May 5, 2005

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

RE: Proposed Changes to the Community Reinvestment Act Regulation

Dear Mr. Feldman:

The Conference of State Bank Supervisors (CSBS)[1] is pleased to have the opportunity to comment on the FDIC's Notice of Proposed Rulemaking (proposal) to amend the regulations that implement the Community Reinvestment Act (CRA.) We believe the most recent changes represent a deliberate attempt to reduce regulatory burden placed on smaller community banks while also encouraging those institutions to continue to support underserved areas of their communities. We also note that the Federal Reserve Board and the Office of the Comptroller of the Currency released a Notice of Proposed Rulemaking with identical changes to the CRA. CSBS supports the most recent interagency CRA proposal.

In our letter to the FDIC dated October 12, 2004, CSBS indicated our support for raising the small bank asset threshold from those institutions with less than \$250 million[2] in total assets to those with assets less than \$1 billion regardless of the bank's holding company status. CSBS views the proposed changes as a valuable tool to reduce regulatory burden for our nation's community banks, the vast majority of which are state chartered. Community banks have a long record of meeting the credit needs of both individuals and small businesses and provide critical fuel to our nation's economic engine. Community banks have faced a growing amount of regulatory requirements that may have the effect of stifling this critical sector. Accordingly, CSBS supports efforts to reduce regulatory burden when doing so does not compromise safety and soundness considerations or consumer protection.

The FDIC also proposes to create a community development criterion to the streamlined CRA performance standards for institutions with assets between \$250 million and \$1 billion.

[1] CSBS is the national organization of state officials responsible for chartering, regulating and supervising the nation's 6,331 state chartered commercial and savings banks and nearly 420 state-licensed branches and agencies of foreign banks.
[2] The current definition of small bank also includes a consideration of the total assets held by banks within a bank holding company.

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Financial institutions of this size are currently the source of a vast amount of community development activity and both state and federal regulatory agencies should encourage them to continue to do so. CSBS believes it is important, however, to ensure that this new criterion offers banks great flexibility to address community development needs of low- and moderate income areas in their communities by responding in a meaningful way to those needs consistent with their business expertise and resources.

Expanding the definition for community development to include activities for individuals in underserved rural areas and in designated disaster areas will better highlight the work many bankers are engaging in to revitalize and stabilize their communities, such as infrastructure improvements, community services, and small business development.

Lastly, the proposal would provide that evidence of either discrimination or credit practices that violate an applicable law, rule, or regulation, will adversely affect an agency's evaluation of a bank's CRA performance. CSBS strongly supports the federal agencies including evidence of discrimination or predatory activity in a bank's CRA evaluation. However, in the proposal the FDIC lists examples of laws that would be included in its consideration, such as evidence of violations of the Truth in Lending Act concerning a consumer's right to rescind a credit transaction or evidence of violations of the Home Ownership and Equity Protection Act. CSBS would request that, when a final CRA regulation is published, the agencies explicitly note that "significant violations" will be considered for the bank's overall evaluation. In other words, examiners should have the ability to use discretion in determining what would be considered a significant violation, rather than be required to downgrade a bank's CRA evaluation in cases involving an institution's inadvertent error which is cited as a violation.

CSBS continues to support consistency in the application of CRA rules for banks regardless of the type of charter they chose. We applaud the FDIC, Federal Reserve Board, and the OCC for working together and agreeing on the proposed changes to CRA. We ask that the agencies continue to review the comments and publish similar final regulations. CSBS also recommends that the FDIC assume a leadership role as the federal insurer of all banks and thrifts by bringing <u>all</u> federal agencies back to the table to finalize a consistent approach.

Thank you for your consideration. We invite you to call on us if we can provide additional information as you evaluate this important subject.

Best Personal Regards,

Neil Milner

Neil Milner
President and CEO