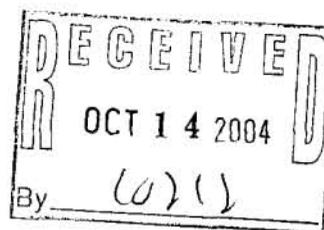


Farmers and Merchants Bank

MEMBER FDIC

P. O. Box 280

WASHINGTON, GEORGIA 30673



September 30, 2004

Robert E. Feldman, Executive Secretary
Attention: Comments/Legal ESS
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429

Dear Mr. Feldman:

As a community banker, I join my fellow community bankers throughout the nation in strong support of the FDIC's proposal to increase the asset size limit of banks eligible for the streamlined small-bank CRA examination. I also strongly support the elimination of the separate holding company qualification.

The proposal will greatly alleviate unnecessary paperwork and examination burden without weakening our commitment to reinvest in our communities. **Reinvesting in our communities is something we do everyday as a matter of good business.** My community bank will not long survive if my local community doesn't thrive, and that means my **bank must be responsive to community needs** and promote and support community and economic development.

Making it less burdensome to undergo a CRA exam by expanding eligibility for the streamlined exam will not change the way my bank does business. In fact, it will free up human and financial resources that can be redirected to the community and used to make loans and provide other services.

It is important to remember that the **streamlined CRA exam is not an exemption from CRA.** It is a more cost effective and efficient CRA exam. Banks subject to the simplified CRA exam are still fully obligated to comply with CRA. Just as now, community banks would continue to be examined to ensure they lend to all segments of their communities, including low- and moderate- income individuals and neighborhoods. It just doesn't make sense and is inequitable to evaluate a \$500 million or \$1 billion bank using the same exam procedures as for \$100 billion or \$500 billion bank.

One of the problems with the current large bank CRA exam is that the definition of "qualified investments" is too limited, and qualified investments can be difficult to find. As a result, many



community banks (especially those in rural areas) have to invest in regional or statewide mortgage bonds or housing bonds and the like to meet CRA requirements. These investments may benefit other areas of the state or region, **but they actually take resources away from the bank's local community.** Community banks and communities would be better off if the banks could truly reinvest those dollars locally to support their own local economies and residents.

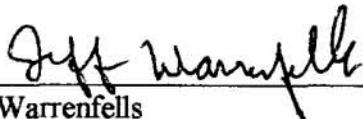
For this reason, I find that the **FDIC's proposed community development requirement for banks between \$250 million and \$1 billion is more flexible and more appropriate** than the large bank investment test. The advantage to this proposal is that it continues to focus on community development, but considers investments, lending **and** services. It would let community banks pursue community development activities that both meet the local community's needs and make sense in light of the bank's strategic strengths.

Similarly, the proposal **will help rural banks meet the special needs of their communities by expanding the definition of "community development"** so that it includes activities that benefit rural residents in addition to low- and moderate- income individuals. Rural banks are frequently called upon to support needed economic or infrastructure development such as school construction, revitalizing Main Street, or loans that help create needed or better-paying jobs. These activities should not be ineligible for CRA credit because they do not benefit only low- or moderate-income individuals.

The **FDIC's proposed changes to CRA are needed to help alleviate regulatory burden.** Without changes such as this, more and more community banks like mine will find they cannot sustain independent existence because of the crushing regulatory burden, and will opt to sell out. **For many small towns and rural communities, the loss of the local bank is a major blow to the local community.** By easing regulatory burden, it will make it easier for community banks like mine to continue to provide committed service to local communities that few other financial service providers are willing to do.

Thank you for considering my review.

Sincerely,



Jeff Warrenfells
Compliance Officer, F&M Bank



Bill Grant
Executive Vice President, F&M Bank