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June 7, 2005

Federal Financial Institutions Examination Counsel  
Program Coordinator  
3501 Fairfax Drive – Room 3086  
Arlington, VA 22226

Re: Interagency Advisory on the Unsafe and Unsound Use of Limitation of Liability Provisions and Certain Alternative Dispute Resolution Provisions in External Audit Engagement Letters – 70 FR 24576 (May 10, 2005)

Dear Sir or Madam:

Astoria Federal Savings and Loan Association (AFS) appreciates the opportunity to comment on the Federal Financial Institutions Examination Counsel (FFIEC) Interagency Advisory on the Unsafe and Unsound Use of Limitation of Liability Provisions and Certain Alternative Dispute Resolution Provisions in External Audit Engagement Letters (The Advisory). AFS is a subsidiary of Astoria Financial Corporation which is a unitary savings and loan association holding company. We are a publicly traded thrift institution (NYSE:AF) with assets of approximately \$23 billion and operate 86 banking offices in New York.

We agree with the conclusions set forth in The Advisory that the inclusion of limitation of liability provisions and certain alternative dispute resolution provisions in external audit engagement letters constitute an unsafe and unsound practice. Limitation of liability provisions have the potential to weaken the external auditors' objectivity, impartiality and execution of a financial statement audit since the auditors have less risk exposure. These provisions can remove or greatly weaken an external auditor's objective and unbiased consideration of problems encountered in the external audit engagement through the use of less extensive or less thorough procedures than would otherwise be followed, thereby reducing the benefits expected to be derived from the external audit. Similarly, by agreeing to alternative dispute resolution (ADR) provisions, while they may at times resolve disputes in a more timely and less costly manner than trial proceedings, financial institutions are effectively agreeing to waive the right to full discovery, limit appellate review, and frequently limit or waive other rights, remedies and protections available under ordinary litigation proceedings. Additionally, by waiving a jury trial, the financial institution may limit any award it may receive in the settlement of its case.

Our external audit firm included ADR provisions in our 2005 engagement letter. While we objected to the inclusion of the ADR provisions, our external auditors assured us that such provisions were now "standard" among the audit firms' external audit engagement

letters and they were not willing to remove the ADR provisions. While our Audit Committee conceded to the inclusion of the ADR provisions, revisions were made to the text of the ADR provisions so that if a regulatory agency having jurisdiction over AFS concluded the inclusion of ADR provisions in our external audit engagement letter constituted an unsafe and unsound practice, that such provisions would be subject to renegotiation in a manner consistent with any regulatory rulemaking or stricken in their entirety if required by such rulemaking. We believe the ADR provisions we were forced to agree to continue to inappropriately limit the rights and remedies of our corporation, our shareholders and potentially our primary regulators, the Office of Thrift Supervision and the Federal Deposit Insurance Corporation. We felt confident that, in time, the regulatory agencies would address constituent concerns over the inclusion of limitation of liability provisions in engagement letters.

The following comments directly relate to the questions posed by The Advisory.

1. We believe that the limitation of liability provisions are inappropriate for all financial institution external audits. We believe that consistency within the industry is important and that there should be no differentiation between types of financial institutions and whether or not the audit is required by law, regulation or order.
2. We do not believe that the issuance of The Advisory would have a significant effect, if any, on a financial institution's ability to negotiate the terms of audit engagements. The audit fee is generally the main item in the engagement letter which is subject to negotiation and is discussed further below.
3. We believe it is possible that the elimination of limitation of liability provisions may result in an increase in external audit fees, but we do not believe that the increase, if any, would or should be significant relative to the total audit fee. Financial institutions would challenge fee increases related to the elimination of limitation of liability provisions and audit firms would be forced to quantify the rationale for such increases. Since we do not believe the audit fee would increase significantly, we do not believe that the elimination of limitation of liability provisions would discourage financial institutions that voluntarily obtain audits from continuing to be audited. Additionally, we do not believe that fewer audit firms would be willing to provide external audit services to financial institutions as a result of the prohibition of limitation of liability provisions.
4. We believe that the description of the three general categories of limitation of liability provisions outlined in The Advisory are complete and accurate and there is no aspect of The Advisory or terminology that needs further clarification.

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5. We believe that Appendix A clearly and sufficiently illustrates the types of limitation of liability provisions that are inappropriate.
6. We do not believe there is a valid business purpose for financial institutions to agree to any limitation of liability provisions, assuming the regulatory agencies adopt The Advisory as proposed.
7. We believe that the recommendation to financial institutions to take action to nullify limitation of liability provisions in their previously accepted 2005 engagement letters is appropriate. As previously stated, in anticipation of regulatory guidance, we included text in our 2005 engagement letter which would require the ADR provisions to be renegotiated in response to regulatory agencies concluding such provisions constitute an unsafe and unsound practice.

We appreciate the opportunity to comment on The Advisory and appreciate the efforts of the FFIEC and the other regulatory agencies to ensure the safety and soundness of financial institutions is not compromised by audit firms' attempts to limit their liability in the performance of their audits.

Sincerely,

s/ Thomas J. Donahue

Thomas J. Donahue  
Chairman of the Audit Committee of Astoria Federal Savings and Loan Association  
and Astoria Financial Corporation

s/ Monte N. Redman

Monte N. Redman  
Executive Vice President and Chief Financial Officer

s/ Katherine A. O'Brien

Katherine A. O'Brien  
First Vice President and Director of Financial Reporting