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January 23, 2001

Manager, Dissemination Branch  
Information Management & Services Division  
Office of Thrift Supervision  
1700 G Street, N.W.  
Washington, DC 20552

RE: Docket No. 2000-90

Dear Sir or Madam:

I am writing in response to requests for comments concerning proposed rulemaking regarding a simplified capital framework.

I am opposed to this proposal for many reasons and will explain why this proposal is very negative for the industry.

1. The current risk-based capital formula is a good basis for analyzing risk, but it needs to be broadened and more complex, not more simplified. There is no regulatory burden associated with completing this formula on a monthly basis. Currently, the formula forces institutions into lower yielding assets, thus squeezing net interest margins and producing lower ROEs for companies. Several suggestions for fine-tuning are as follows:
  - a. Lower the 50% weighting of mortgage loans that have a loan-to-value ratio of 60% or less to a 20% weighting to better reflect the true risk of a collateralized, appraised loan.
  - b. Lower the 100% weighting of commercial real estate loans that have a loan-to-value of 55% or less to a 50% weighting to better reflect the true risk of a collateralized, appraised loan.
  - c. Lower the 100% weighting of commercial loans that have collateral appraisals in excess of 135% of the loan value to a 50% weighting.

- d. Lower the 20% weighting for investments in Certificates of Deposit at other banking institutions to a 0% weighting if these are below \$100,000.00 as they have the full faith and credit of the United States Government.
- e. Lower the 100% weighting of collateralized consumer loans that have a loan-to-value of 50% or less of (Black Book values as published using the wholesale values) to a 50% weighting to better reflect the true risk of a collateralized loan with published values. I.e. boats, trailers, autos, motor homes etc.

The recommendations that I have outlined above have a common factor. That factor is that all of the listed assets are collateralized and the collateral can be valued through outside appraisal services or published listings.

- 2. Requiring a higher minimum capital threshold for non-complex institutions in exchange for simpler standards, it is NOT an appropriate trade-off. Return on Equity is a major factor for the viability of publicly-traded institutions. Requiring levels beyond which is prudent for the asset quality of a bank is arbitrary and not related to risk. Leveraging capital is paramount to good performance. Using only a Leverage Ratio may be simple, but not worth the trade off of higher capital requirements.
- 3. Internal Risk ratings for the complex institutions of \$5 billion or higher (usually only international banks) should be expanded to be allowed to be used for all institutions. This would allow institutions to be competitive and would allow all institutions to have a choice as to methodology.

In conclusion, if capital requirements are changed and new options are developed, institutions should be allowed to choose between developing their own internal risk rating systems or maintaining the current leverage ratio and risk based system as modified to allow for more buckets that are fine-tuned to quantify risk more appropriately. We do not need a simple leverage ratio that increases the level of capital required with no consideration as to asset mix. If capital standards remain the same, then at a minimum, the risk-based formula needs to be broadened.

Sincerely,

Kathleen E. Marinangel  
CEO/President