ 437g(a)(4)(B) and 437g(a)(12)(A), unless you notify the Commission in writing that you wish the investigation to be made public.

For your information, we have attached a brief description of the Commission's procedures for handling possible violations of the Act. If you have any questions, please contact Anne A. Weissenborn, the attorney assigned to this matter, at (202) 376-5690.

Sincerely,

Scott E. Thomas
Chairman

Enclosures
- Factual and Legal Analysis
- Interrogatories
- Procedures
- Designation of Counsel Form

GC#3163

RECEIVED AT THE FEC
HAND DELIVERED
87 APR 21 A9:56

Northfield Savings Bank FSB

1731 VICTORY BOULEVARD
STATEN ISLAND, NEW YORK 10314

PAUL E. PROSKE
CHAIRMAN OF THE BOARD

(718) 448-1000

April 20, 1987

87 APR 21 A10:15

RECEIVED
OFFICE OF THE
GENERAL COUNSEL

Ms Delanie Painter
Office of the General Counsel
Federal Election Commission
999 E. Street N.W.
Washington, D.C. 20463

Re: MUR 2381

Dear Ms. Painter:

Responding to the Commission's letter of April 6, 1987, we enclose a sworn copy of the responses to the interrogatories as well as a summary of our position in the matter.

We also herewith formally request pre-probable cause conciliation pursuant to 11C.F.R., Sec. 111.18(d).

At this time, we will not be designating counsel to represent us but would like to reserve our right to do so if the conciliation procedure is unsuccessful.

Very truly yours,

Paul E Proske

PEP/rl
Encl.

8 5 6 0 9 0 4 0 3 8 8

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of	)	
	)	MUR 2381
	)	

RESPONSE TO INTERROGATORIES

STATE OF NEW YORK	)
	)ss.:
COUNTY OF RICHMOND	)

Paul Proske being duly sworn states that he is Chairman of the Board of Directors of the Northfield Savings Bank, F.S.B. and submits under oath the following information in response to interrogatories submitted by counsel for the Commission in its letter dated April 6, 1987:

Interrogatory No. 1. During the period of time covered by this request for answers to questions, did the Northfield Savings Bank permit Assemblywoman Elizabeth Connelly to use space in a building owned by the Bank without charge?

Response No. 1. No, Northfield Savings Bank did not permit Assemblywoman Connelly to use Bank-owned space without charge. Assemblywoman Connelly did, however, use space without charge in a building that was owned by 712 Castleton Avenue Corporation, a subsidiary of the Bank. Such subsidiary was and is a New York State Corporation.

I will be available to testify to this information. My secretary, Rose L'Insalata, assisted in preparing the interrogatory response.

Interrogatory No. 2. During what period of time did Assemblywoman Elizabeth Connelly use the space cited in #1 above?

Response No. 2. Assemblywoman Connelly used the space for approximately two and one half months.

I will be available to testify to this information. My secretary, Rose L'Insalata, assisted in preparing the interrogatory response.

88040570659

Interrogatory No. 3. Was Assemblywoman Elizabeth Connelly a candidate for state office during the period of time she used the space cited at #1 above?

Response No. 3. Yes, Assemblywoman Connelly was a candidate for New York State Legislative office during the indicated time.

I will be available to testify to this information. My secretary, Rose L'Insalata, assisted in preparing the interrogatory response.

Interrogatory No. 4. What was the amount of rent charged by the Bank per month for use of comparable space in Bank-owned buildings adjacent to the building occupied by the Assemblywoman Elizabeth Connelly?

Response No. 4. The Building occupied by Assemblywoman Connelly was being vacated and renovated by the Bank for a future Branch. The facility therefore was unusable for the Bank and could not be rented by the Bank because of the uncertainty of occupancy and construction. Therefore, it cannot be considered "comparable" to the space in the adjacent Bank-owned buildings, which space is currently being rented at $340 per month.

I will be available to testify to this information. My secretary, Rose L'Insalata assisted in preparing the interrogatory response.

Interrogatory No. 5. Did the Bank make a contribution of $750 to the campaign of Ralph Lamberti for the office of Borough President?

Response No. 5. Yes, the Bank made a contribution of $750 to Ralph Lamberti for the campaign for the office of Borough President.

I will be available to testify to this information. My secretary, Rose L'Insalata assisted in preparing the interrogatory response.

Interrogatory No. 6. Please list all other candidates to whom the bank has made contributions during the period covered by this request for answers, and the amounts and dates of those contributions.

FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

June 24, 1987

Robert C. Albanese
Supervisory Agent-Second District
Federal Home Loan Bank Board
One World Trade Center - Floor 103
New York, New York 10048

Re: MUR 2381

Dear Mr. Albanese:

This is in response to your letter dated June 12, 1987, in which you request information pertaining to your referral of possible violations of the Federal Election Campaign Act of 1971, as amended, (the "Act") by Northfield Savings Bank, FSB, which you submitted on January 16, 1987, to the Federal Election Commission.

The Act prohibits any person from making public the fact of any notification or investigation by the Commission, prior to closing the file in the matter, unless the party being investigated has agreed in writing that the matter be made public. See 2 U.S.C. § 437g(a)(4)(B) and § 437g(a)(12)(A). Because there has been no written agreement that the matter be made public, we are not in a position to release any information at this time.

As you were informed by letter of February 3, 1987, we will notify you as soon as the Commission takes final action on this matter.

Sincerely,

Lawrence M. Noble

Lawrence M. Noble
Acting General Counsel

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of	)	
	)	MUR 2381
Northfield Savings	)	
Bank <u>et. al.</u>	)	

GENERAL COUNSEL'S REPORT

I. BACKGROUND

This matter was generated by a referral from the Federal Home Loan Bank Board ("FHLBB"), Second District, concerning apparent contributions by the Northfield Savings Bank of Staten Island, New York ("Northfield") to candidates for state and local offices in violation of 2 U.S.C. § 441b. On March 27, 1987, the Commission found reason to believe that Northfield violated 2 U.S.C. § 441b. A letter informing respondents of the reason to believe finding and requesting answers to enclosed interrogatories was sent to respondents on April 6, 1987. Northfield replied promptly, in a letter dated April 20, 1987. In their responses to the interrogatories, Northfield volunteered information about a number of corporate contributions. The answers were detailed and complete. In a letter accompanying their answers, Northfield formally requested pre-probable cause conciliation pursuant to 11 C.F.R. § 111.18(d).

II. ANALYSIS

It is unlawful for "any corporation organized by authority of any law of Congress to make a contribution or expenditure in connection with any election to any political office...." 2 U.S.C. § 441b. Federal saving banks are chartered by the Federal Home Loan Bank Board pursuant to 12 U.S.C. § 1464.

Therefore, they are corporations organized by authority of a law of Congress (See Advisory Opinion 1982-33). According to 11 C.F.R. § 114.2(a), corporations organized by authority of any law of Congress are prohibited from making a contribution or expenditure "in connection with election to any political office, including local, state and Federal offices...." A "contribution or expenditure" includes any direct or indirect payment or "anything of value" provided to a candidate.

Northfield converted from state to federally-chartered status on June 28, 1983. Prior to Northfield's conversion, the FHLBB had assured Northfield that Northfield's participation in certain activities authorized under New York law would be permitted under a "grandfathering" clause after its conversion to federal status. These activities included the making of contributions to candidates for state and local offices up to a maximum of $5,000. However, as a federally-chartered savings bank, Northfield comes within the purview of 2 U.S.C. § 441b.

Northfield's response to the Commission's interrogatories reveals a number of direct contributions made to state and local candidates since Northfield's conversion to federal status in June, 1983. These contributions include 39 cash contributions between 1983 and 1986, totalling $10,100.

The Federal Home Loan Bank Board referral alleged that Northfield made an in-kind contribution to Assemblywoman Elizabeth Connelly, by allowing her to use space in a bank-owned building free of charge. However, the interrogatory answers state that Assemblywoman Connelly used space for two and one half months without charge in a building owned by 712 Castleton Avenue Corporation, a corporate subsidiary of Northfield. According to Advisory Opinion 1980-7, a subsidiary of a federal savings and loan may engage in political activity at the state level even though the parent is prohibited from such activity, as long as circumstances do not indicate that the subsidiary is merely an agent, instrumentality or alter ego of the parent corporation. The Opinion states that "[a]lthough 2 U.S.C. § 441b prohibits a federally chartered corporation from making contributions or expenditures in connection with an election for any political office, there is no language in the statute indicating that the prohibition extends to subsidiary corporations which are not themselves federally chartered corporations." Here, the facts are similar to those in Advisory Opinion 1980-7. There is no indication that the subsidiary is a mere agent or alter ego of Northfield. Therefore, the in-kind contribution by the subsidiary was not a violation of 2 U.S.C. § 441b.

Northfield states that it relied upon the FHLBB's assurances that the right to make campaign contributions to state and local candidates would be grandfathered in as permissible activities under its new, federal status at the time of conversion. Northfield asserts that the practice of making political contributions was so important to its business image that it specifically requested to the FHLBB that this practice be grandfathered at the time of conversion. The FHLBB indicated that the practice would be permissible after conversion.

Northfield relies on 12 U.S.C. § 1464(i)(5)(A)(iii), which states that "any Federal savings bank formerly organized as a mutual savings bank under state law may continue to make any investment or engage in any activity not otherwise authorized under this section, to the degree it was authorized to do so as a mutual savings bank under state law." The laws of New York State permit banks to make contributions to state and local candidates up to a maximum of $5,000. However, nothing in 12 U.S.C. § 1464 indicates any Congressional intention to exempt savings banks chartered by the FHLBB from the prohibitions of 2 U.S.C. § 441b. The FHLBB did not have the authority to grant an exemption from the provisions of the Federal Election Campaign Act. Northfield had the responsibility to determine the legality of its contributions; nevertheless, respondent's reliance on the FHLBB's assurances is a mitigating factor in this matter.

Northfield requested pre-probable cause conciliation on April 20, 1987, pursuant to 11 C.F.R. § 111.18(d). Respondent's answers to the interrogatories provided complete information concerning the facts of this matter. This Office recommends that pre-probable cause conciliation be pursued and that Northfield's reliance on the FHLBB be considered a mitigating circumstance in determining the penalty.

III. DISCUSSION OF CONCILIATION PROVISIONS AND CIVIL PENALTY

IV. RECOMMENDATIONS

1. Enter into conciliation with Northfield Savings Bank prior to a finding of probable cause to believe.

2. Approve the attached proposed conciliation agreement and letter.

Date 7/1/87

Lawrence M. Noble
Acting General Counsel

Attachment
1) Request for conciliation
2) Interrogatory answers
3) Proposed conciliation agreement and letter

83040590657

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of	)	
	)	
Northfield Savings Bank,	)	MUR 2381
<u>et</u> <u>al</u>.	)	

CERTIFICATION

I, Marjorie W. Emmons, recording secretary for the Federal Election Commission executive session of July 7, 1987, do hereby certify that the Commission decided by a vote of 6-0 to take the following actions in MUR 2381:

1. Enter into conciliation with Northfield Savings Bank prior to a finding of probable cause to believe.

2. Approve the proposed conciliation agreement and letter attached to the General Counsel's report dated July 1, 1987, subject to amendment of the agreement by deletion of the civil penalty.

3. Direct the Office of General Counsel to send a letter to the Federal Home Loan Bank Board citing the provisions of 2 U.S.C. § 441b.

Commissioners Aikens, Elliott, Josefiak, McDonald, McGarry, and Thomas voted affirmatively for the decision.

Attest:

7-8-87
Date

Marjorie W. Emmons

Marjorie W. Emmons
Secretary of the Commission

plam

FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

July 10, 1987

Paul E. Proske
Northfield Savings Bank
1731 Victory Boulevard
Staten Island, New York 10314

Re: MUR 2381
Northfield Savings Bank

Dear Mr. Proske:

On March 27, 1987, the Federal Election Commission found reason to believe that Northfield Savings Bank violated 2 U.S.C. S 441b. At your request, on July 7 , 1987, the Commission determined to enter into negotiations directed towards reaching a conciliation agreement in settlement of this matter prior to a finding of probable cause to believe.

Enclosed is a conciliation agreement that the Commission has approved in settlement of this matter. If you agree with the provisions of the enclosed agreement, please sign and return it to the Commission. In light of the fact that conciliation negotiations, prior to a finding of probable cause to believe, are limited to a maximum of 30 days, you should respond to this notification as soon as possible.

If you have any questions or suggestions for changes in the agreement, or if you wish to arrange a meeting in connection with a mutually satisfactory conciliation agreement, please contact Delanie D. Painter, the attorney assigned to this matter, at (202) 376-5690.

Sincerely,

Lawrence M. Noble

Lawrence M. Noble
Acting General Counsel

Enclosure
Conciliation Agreement

8 3 0 4 0 5 9 0 6 6 8

COCC #4711

POWELL, GOLDSTEIN, FRAZER & MURPHY

ATTORNEYS AT LAW

SUITE 800
900 CIRCLE 75 PARKWAY
ATLANTA, GEORGIA 30339
404 951-5800

SUITE 1050
400 PERIMETER CENTER TERRACE
ATLANTA, GEORGIA 30346
404 399-2800

SIXTH FLOOR
1001 PENNSYLVANIA AVENUE, N.W.
WASHINGTON, D.C. 20004
202 347-0066
TELEX 650 2510 330
TELECOPIER 202 624-7222

ELEVENTH FLOOR
THE CITIZENS & SOUTHERN NATIONAL BANK BUILDING
35 BROAD STREET, N.W.
ATLANTA, GEORGIA 30335
404 572-6600

November 5, 1987

RECEIVED
FEDERAL ELECTION COMMISSION
OFFICE OF GENERAL COUNSEL
87 NOV -5 PM 3:01

VIA HAND DELIVERY

Ms. Maura Callaway
General Counsel's Office
Federal Election Commission
999 E Street, N.W.
Washington, D.C. 20463

Re: Northfield Savings Bank, FSB - MUR2381

Dear Ms. Callaway:

Enclosed please find two copies of a "Statement of Designation of Counsel" from Northfield Savings Bank designating this Firm as its counsel in connection with the above-referenced matter. Please have one copy stamped to show its filing and return the same to me.

As we discussed this morning, I would appreciate the opportunity to discuss the case with you at your earliest convenience.

Sincerely,

Michael H. Chanin

For POWELL, GOLDSTEIN, FRAZER & MURPHY

MHC/pjt

Enclosure

8 8 0 4 0 5 7 0 6 6 9

STATEMENT OF DESIGNATION OF COUNSEL

MUR 2381 ATTENTION: Michael H. Chanin, Esq.

NAME OF COUNSEL: Powell, Goldstein, Frazer & Murphy

ADDRESS: Sixth Floor - 1001 Pennsylvania Avenue, N. W.
Washington, D.C. 20004

TELEPHONE: (202) 347-0066

The above-named individual is hereby designated as my counsel and is authorized to receive any notifications and other communications from the Commission and to act on my behalf before the Commission.

Nov 4, 1987
Date

Paul E. Proske
Signature Paul E. Proske,
Chairman of the Board

RESPONDENT'S NAME: Northfield Savings Bank

ADDRESS: 1731 Victory Boulevard
Staten Island, New York 10314

HOME PHONE:

BUSINESS PHONE: (718) 448-1000

88040570670

600#4860

RECEIVED
FEDERAL ELECTION COMMISSION
OFFICE OF GENERAL COUNSEL

87 NOV 30 PM 4:50

POWELL, GOLDSTEIN, FRAZER & MURPHY

ATTORNEYS AT LAW

SUITE 800
900 CIRCLE 75 PARKWAY
ATLANTA, GEORGIA 30339
404 951-5800

SUITE 1050
400 PERIMETER CENTER TERRACE
ATLANTA, GEORGIA 30346
404 399-2800

SIXTH FLOOR
1001 PENNSYLVANIA AVENUE, N.W.
WASHINGTON, D.C. 20004
202 347-0066
TELEX 650 2810 330
TELECOPIER 202 624-7222

ELEVENTH FLOOR
THE CITIZENS & SOUTHERN NATIONAL BANK BUILDING
35 BROAD STREET, N.W.
ATLANTA, GEORGIA 30335
404 572-6600

November 30, 1987

VIA HAND DELIVERY

Ms. Maura Callaway
General Counsel's Office
Federal Election Commission
999 E Street, N.W.
Washington, D.C. 20463

Re: Northfield Savings Bank, FSB - MUR2381

Dear Ms. Callaway:

Enclosed please find three copies of the Conciliation Agreement in regard to the above case, executed on behalf of Northfield Savings Bank. Please return to me one executed original once the Conciliation Agreement has been executed for and approved by the Commission.

Thank you for your assistance in this matter.

Sincerely,

Michael H. Chanin

For POWELL, GOLDSTEIN, FRAZER & MURPHY

MHC/pjt

Enclosure

8 8 0 4 0 5 9 0 6 7 1

SENSITIVE

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of)
) MUR 2381
Northfield Savings Bank)

RECEIVED FEDERAL ELECTION COMMISSION SECRETARIAT

87 DEC 17 PM 4:18

GENERAL COUNSEL'S REPORT

I. BACKGROUND

Attached for the Commission's approval is a conciliation agreement signed by the Chairman of Northfield Savings Bank (Attachment 1). The attached agreement contains no changes from the agreement approved by the Commission on November 10, 1987. Accordingly, it is the recommendation of this Office that the Commission accept the attached agreement and close the file in this matter.

II. RECOMMENDATIONS

1. Accept the attached conciliation agreement with the Northfield Savings Bank.
2. Close the file.
3. Approve the attached letters.

12/17/87
Date

Lawrence M. Noble
Lawrence M. Noble
General Counsel

Attachments
1. Conciliation agreement
2. Letters (2)

8 8 0 4 0 6 9 0 6 7 2

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of	)	
	)	
Northfield Savings Bank	)	MUR 2381
	)	

CERTIFICATION

I, Marjorie W. Emmons, Secretary of the Federal Eleciton Commission, do hereby certify that on December 31, 1987, the Commission decided by a vote of 6-0 to take the following actions in MUR 2381:

1. Accept the conciliation agreement with the Northfield Savings Bank, as recommended in the General Counsel's Report signed December 17, 1987.
2. Close the file.
3. Approve the letters, as recommended in the General Counsel's Report signed December 17, 1987.

Commissioners Aikens, Elliott, Josefiak, McDonald, McGarry, and Thomas voted affirmatively for the decision.

Attest:

12-31-87
Date

Marjorie W. Emmons
Marjorie W. Emmons
Secretary of the Commission

Received in the Office of Commission Secretary:	Thurs., 12-17-87, 4:18
Circulated on 48 hour tally basis:	Fri., 12-18-87, 12:00
Deadline for vote:	Tues., 01-05-88, 4:00

FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

January 11, 1988

Michael Chanin, Esquire
Powell, Goldstein, Frazer and Murphy
Sixth Floor
1001 Pennsylvania Avenue, N.W.
Washington, D.C.

RE: MUR 2381
Northfield Savings Bank

Dear Mr. Chanin:

On December 31, 1987, the Federal Election Commission accepted the signed conciliation agreement submitted on your client's behalf in settlement of a violation of 2 U.S.C. § 441b, a provision of the Federal Election Campaign Act of 1971, as amended. Accordingly, the file has been closed in this matter. This matter will become a part of the public record within 30 days. If you wish to submit any factual or legal materials to appear on the public record, please do so within ten days. Such materials should be sent to the Office of the General Counsel.

Please be advised that information derived in connection with any conciliation attempt will not become public without the written consent of the respondent and the Commission. See 2 U.S.C. § 437g(a)(4)(B). The enclosed conciliation agreement, however, will become a part of the public record.

Enclosed you will find a copy of the fully executed conciliation agreement for your files. Although we acknowledge receipt of your request for the return of "one executed original" conciliation agreement, it is our policy to provide a copy of the sole original. If you have any questions, please contact Maura White Callaway, the staff member assigned to this matter, at (202) 376-8200.

Sincerely,

Lawrence M. Noble
General Counsel

Enclosure
Conciliation Agreement

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of	)	
	)	MUR 2381
Northfield Savings Bank	)	

CONCILIATION AGREEMENT

This matter was initiated by a referral from the Federal Home Loan Bank Board, Second District. The Federal Election Commission ("the Commission") found reason to believe that the Northfield Savings Bank of Staten Island, New York ("Respondent") violated 2 U.S.C. § 441b.

NOW, THEREFORE, the Commission and the Respondent, having participated in informal methods of conciliation, prior to a finding of probable cause to believe, do hereby agree as follows:

I. The Commission has jurisdiction over the Respondent and the subject matter of this proceeding, and this agreement has the effect of an agreement entered pursuant to 2 U.S.C. § 437g(a)(4)(A)(i).

II. Respondent has had a reasonable opportunity to demonstrate that no action should be taken in this matter.

III. Respondent enters voluntarily into this agreement with the Commission.

IV. The pertinent facts in this matter are as follows:

1. Respondent Northfield Savings Bank is chartered by the Federal Home Loan Bank Board pursuant to 12 U.S.C. § 1464. Thus, it is organized by authority of a law of Congress.

2. Respondent converted from state to federally-chartered status on June 28, 1983.

3. Pursuant to 12 U.S.C. § 1464(i)(5)(A)(ii), the Federal Home Loan Bank Board is empowered to grant to federal savings banks formerly organized as mutual savings banks the authority to continue to make any investment or engage in any activity not otherwise authorized under that section to the degree that it was authorized to do so as a mutual savings bank under state law.

4. Under the laws of the State of New York, it is lawful for a savings bank to make political contributions to persons running for local elective office in amounts less than $5,000.00 in money or in kind.

5. Prior to its conversion, Respondent sought and received from the Federal Home Loan Bank Board specific permission to continue the practice of making contributions and expenditures in kind of less than $5,000 to persons seeking local elective office.

6. Subsequent to its conversion, Respondent made 38 cash contributions to candidates for state and local offices between 1983 and 1986, totalling $9,350.

V. Pursuant to 2 U.S.C. § 441b(a), it is unlawful for any corporation organized by authority of any law of Congress to make a contribution or expenditure in connection with any election to any political office.

VI. In order to expeditiously resolve this matter, Respondent does not contest the Commission's determination that its making contributions in connection with elections to state and local offices is in violation of 2 U.S.C. § 441b(a).

VII. Respondent will not make direct or in-kind campaign contributions to state, local or federal candidates with bank funds, goods, or services.

VIII. The Commission, on request of anyone filing a complaint under 2 U.S.C. § 437g(a)(1) concerning the matters at issue herein or on its own motion, may review compliance with this agreement. If the Commission believes that this agreement or any requirement thereof has been violated, it may institute a civil action for relief in the United States District Court for the District of Columbia.

IX. This agreement shall become effective as of the date that all parties hereto have executed same and the Commission has approved the entire agreement.

X. This Conciliation Agreement constitutes the entire agreement between the parties on the matters raised herein, and no other statement, promise, or agreement, either written or oral, made by either party or by agents of either party, that is not contained in this written agreement shall be enforceable.

FOR THE COMMISSION:

Lawrence M. Noble General Counsel	1/7/88 Date

FOR THE RESPONDENT:

Paul E. Proske Chairman of the Board	Nov 24 1987 Date

FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

January 11, 1988

Robert C. Albanese
Supervisory Agent - Second District
Federal Home Loan Bank Board
One World Trade Center-Floor 103
New York, New York 10048

RE: MUR 2381

Dear Mr. Albanese:

This is in reference to the matter involving the Northfield Savings Bank, which your office referred to the Federal Election Commission.

On March 27, 1987, the Commission found that there was reason to believe the Northfield Savings Bank violated 2 U.S.C. § 441b, a provision of the Federal Election Campaign Act of 1971, as amended, and has now entered into a conciliation agreement in the matter. A copy of this agreement is enclosed for your information.

We appreciate your cooperation in helping the Commission meet its enforcement responsibilities under the Federal Election Campaign Act of 1971, as amended.

If you have any questions, please contact Maura White Callaway, the staff member assigned to this matter, at (202) 376-8200.

Sincerely,

Lawrence M. Noble
General Counsel

Enclosure
Conciliation Agreement

FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

THIS IS THE END OF MUR # 2381

88040590679

Response No 6. CONTRIBUTIONS JUNE 28, 1983 TO OCT. 30, 1986

DATE	PAYEE	AMOUNT	
08/08/83	Vitaliano/Assemblyman for S.I.	$ 75.00	
09/08/83	Friends of Justice Charles Rubin	750.00	
08/23/83	Senator John Marchi Salute	1000.00	
	TOTAL - 1983		1,825
01/10/84	Citizens for Connelly	200.00	
01/10/84	Friends of Robert Stranieri	250.00	
04/23/84	Friends of John Marchi	300.00	
06/18/84	Vitaliano/Assemblyman for S.I.	198.00	
10/01/84	Friends of Assemblyman Stranieri	125.00	
10/10/84	Citizens for Connelly	200.00	
11/27/84	Thanks Tony Committee	500.00	
11/27/84	S.A.B.A. P.A.C.	100.00	
	TOTAL - 1984		1,873
02/15/85	Democratic Dinner Committee	250.00	
02/26/85	Councilman O'Donovan-Campaign 85	198.00	
03/22/85	The Conservative Party of Richmond County	90.00	
04/01/85	Committee to Keep Ralph J. Lamberti Borough President	750.00	
04/15/85	Friends of Assemblyman Stranieri	250.00	
04/26/85	Committee to Elect Susan Molinari	50.00	
04/29/85	Vitaliano/Assemblyman for S.I.	25.00	
05/10/85	Committee to Elect Frank V. Fossella	198.00	
05/24/85	S.A.B.A. P.A.C.	500.00	
06/03/85	U.S. League-S.A.P.E.C. Administration Fund	100.00	
06/03/85	Democratic Organization of Richmond County	160.00	
06/03/85	Friends of John Marchi	350.00	
08/22/85	Committee to Elect Mintz-Viaggiano	35.00	
08/12/85	Democratic Organization of Richmond County	80.00	
09/17/85	Councilman Jerome O'Donovan, Re-election-85	80.00	
09/23/85	Democratic Committee of Richmond County	100.00	
	TOTAL - 1985		3,216
01/09/86	Friends of Robert A. Stranieri	100.00	
01/23/86	Democratic County Committee	500.00	
02/11/86	Friends of John Marchi	350.00	
04/08/86	Citizens for Connelly	200.00	
04/29/86	Vitaliano/Assemblyman for S.I.	250.00	
05/13/86	Democratic Organization of Richmond County	400.00	
06/12/86	South Shore Democratic Club of Rich. Co.	80.00	
06/18/86	Committee to Re-Elect Bill Murphy	198.00	
08/20/86	Committee to Elect Frank Ponterio	198.00	
09/02/86	Citizens for Connelly	60.00	
09/22/86	Democratic Ball Committee	100.00	
	TOTAL - 1986		2,436

I will be available to testify to this information. My secretary, Rose L'Insalata, assisted in preparing the interrogatory response.

Paul E Proske

PAUL E. PROSKE

Sworn to before me on the
20th day of April
1987.

Madeline Frank

NOTARY PUBLIC

MADELINE FRANK
Notary Public, State of New York
No. 43-4628754
Qualified in Richmond County
Commission Expires January 31, 1989

BEFORE THE FEDERAL ELECTION COMMISISON

MUR 2381

RESPONDENT: NORTHFIELD SAVINGS BANK, STATEN ISLAND, N.Y.

SUMMARY OF RESPONDENT'S POSITION (hereinafter referred to as "Northfield" or "the bank")

Northfield's position is that:

1. the practice of making direct political contributions was and is an important and significant part of the bank's community activities and impacts upon on the bank's business reputation on Staten Island.

2. the continuation of that practice was specifically requested of the Federal Home Loan Bank Board (hereinafter "FHLBB") which, after deliberation, expressly authorized its continuation.

3. the FHLBB did have authority to allow Northfield to continue that practice; and that the trustees of Northfield in good faith believed the FHLBB to have that authority and relied thereon.

4. although the practice was discontinued in October of 1986 the bank requests that the Federal Elections Commisison reconsider its decision that the practice is unlawful and permit the bank to continue said practice.

1. Historically, in the close knit community of Staten Island the donating of money and other forms of help by local businesses directly to charities, social activities, political parties and candidates for public office is perceived to be a necessary and

honorable activity and one that benefits the entire Staten Island community. This activity by banks was, and is, sanctioned by New York State Law. Especially in parochial Staten Island, one of the measures of a business's commitment to the community is the degree to which it demonstrates its willingness to contribute to the charitable, social and political activities which relate to the community. Northfield Savings Bank, which originated one hundred years ago as an Island based State chartered savings and loan association, has followed this practice throughout its existence. The trustees of the bank had and still do consider the practice to be a traditional and necessary adjunct to the Bank's function as a "community" bank.

2. In considering whether to convert to the Federal system, the continuation of that practice was found by the trustees to be important both as a means of demonstrating its support of community activities and as a means of exercising its traditional civic duties. In making its decision to convert, Northfield specifically requested that this particular activity be "grandfathered'". The Federal Home Loan Bank Board clearly and unequivocably indicated that the practice could be and would be be "grandfathered".

3. We further believe that it was and is the policy of the United States Government as expressed by Congress that it is in the best interest of all the people in the United States if the fragmented State chartered savings and loan associations be encouraged

to come under the supervision and protection of the Federal Home Loan Bank Board system. Recognizing that local laws, customs and practice created miriad activities which these state mutual banks enjoyed and which they might not be willing to give up, Congress authorized the FHLBB to accommodate those banks choosing to come into the system through 12 U.S.C. Section 1464, (i) (5) (A) (ii) which provides that ...

> "any Federal savings bank formerly organized as a mutual savings bank under State law may continue to make any investment or engage in any activity not otherwise authorized under this section, to the degree it was authorized to do so as a mutual savings bank under State law."

It seems clear that the statute allows the Federal Home Loan Bank Board to permit a mutual savings bank to make direct political contributions to the degree that a bank was authorized to do so under State Law. We do not see that subsection d of C.F.R., Sec. 543.11-1 even applies in this context since that section appears to do nothing more than state that the grandfathering section shall not be construed to permit the exercise of any authority on a more liberal basis than allowable under the most liberal construction of either State or Federal law or regulation. The FHLBB did not enlarge the bank's authority to make political contributions under state law when it grandfathered that activity into Northfield's Federal charter. Nor did Northfield exercise its rights to engage in the activity to any more liberal degree than the bank had been doing for approximately one hundred years.

4. As indicated in Northfield's letter of October 31, 1986, to Brian Dittenhoffer, President of the FHLBB of New York direct

political contributions were stopped immediately upon notification by examiner Brian Dougherty that the practice was questioned. Northfield does, however, request that the Commissioners reconsider their original determination and urges the FHLBB to join the bank in requesting the Commissioners to authorize the practice as one which was and is properly "grandfathered" pursuant to law.

GCC#3610
RECEIVED AT THE FEC
MUR 2381
87 JUN 15 AM 11:35

FEDERAL HOME LOAN BANK BOARD

SUPERVISORY AGENT - SECOND DISTRICT

ONE WORLD TRADE CENTER, FLOOR 103 NEW YORK, N.Y. 10048

FHLBB NO.

June 12, 1987

RECEIVED
GENERAL COUNSEL
87 JUN 15 P 3:19

Mr. Charles N. Steele
General Counsel
Federal Election Commission
999 "E" Street, N.W.
Washington, D.C. 20463

Dear Mr. Steele:

Our records indicate that we have not received a response to our communication of January 14, 1987 (a copy of which is enclosed) in reference to the possible violations of the Federal Election Campaign Act of 1971, as amended, by The Northfield Savings Bank, FSB.

Your prompt attention to this matter will be appreciated.

Very truly yours,

Robert Albanese

Robert C. Albanese
Supervisory Agent

Enclosure

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FEDERAL ELECTION COMMISSION
WASHINGTON, D C 20463

THIS IS THE END OF MUR # 2381

DATE FILMED 3/30/88 CAMERA NO. 4

CAMERAMAN GPC

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