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September 30, 2004

Frandsen Financial Corporation, an inter-state, multi bank holding company located in Minnesota is pleased to have the opportunity to comment on the proposed revisions to the Community Reinvestment Act. We strongly support the FDIC's proposal to increase the asset size of banks eligible for the small bank CRA examination to $1 billion. Banks' regulatory burden has increased greatly over the past few years with the passage of such laws as the Gramm-Leach Bliley Act, the USA PATRIOT Act, the FACT Act and the Check 21 Act. While banks understand the need for banking regulations, community banks find complying with them especially burdensome. Changing the asset threshold to $1 billion will decrease the regulatory burden for many community banks, leaving more time for bank employees to meet the credit needs of their community.

Eliminating the holding company size requirement will also reduce the regulatory burden for many community banks. Small banks with sizeable holding companies find complying with CRA requirements just as difficult as small banks without sizeable holding companies. When examined under the large bank requirements based on their holding company status, small banks that are part of sizeable holding companies are at a competitive disadvantage. Such banks should be measured with their peers, not put on the same playing field as large banks.

However, we do not support adding a mandatory community development performance criterion for banks with assets greater than $250 million and up to $1 billion as an additional component of small bank standards. While the FDIC is concerned that it is difficult for smaller institutions to make qualified investments, smaller institutions also have a difficult time competing with larger, more established banks for community development loans and services.

In addition, the proposal does not explain what the community development criterion is or how it will be tested. If the FDIC adds community development criterion, how would it be quantified? The proposal states, "banks would be required to engage in activities based on opportunities in the market and the bank's strategic strengths." How will the agency test this criterion? What if the bank uses staff and time resources and does not get results? In 1995, the Agencies did away with giving CRA credit based on a bank's effort rather than a bank's results. Is the proposal suggesting that the Agency will again review banks based on how hard they try and not just the dollar result of the CD, loan, investment, or service? Such a system would definitely increase the burden on banks because they would have to document their efforts in addition to documenting their results.

As an alternative, the FDIC asks whether it should apply a separate community development test instead of adding a community development criterion. A separate community development test would not reduce the burden for small banks between $250 million and $1 billion, and would require the bank to compete for the same community development loans and activities as under the current CRA large bank requirements.

In conclusion, while we support raising the small bank threshold, we do not support adding new tests or criteria. Adding new tests or criteria will defeat the FDIC's purpose of reducing regulatory burden, creating new rules that are just as onerous as the current rules.

We thank you very much for considering our input on this proposal.

Sincerely,

Richard A. Hoban
President/COO