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MidFirst Bank

December 2, 2001

Regulation Comments
Chief Counsel's Office
Office of Thrift Supervision
1700 G Street, NW
Washington, CD 20552

Attention Docket 2001-67

Sir or Madam,

MidFirst Bank, Docket 14191, Oklahoma City, Oklahoma, is pleased to have the opportunity to comment on the Lending and Investment Notice of Proposed Rulemaking that was published in the November 1, 2001, Federal Register. The following are considerations MidFirst raises.

"OTS specifically requests comment on whether a higher safe harbor level would be appropriate [safe harbor level for small business loans of $2 million]."

MidFirst supports this recommendation, but asks that the TFR instructions and the CRA regulation be amended to allow loans meeting the revised $2 million safe harbor level for small business loans to be considered a small business loan for CRA. MidFirst notes that "small business" is currently defined in 12 CFR 560.3 as a loan that "meets the original amount restrictions and other criteria for 'loans to small businesses and small farms' as defined in the instructions for preparation of the Thrift Financial Report (excerpt from 12 CFR 560.3) and which is identical to the definition of small business loan in 12 CFR 563e.12(t). The TFR instruction manual currently defines "small business loans" to be "business loans currently outstanding with original amounts of $1 million or less and farm loans with original amounts of $500 thousand or less" (excerpt from June 2001 TFR instruction manual for schedule SB). This would produce needed consistency between definitions in the Consolidated Appropriations Act of 2001, the CRA, the TFR schedule, and the permissible investments regulations in 12 CFR 560.

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"This modification would clarify that Federal savings association service corporations have the same authority that national banks and state member banks have to make investments to promote public welfare."

MidFirst supports the proposed change in the preapproved service corporation activities for public welfare investments to parallel 12 USC 24 (Eleventh). However, MidFirst requests clarification regarding percentage of capital or dollar limitations on service corporation investments in public welfare investments. 12 USC 24 (Eleventh) establishes a 5 percent of capital plus 5 percent of unimpaired surplus limitation on national bank investments in public welfare investments. The Federal Reserve commentary on page 555132 states that OTS proposed 559.34(h)(2) will parallel the OCC regulation, yet the proposal as written does not contain similar limitations. Although in some cases the possibility may exist for a service corporation's investment to exceed the limits in 12 USC 24 or the amount the savings association could acquire directly, MidFirst believes the only pertinent dollar or percentage limitation that should be imposed on service corporations is the one specified in 12 CFR 559.5. MidFirst requests clarification on this issue and requests the limit contained in 12 CFR 24 not to be extended to service corporations.

"OTS *proposes to* increase Federal savings associations' authority to make de minimis community development investments."

MidFirst supports proposed 512 CFR 556.36 to increase the de minimis community development thresholds to that allowed national banks under 12 CFR part 24. MidFirst requests confirmation that the authority to invest in public welfare investments pursuant to proposed 12 CFR 536.36 is not contingent upon the balance of existing or pending public welfare investments made under the authority of proposed 12 CFR 559.4, or vice versa. MidFirst references language in the Notice of Proposed Rulemaking on page 55134 of the Federal Register which states "Additional investments could be made at the service corporation level."

Commercial Paper and Corporate Debt Securities

MidFirst acknowledges the criteria[i] outlined in the proposed rule regarding investment suitability and does not object to these criteria being reasonable factors to consider during underwriting. However, MidFirst requests confirmation that an investment need not be reasonable under each criterion and that exceptions be allowed. For instance, an investment might not be liquid but might provide other tangible benefits to the association so that the liquidity risk is either mitigated or is otherwise acceptable. Further, the possibility exists that an investment may not be suitable based on a majority of the individual factors, yet when considering the factors in total, the investment may be entirely suitable.

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MidFirst requests guidance on the ongoing quarterly investment reviews. While prudent investment management warrants quarterly oversight of the investment portfolio, the rule does not outline the steps that would be deemed reasonable in performing the quarterly monitoring and does not address the actions required of the association for investments failing to meet original assumptions or the suitability requirements subsequent to acquisition. MidFirst supports the concept of maximum flexibility being given to management in responding to these types of issues; further, MidFirst objects to any requirement that would automatically trigger liquidation, asset classification, or regulatory criticism stemming from the reviews.

Should additional information be required, please contact the undersigned.

Sincerely,

Charles R. Lee
Vice President and
Director of Bank Administration

[i] Interest rate, credit, liquidity, price, transaction, and other risks.

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