



Quaker City Bank

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Loan Service
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Retail Operations
562) 464-4222

Branches:

Whittier Uptown Office
(562) 945-3724

East Whittier Office
(562) 693-7811

La Habra Office
(562) 694-3931

Fashion Square Office
(562) 690-7525

Brea Office
(714) 990-3621

Fullerton Office
(714) 870-7810

La Mirada Office
(562) 944-0326

Hacienda Heights Office
(626) 698-1487

Alta Vista Office
(714) 792-2940

Anaheim Hills Office
(714) 279-8900

Rowland Heights Office
(626) 965-2582

Located in
WAL-MART® Stores:

Porter Ranch Office
(818) 832-3928

Lakewood Office
(562) 429-7275

Corona/North Office
(909) 372-2990

Foothill Ranch Office
(949) 855-5660

Murrieta Office
(909) 696-9432

Corona/South Office
(909) 270-5040



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INFORMATION SERVICES
DIVISION

March 29, 2001

Manager
Dissemination Branch
Information Management and Service Division
Office of Thrift Supervision
1700 G Street NW
Washington, DC 20552

Attention: Docket Number 2001-14

Re: Capital: Qualifying Mortgage Loan, Interest Rate Risk Component
and Miscellaneous Changes

We are pleased that the OTS is moving to align its capital regulations with the other banking regulators and eliminate unnecessary capital burdens.

We believe the revised LTV standard to be appropriate. However, the definition for a qualifying mortgage loan should be changed to 90 percent or less, rather than below 90 percent, to conform with industry norms. We assume that a mortgage loan will continue to meet the Qualifying Mortgage Loan definition with an appropriate level of private mortgage insurance if its loan to value is over 90 percent. The OTS should adopt an explicit LTV standard to avoid confusion between the industry and examination personnel. A loan with an LTV of 90 percent or below, and prudently underwritten should be assigned a 50 percent risk weight.

The OTS should permit other forms of credit enhancement (e.g., cash collateral, bond collateral) in determining whether a loan meets the LTV requirement under the capital rules. An LTV determination should be made at loan origination, subject only to changes in the loan's principal balance.

Quaker City makes a number of loans that can potentially negatively amortize. We agree that if a loan exceeds the proposed 90 percent LTV limit during its life, then the 100 percent risk weighting is appropriate. We do not believe it makes any



Manager
Dissemination Branch
Office of Thrift Supervision
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difference what caused the loan to negatively amortize. Loans that could potentially negatively amortize would be accorded a 50 percent risk weighting subject to being prudently underwritten and having an LTV of less than 90 percent.

OTS is also proposing changes in capital rules on land and non-residential construction loans, as well as capital requirements related to interest rate risk. We believe changes to both of these areas are appropriate as proposed.

We appreciate the opportunity to comment on the proposed regulations.

Sincerely,

A handwritten signature in black ink, appearing to read "Rick McGill", with a large, sweeping flourish at the end.

Rick McGill
President
Chief Executive Officer

jp