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February 5, 2001

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

Attention Docket No. 2000-91

To whom this may concern:

Coastal Financial Corporation and its wholly owned subsidiary Coastal Federal Savings Bank would like to take this opportunity to raise the numerous concerns that we have identified in our review of the proposed regulation regarding the regulation and oversight of thrift holding companies.

It is our understanding that the Gramm-Leach-Bliley Act was designed to create opportunities for financial institutions to become more competitive through potential non-banking operations. However, this proposal appears to place numerous restrictions on thrift holding companies which could limit our ability to compete effectively with bank holding companies. These restrictions have the potential to significantly impair our ability to remain competitive in an increasingly competitive environment and in many cases appear to be more restrictive than the Federal Reserve Board requirements for bank holding companies.

We also have identified a number of questions regarding definition of terms, timing of notices, events which require notice, timing regarding response to notices and the lack of flexibility in the proposed regulations. Given that these concerns are numerous and undoubtedly will be discussed by industry experts and other commentators, we will not attempt to address each one but will provide some concrete examples of how institutions like Coastal Financial Corporation and Coastal Federal Savings Bank may be adversely affected by the implementation of the proposed regulation.

An example of the potential lack of flexibility in Proposed Section 584.120 is shown below.

Assume that the thrift holding company has an existing $25 million line of credit outstanding with no amount drawn. All other liabilities at the thrift holding company

aggregate $20,000. The amount of consolidated equity of the holding company is $49 million.

The first question is what are the consolidated non-thrift liabilities? We would assume that it is $20,000, since no amount on the $25 million line has been drawn. However, in reviewing the proposed regulation we are not sure that our assumption is correct. Would any amount drawn on the line be considered an issuance of debt? When would notice be required? Another question, more generally raised by this section, is what is considered an issuance of debt? Would any obligation incurred by the holding company given these circumstances now require notice?

It is unclear whether a simple modification or refinance of the holding company's line of credit would require notice under the proposal.

Given the parties involved, the required notice and the time periods allowed in responding to notice, these items could add significant complexity to a relatively minor modification of the holding company's line of credit. It is our belief that such notice provision could actually create a safety and soundness concern given that the time involved in the notice and potential response may take away management's ability to respond to normal business considerations. As a further concern, this limitation as written could require notice for very small debt issuances depending upon the amount of debt a holding company may have outstanding at that particular time. Many asset acquisitions and debt issuances move on a very quick time table and the proposed review process could impede the ability of a holding company to consummate such a transaction.

An additional example of the inflexibility of the proposed regulations is the acquisition of businesses that reduce the ratio of consolidated tangible capital of the holding company by more than 10%, within a twelve-month period. We believe that this limit is very low considering many of the financial services businesses that we would be interested in acquiring would generally have a significant amount of goodwill resulting in the acquisition.

Given the proposed changes to generally accepted accounting principles, which will most likely result in increased goodwill incurred in acquisitions, these rules could be onerous. Further, because the proposal aggregates acquisitions within the last twelve months, even the most immaterial acquisition may require notice. This proposal clearly would increase the regulatory burden of thrift holding companies.

The proposed rules require written notice "at least 30 days before the earlier of engaging in or committing to engage in the transaction or activity." Some exceptions are given to this rule, but it would appear that these rules are complex, vague and burdensome for well-managed institutions and their holding company parents. We believe that the proposed regulations as presently drafted would reduce significantly our current holding company's ability to take advantage of business opportunities and could actually put the thrift holding company at a competitive disadvantage to certain competitors in attempted acquisitions.

As a result of the limits imposed and the lack of clarity in a number of areas included within this proposed regulation, we respectfully request that this proposed regulation be withdrawn and reconsidered.

Very truly yours,

Jerry L. Rexroad
Executive Vice President and
Chief Financial Officer