

January 24, 2005

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

Attention: No. 2004-53

RE: Community Reinvestment Act - Community Development,
Assigned Ratings - 69 FR 68257 (November 24, 2004)

Dear Sir or Madam:

On behalf of Franklin Federal Savings and Loan Association of Richmond, we appreciate this opportunity to comment on the proposal issued by the Office of Thrift Supervision (OTS) that would provide additional flexibility to savings associations in meeting the requirements imposed by the Community Reinvestment Act (CRA). We strongly support this proposal to provide flexibility in assigning ratings to the lending, investment and service tests for CRA purposes. Providing us with as much flexibility as possible permits us to make choices involving our community and how we might best achieve the goals of CRA based on the needs of the community and not arbitrary goals established elsewhere. We welcome relief from the burdens imposed by the current CRA weightings.

Still operating as a traditional savings and loan, Franklin Federal does not offer transaction-based accounts, such as checking accounts, home equity lines of credit, or credit cards. Therefore, we face challenges in satisfying the requirements of the service test, which emphasizes hours of operation, diversity of products, availability of alternative delivery systems, and distribution of branches, among other factors. In addition, because we are generally a portfolio lender that originates primarily 30-year, fixed-rate mortgages funded with short-term deposits, we must maintain a lower loan-to-deposit ratio for liquidity purposes than other lenders. Whereas the loan-to-deposit norm may be 70% to 90% or higher, our target ratio is 60%, and we have difficulty achieving this ratio in a low interest rate environment. We simply cannot afford to "load-up" on long-term, fixed-rate loans in a low interest rate environment.

Due to the nature of our aforementioned business operations, we would like as much flexibility in the weightings as possible in being evaluated under CRA. While the

service test presents us with additional challenges, the investment test is one we meet exceptionally well. We have demonstrated a strong record of making qualified investments in our two most recent exams; therefore, we would like very much to have the option to elect a “heavier” weight for the investment test and a “lighter” weight for the service test.

In conclusion, we strongly agree with the concept of providing each savings association a choice on the weight given to the lending, investment and service tests in assessing performance. Allowing institutions to determine how best to allocate their financial resources and human capital will help those in the community who need it most.

We appreciate the OTS’s creative and innovative efforts to help us solve the conflict that sometimes arises in trying to comply with a regulation and yet meet the needs of our community. Serving the needs of our community is why we are in business. We urge all the federal banking regulators to look for ways to eliminate some of the burden of compliance. This is a good step, and we strongly support the OTS. Thank you for the opportunity to comment on this proposal.

Sincerely,

FRANKLIN FEDERAL SAVINGS AND
LOAN ASSOCIATION OF RICHMOND

Richard T. Wheeler, Jr.
President and Chief Executive Officer