



FIRST FEDERAL BANK
OF CALIFORNIA®

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James P. Giraldin, President and Chief Operating Officer

January 19, 2005

Filed by E-mail regs.comments@OTS.treas.gov and U.S. Mail

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

Re: OTS No. 2004-53; RIN 1550-AB48; Assigned Ratings Proposal

Ladies and Gentlemen:

First Federal Bank of California appreciates the opportunity to comment on the OTS' proposed revisions to the Community Reinvestment Act ("CRA"). First Federal supports the proposed rulemaking and urges the OTS to adopt the proposed rule.

The Proposed Rule Helps Lending-Focused Institutions Meet the CRA's Statutory Purpose of Meeting the Credit Needs of the Local Communities.

The proposed rules correct the misconception that the CRA requires institutions to engage in specific types of investment and service activities. The statute does not require any specific activities in order to meet the investment and service activity tests. Instead, the law requires institutions to meet their communities' credit needs through their direct lending activities as Congress intended. By allowing institutions to have 100% of their CRA-related activities in direct lending, the revised rule will enhance lenders' ability to provide credit to low- and moderate-income communities.

The Proposed Rule Eliminates Arbitrary Caps on Lending While Providing Flexibility for Other CRA-Related Activities.

Current CRA regulations arbitrarily cap lending at 50% of an institution's overall assessment. This cap is too low for traditional depository institutions that are primarily engaged in traditional lending activities.

Moreover, the current CRA regulations effectively require depository institutions to engage in activities in which they may not have substantial experience, such as making equity investments

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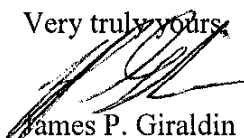
in small businesses, giving grants to community organizations, or participating in housing tax credit transactions. These activities are not within the expertise of the traditional depository institution, and takes resources away from making loans directly to low- and moderate-income borrowers, the primary purpose of community reinvestment.

Because "community reinvestment" was originally intended to focus on lending, First Federal believes that **at least** 50% of the CRA assessment be based on the lending test, but also believes that it should also be permissible for up to 100% of that assessment to be based on lending performance.

The current 25%/25% weighting of the investment and service tests is not consistent with the intent of the CRA. Accordingly, First Federal Bank of California supports the OTS proposal that would give institutions the flexibility to focus on lending, while still recognizing that certain institutions may wish to engage in other forms of community credit support, such as qualifying investments and community service.

Thank you for considering our comments, and please do not hesitate to contact the undersigned should you have any questions.

Very truly yours,


James P. Giraldin
President and Chief Operating Officer