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From: Jenn [mailto:jzorn@njleague.com]
Sent: Thursday, February 01, 2001 3:40 PM
To: 'public.info@ots.treas.gov'
Subject: New Jersey League Comments re: Docket No. 2000-90

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February 1, 2001

Ms. Jennifer J. Johnson Secretary Board of Governors of the Corporation Federal Reserve System Attention: Docket No. R-1084 20th and C Streets, NW Washington, DC 20551	Mr. Robert E. Feldman Executive Secretary Federal Deposit Insurance Attention: Comments/OES 550 17th Street, NW Washington, DC 20429
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Communications Division Office of the Comptroller Division of the Currency Attention: Docket No. 00-24 250 E Street, SW, Third Floor Washington, DC 20219	Manager, Dissemination Branch Information Management & Services Office of Thrift Supervision Attention: Docket No. 2000-90 1700 G Street, NW Washington, DC 20552
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Re: Simplified Capital Framework for Non-Complex Institutions Advance Notice of Proposed Rulemaking (65 FR 66193, November 3, 2000)

Dear Sir or Madam:

The New Jersey League - Community & Savings Bankers* ("the League") is pleased to provide comments from members of its Accounting & Tax Committee ("committee members") on the advance notice of proposed rulemaking regarding a simplified regulatory capital framework that would apply to non-complex depository institutions ("simplified capital rule").

Committee members support the idea of reducing regulatory burdens on community banks, but believe that the simplified capital rule alternatives under consideration are oversimplified, inflexible and not adaptable to the nature and complexity of businesses conducted by many community banks. In particular, reliance on a simple leverage ratio as a means of measuring capital adequacy would be inflexible and could require banks to carry excess levels of capital. Stock institutions would be especially harmed by such a requirement, as investors look for capital to be deployed effectively and a stock's price can be adversely impacted by a market perception that a bank is over-capitalized. If a simplified capital rule along the lines of the alternatives presented in the advance notice were to be adopted, it should be optional and not mandated for individual institutions.

Committee members recommend that the agencies work toward adding more flexibility to the current risk-based capital system and provide the option to tailor capital requirements to the risks posed by individual institutions based upon internal risk management models developed by those institutions.

Committee members do not believe asset size should be used to determine if an institution is non-complex, as community banks differ greatly in the make up of their balance sheets. They also note that the capital requirements should be tied to risk.

The recently issued Basel Committee proposed capital accord introduces more risk sensitive approaches to the treatment of collateral and the ability to tailor capital calculation in ways that would be appropriate for small, less complex institutions as well as for large institutions.

Committee members encourage the agencies to consider changes that reduce regulatory burdens on less complex institutions while allowing a more tailored approach. Specific changes that would be helpful include:

- * Lowering the risk weighting of residential mortgage loans with a loan-to-value ratio of 60% or less to better reflect the true risk.
- * Lowering the risk weighting of commercial real estate loans with a loan-to-value ratio of 50% or less to better reflect the true risk
- * Lowering the risk weighting of collateralized commercial loans with a loan-to-value ratio of 30% or less.
- * Lowering the risk weighting for investments in certificates of deposit of \$100,000 or less maintained at other insured depository institutions.
- * Lowering the risk weighting of collateralized consumer loans that have a loan-to-value ratio of 50% or less.
- * Lowering the risk weighting for construction loans collateralized by pre-sold properties rather than including them in the risk weighting category for such loans collateralized by speculative properties.

The League appreciates the opportunity to provide these comments on behalf of its members on the proposed simplified capital rule.

Sincerely,
James R. Silkensen
Executive Vice President

JRS/jrs

* The New Jersey League - Community & Savings Bankers is a trade association representing 73 of New Jersey's savings banks and savings & loan associations with total assets of over \$50 billion and 4 commercial banks. The League's wholly-owned subsidiary, the Thrift Institutions Community Investment Corporation ("T.I.C.I.C.") assists League members in forming consortia to make loans on low-to-moderate income housing projects. T.I.C.I.C. has facilitated loans on over 3,200 affordable housing units throughout New Jersey and has loans in process on over 1,900 more housing units.