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Sent: Wednesday, March 16, 2011 11:48 PM
To: Comments, Regs
Subject: OTS/OMB # 1500 - 0023 TFR/call report

This comment is submitted on behalf of Territorial Savings Bank, OTS Docket No. 05991. We are a \$1.4B traditional thrift that makes 30 year fixed rate residential mortgage loans and purchases to hold-to-maturity mortgage backed securities. Our asset mix is about 50/50. The Bank has an interest rate risk model and uses a consultant to customize and update the model. Elimination of the CMR would reduce the regulatory burden on the Bank, as based on OTS expectations from past exams, the OTS looks to management to reconcile the results of the Bank's model to the results of the OTS model every quarter and make such a report to the Board. This reconciliation results in 8 reports to the Board, one each quarter based on the Bank's model and one that reconciles the difference between the Bank's model and the OTS model. This burden, of course, is in addition to capturing information for 2 models. Moreover, the weakness in the OTS model for our Bank is that the OTS model is less than robust when it comes to estimating the volatility of our deposits. We have done two deposit decay studies over the years to keep our model current. We aggressively manage our cost of deposits in a way that is different from most other thrifts as our marketplace allows the Bank to do so. For example, in 2010, the Bank was able to increase its savings deposits by about 6%(the industry average was closer to 2%). Yet the Bank's cost of funds remained lower than the Bank's OTS peers (the lowest quartile). Over the years, the deposit intangibles have been the primary difference between the Bank's model and the OTS model. Furthermore, management believes that there are other measures, such as monitoring and stress testing the Bank's net interest margin, that are more appropriate and realistic for our Bank. We support elimination of the CMR.

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