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INFORMATION SERVICES
DIVISION

Manager, Dissemination Branch
Office of Thrift Supervision
Information Management & Services Division
1700 G Street, N.W.
Attention: Docket No. 2000-91
Washington, D.C. 20552

Re: Savings and Loan Holding Companies Notice of Significant Transactions or
Activities and OTS Review of Capital Adequacy
65 Fed. Reg. 64392 (October 27, 2000)

Dear Sir or Madam:

FSF Financial Corporation (FSF) is pleased to comment on the proposed regulations issued by the Office of Thrift Supervision ("OTS"), which would require certain savings and loan holding companies to notify the OTS before engaging in, or committing to engage in, significant debt or asset acquisition transactions, as well as transactions that significantly reduce capital, or transactions for which prior notice otherwise might be required by the OTS in its discretion.

FSF Financial states its strong opposition to this proposal, both in terms of the specific regulations drafted and in terms of the proposal's broader implications. In our view, the proposed regulations do not respond to the OTS's underlying concerns relating to the independent franchise value of savings associations, excessive leveraging by holding companies, and alleged abusive affiliate relationships that may exist in a handful of organizations.

Instead, this rule introduces an unnecessary and overly burdensome regulation for hundreds of well-capitalized and well-managed savings and loan holding companies that is without sound regulatory justification. At best, the proposed rule introduces a previously unknown, and practically unworkable, prior notice regulatory scheme; at worst, it represents an unjustified substitution of the appropriate business judgment of qualified holding company management with that of the OTS. Due to these obvious inequities, FSF believes this proposal is fatally flawed and should be withdrawn.



FSF agrees that the OTS has legitimate concerns whenever a savings and loan holding company acts to put its savings association subsidiary at risk. However, we believe the OTS's record of regulating savings associations demonstrates quite effectively that the agency already possesses the requisite supervisory tools to prevent such rare occurrences within a narrow universe of holding companies requiring heightened scrutiny.

We also believe that the OTS's ability to engage in regular, meaningful and ongoing communications with its regulated institutions results in a better understanding and more productive relationship. This practice, in turn, minimizes the opportunity for risky activities to go undetected and uncorrected. If adopted in its current form, savings and loan holding companies will be hampered by this regulation and will operate at significant competitive disadvantage.

Although the OTS has stated that this proposal is not designed to establish minimum capital standard for savings and loan holding companies, FSF senses a potential for this to be the first step in that direction.

The value we sought in obtaining a savings and loan holding company structure was its flexibility. FSF remains a strong proponent of safety and soundness. Yet, nothing in this proposal adds measurably to improving safety and soundness and at the same time it jeopardizes the very corporate structure that has proven valuable over the years. We strongly oppose the imposition of additional regulations governing transactions by holding companies. FSF also strongly opposes any OTS proposal, which would result in the establishment of capital standards that would place savings and loan holding companies at a competitive disadvantage in the market place.

Sincerely,



George B. Loban,
Co-Chair/President
FSF Financial Corporation

GBL/dgl