

From: Shannon Contreras [mailto:SContreras@1stbanknet.com]
Sent: Tuesday, April 12, 2005 2:42 PM
To: Comments
Subject: CRA Proposal

I am writing in response to the proposed rulemaking relating to the CRA that would change the definition of small bank by raising the asset size threshold to \$1 billion; add a community development activity criterion to the evaluation method for small banks with assets between \$250 million and up to \$1 billion; expand the definition of community development to include a broader range of activities in rural areas and designated disaster areas; and adjusting the asset size based on changes to the Consumer Price Index.

Our institution has \$277 million in total assets as of December 31, 2004. We reached \$250 million in total assets in September of 2001 therefore, under current definitions, we are now a CRA "large institution". Our main office is in Duncan, Oklahoma and we have several other banking centers in Ardmore, Healdton, and Norman, Oklahoma as well.

Expanding the definition of community development to encompass a broader range of activities in rural areas could be of benefit to our particular institution as we are located in southwestern Oklahoma. We have many small rural communities which do not qualify as a low or moderate income census tract however, the population is limited to means of earning income and these areas do not provide an adequate opportunity for local employment and the housing stock is slowly deteriorating. School enrollment is getting smaller in these communities and as the population ages because new families are not moving in, many of these will become just a "shell" of a town. Many of these rural communities do not have postal delivery to their homes or even addresses. However, our bank feels it is just as important to support these communities as any other communities in our area.

When defining "rural" for the purpose of this proposal, I feel it is more important to frame it in a sense that will be unique to each institution's area rather than making it fit a national definition. For example: if the poverty level is < 15%, if there are no major employers of over 150 people, there is not a local hospital, absence of street addresses (including rural addresses), and MFI % for the tracts do not exceed 90%.

Additionally, I do not support adjusting the asset size for small and intermediate banks based on changes to the Consumer Price Index. I feel that this will work against the purpose of reducing regulatory burden if banks will be caught bouncing back and forth between reporting and not reporting. I understand that this is commonplace and would be similar to HMDA however, being a HMDA bank ourselves, I could not imagine the burden that would be collecting and reporting HMDA information one year and then to not do it the next year and so on. It is not only a paperwork burden but also a systems and training burden. In such cases as CRA (and HMDA) I feel it is more important and ensures accuracy if the asset size limitations remain constant.

In regards to the intermediate/small bank community development component, I feel that it is important for banks to be measured heavier in what they are more capable of doing rather than a national standard. I also think that the primary rating should be based off of the small bank lending test with the community development test serving as “bonus points” to move from, for example, an overall Satisfactory based off of the lending test to a High Satisfactory or Outstanding when adding the community development test. I see no reason that these two exams could not be performed at the same time.

The current definition of community development does not include adequate coverage of all forms of activities that should be considered under the CRA. It should include small towns, business districts (that are not in low or moderate income census tracts), and provision for general safety and health concerns of the whole population. Adjusting the threshold percentages for low and moderate income to a statewide level would also help to define and serve more underserved communities. Furthermore, when trying to make a community development loan, investment, or service also meet innovative or complex standards, it further loses sight of trying to support the needs of the community. It is much better to be able to perform the community development deal whether it is through providing credit, donations and investments, or an employee’s time than it is to spend time trying to make it innovative.

Our financial institution has received three previous “outstanding” CRA ratings under the current small bank exam method and we recently completed our first large bank examination in which we received an overall satisfactory rating with high satisfactory on the lending and service tests. We have always had a strong commitment to fulfill the requirements of the CRA and our asset size will not change that. However, a community bank of our size cannot operate and function with the same manpower and capabilities of that of a larger bank. We have one person on staff that is responsible for all aspects of the CRA as well as functioning as the administrator of the LAR. It would be more within our capabilities to become a new “intermediate” bank until such time we reach \$1billion in assets.

Regardless of the result of this PR, we will continue to provide services, loans, investments, and assistance throughout our assessment areas, provide innovative and flexible credit programs, and give back to all of our communities. Thank you for the opportunity to comment on this PR.

Sincerely,

Shannon Contreras
First Bank & Trust Co.
(580) 255-1810
scontreras@1stbanknet.com