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INFORMATION SERVICES DIVISION

Manager, Dissemination Branch
Information Management & Services Division
Office of Thrift Supervision
1700 G Street, NW
Washington, DC 20552
Attention Docket No. 2000-90

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

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. Currently, the formula forces institutions into lower yielding assets, thus squeezing net interest margins and producing lower ROEs for companies. Our suggestions for adjustments are as follows:

1. 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.

2. 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.

3. Lower the 100% weighting of commercial loans that have collateral appraisals in excess of 125% of the loan value to a 50% weighting.

4. 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 are fully insured by the United States Government.

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-trades 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 of higher capital requirements.

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

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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.

Yours truly,

F. Morgan Gasior
Chairman & Chief Executive Officer