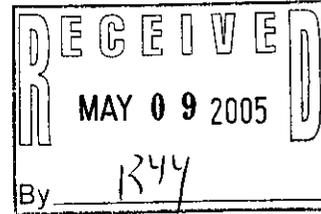




Laconia Savings Bank

62 Pleasant Street
Laconia, New Hampshire 03246-3422

May 5, 2005



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

Re Federal Deposit Insurance Corporation
RIN 3064-AC89
12 CFR Part 345
Community Reinvestment Act Regulations

Dear Mr. Feldman

Laconia Savings Bank (LSB) is the largest independent bank in NH with assets totaling approximately \$800 million. We have been serving our customers and reinvesting in the communities where we do business for nearly 175 years. We are currently examined as a large bank. We are in favor of revising the Community Reinvestment Act. However, we are not in favor of all of the proposed revisions and submit the following comments:

- We strongly support the new proposal to raise the threshold of a "small bank" under the Community Reinvestment Act to \$1 billion, regardless of any holding company size or affiliation.
- We support the new proposal that would provide an adjustment of the threshold for inflation, based on changes to the Consumer Price Index. We note, however, that a burden for holding companies is that holding companies with banks of many sizes could be subject to all the tests (Small Bank, Intermediate Small Bank, and Large Bank tests). The regulatory burden for the holding company as well as the regulatory agencies would increase.
- We support the proposal that would exempt banks under \$1 billion from data reporting. We do note, that as a CRA reporter of Small Business, Small Farm, and Community Development loans and a bank nearing the \$1 billion threshold, it doesn't make much sense for us to stop reporting in this manner.
- Laconia Savings Bank does not support the proposal for a flexible new community development test that would be separately rated in the CRA small bank examination for banks with at least \$250 million and less than \$1 billion in assets - referred to as "intermediate small banks". We strongly urge that lending and community development be kept separate. Under the new proposal, an "intermediate small bank" could not receive an "overall satisfactory rating" unless it received a satisfactory rating on both the lending and community development test. This would not benefit banks falling in the "intermediate small bank category". A bank providing satisfactory lending to its' entire assessment area should not be penalized because opportunities for community development might not be available. Very large banks tend to snap up the community development opportunities and in small town rural areas there may not be other opportunities. This would be confusing and difficult to deal with.
- We would support raising the threshold for the existing small bank test to \$500 million.

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- We do not support changing the definition of community development to encompass affordable housing for individuals in underserved rural areas and designated disaster areas in addition to low or moderate income individuals and also community development activities that revitalize or stabilize underserved rural areas and designated disaster areas in addition to the current definition of community development which targets low or moderate income people or census tracts. Additional regulatory burden would be incurred regarding keeping the *statistics to define what constitutes "underserved rural areas" and "designated disaster areas"*. It's burdensome for a bank to gather a lot of statistics on each loan it makes. How would an underserved rural area be defined? Would statistics gathered by a state be used and, if so, as the saying goes would we be comparing apples and oranges or apples and apples? FEMA would probably determine disaster areas. Precise definitions need to be developed. Laconia Savings Bank does not support this change. Rural should be counties designated as "*non-metropolitan areas*" as defined in the Federal Register by the Office of Management and Budget (OMB) "*underserved rural areas*" could be determined by a government agency as an area in need of development.
- We urge a change to the Investment Test concerning donations and investments. Investing large dollar amounts, for example, in mortgage backed securities where only a small portion of the loans fall within a bank's assessment areas doesn't help those communities a whole lot, if at all. Direct donations to qualified projects that would qualify for credit under the Investment Test would have a better impact on the individuals and communities a bank serves. Very large banks usually invest in the few available investment packages that benefit specific communities leaving "intermediate small banks" searching for qualified investments. The competition for investments meeting the criteria of the test is fierce. The investment test is probably the most difficult and expensive test to meet. While true investments (with a return on the money) along with outright donations should continue to be part of the Investment Test, a bank should not be penalized if it does not make investments but donates to CRA qualified projects in the communities it serves.

We have submitted our comments in the belief that a revision to bank Community Reinvestment Act regulations is needed. Thank you for the opportunity to comment on this proposal.

Very truly yours,



Marilyn A. Spearman
VP- Community Development Officer

Cc: Linda D. Normandin, President & CEO, Laconia Savings Bank
Robert E. Curtis, Executive Vice President & Chief Risk Officer, Laconia Savings Bank
Gerald H. Little, President, New Hampshire Bankers Association
Paul A. Smith, Senior Council Regulatory & Trust Affairs, American Bankers Association
Lakes Region Compliance Association