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January 22, 2001

Manager, Dissemination Branch,
Records Management & Information Policy
Attn: Docket No. 2000- 90
Office of Thrift Supervision
1700 G Street, NW
Washington, DC 20552

Re: Joint Agency Proposal - Simplified Capital Framework for Non-Complex Banks and Savings Associations

Ladies and Gentlemen:

First Federal Bank would like to comment on the Joint Agency Proposal referenced above. We would oppose any establishment of simplified regulatory capital standards that do not take into consideration risk-based flexibility and are adaptable to the nature and complexity of the business that is conducted by the bank.

There are differences in risk amongst institutions and their businesses. Therefore, any regulatory proposal should work towards adding more flexibility to the current risk-based capital system and provide the ability to tailor capital requirements to the risk posed by the individual institution.

A simple leverage ratio would have the effect of institutionalizing the over-capitalized status of many community banks, thus hampering their growth and restricting their ability to diversify to meet new marketplace challenges. Furthermore, the proposed definition of "non-complex" would not recognize that there is risk variance even within traditional financial services activities, and examples are as follows:

- The inherent risk of an 80 per cent LTV mortgage is greater than a 20 per cent LTV mortgage.
- Many agricultural loans classified at 100 per cent risk weightings have various government program guarantees or private sector guarantees, such as crop insurance, etc.
- U.S. Treasuries are weighted at zero percent, and a commercial loan that is secured entirely by U.S. Treasuries must be classified at 100 per cent. Along those same lines, a consumer or commercial loan that is secured by a Certificate of Deposit or marketable securities, must be weighted at 100 per cent, but in the case of marketable securities, the regulatory requirement is two for one ongoing (twice the number of securities in value to the loan value). A 100% weighting seems extreme in this case.
- Loans that are sold to the secondary market require a 90-day recourse or buy-back. A risk weighting that is at 100 per cent seems extreme in this case as well. Since they are single family mortgages, maybe a lesser risk weighting is in order, tied to a safe harbor or experience such as 100 per cent of the average of the last 12 months historical experience on loans required to be repurchased.

We appreciate the opportunity to comment on this proposal and look forward to a risk-based capital recommendation that is more workable based upon the institution's true risk weighting.

Best Regards,

Donald A. Glas
Co-Chairman & CEO

George B. Loban
Co-Chairman & President

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