GEDDES FEDERAL SAVINGS
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March 1, 2004

(33)

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

Re: 2004-04

Gentlemen:

Pursuant to the joint notice of proposed rulemaking concerning Community Reinvestment Act Regulations, as published in the Federal Register, Volume 69, Number 25, the following comments are made for your consideration.

I am commenting as President and CEO of Geddes Federal Savings and Loan Association, a one-office mutual thrift founded in 1949, having assets of $290.3 M as of December 31, 2003, and employing thirty-six (36) persons.

I agree that the regulations are essentially sound, and I support the general structure of the regulations, as well as the spirit of the Community Reinvestment Act. In fact, the principles which formed the basis of the Act are the same principles on which Geddes Federal Savings was founded, and those same principles drive our mission to this day. Therefore, I would not support a complete overhaul of CRA, unless, of course, a complete revision served to include other depositories that draw funds from our community, and are not currently subject to CRA.

Although asset size may not be the truest measure of whether an institution is "small" or "large", it is certainly the most convenient benchmark to measure and monitor. I wholeheartedly support the proposal to re-define a "large" institution as one with assets exceeding $500 million.

Geddes Federal Savings is one of those institutions that fits the profile described in the NPR under the heading <u>Small Institutions</u>. Every problem noted that faces institutions of our asset size (a small institution that is subject to the "large" test) has, to one degree or another, also presented a problem here, and often, with no clear solution. Your concerns, as reflected in the NPR, of unwarranted burdens to institutions of our asset size are valid, and your proposal to alleviate some of those burdens is appreciated.

Founded on a Heritage of Community Integrity

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Concerning the proposal to improve transparency in CRA evaluations by distinguishing loan purchases from loan originations, it appears that what is really a technical difference (whose name is the loan closed under) may unduly confuse and cloud the principal issue--------Is the institution meeting the credit needs of the community?. For instance, Geddes Federal purchases mortgage loans, but such loans are actually approved and funded by Geddes Federal. It doesn't seem productive to segregate mortgage lending over what is, in fact, a technicality. Another problem which may arise over the segregation of purchases and originations, is that, while regulators may not assign different "weights" to each category, an individual, on review of the public evaluation, may, unfairly, assign different weight to each category, and arrive at an erroneous opinion of the institution's performance.

I absolutely support the proposal that evidence of abusive credit practices shall adversely affect an institution's CRA evaluation. Indeed, it is certainly appropriate for CRA to play a role in promoting responsible lending practices. The examples cited in the NPR appear appropriate, however, I would suggest a "pattern" approach, whereby lenders displaying a pattern of prohibited, predatory or abusive practices would be subject to adverse comment or evaluation. This pattern approach would discourage over-emphasis on a small segment of a lender's portfolio which, through error or ignorance, display some facets of predatory lending. This would also reduce the need for defining every practice deemed to be abusive, which, I believe, it not feasible.

I do not believe the Public Performance Evaluation requires enhancement. The segregation of purchased loans, as I mentioned, would appear to confuse a reader when such segregation is based on technicality. Also, although Geddes Federal does no HOEPA lending, I believe it is counter productive to segregate HOEPA loans. Segregation of HOEPA loans, seems to imply that there is something intrinsically wrong with a HOEPA loan, when in fact, there is not. Surely, HOEPA loans can be predatory, but not necessarily. Any such abuse, I believe, should be handled in the manner previously discussed. In short, there is a strong probability that enhancement of Public Performance Evaluations will lead to misinterpretation and false impressions, and actually be less communicative.

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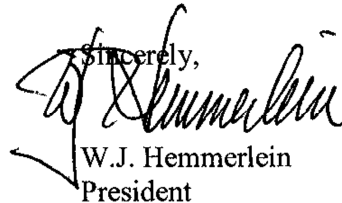
It is my understanding that Robert Mooney, Assistant Director of the FDIC's division of compliance and community affairs, has stated that comments concerning examiner guidelines are encouraged. In that regard, I would suggest and respectfully request that examiners be made aware of and be sensitive to, the unique problems and challenges which face one-office financial institutions, especially concerning CRA. We appreciate the fact that examiners have difficulties in evaluating one-office "small" institutions. The difficulties in evaluating a one-office "large" institution must be formidable.

In closing, I wish to state that I am heartened by the fact that the agencies have fulfilled their commitment to review the CRA regulations. It displays a realization that CRA is not merely a law passed in 1977, it is a ever-evolving process. I respectfully request that the agencies make a further commitment to review CRA regulations in 2009.

Thank You.

Sincerely,



W.J. Hemmerlein
President

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