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May 9, 2005

Communications Division
Public Information Room
Office of the Comptroller of the Currency
250 E Street, SW
Washington, DC 20219

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

Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
20th St. and Constitution Avenue, NW
Washington, DC 20051

Re: OCC - Docket No. 05-04 - Proposed Revisions to the CRA Regulations
FDIC - 12 CFR Part 345 - RIN 3064-AC89 - Proposed Revisions to the CRA Regulations
FRB - Docket No. R-1225 - Proposed Revisions to the CRA Regulations

Via E-Mail

Dear Sir or Madam:

We are writing on behalf of the Illinois Bankers Association (“IBA”) in response to the joint notice of proposed rulemaking that would revise certain provisions of the rules implementing the Community Reinvestment Act (“CRA”), appearing at 70 Fed. Reg. 12,148 (March 11, 2005). The IBA is a full-service trade association representing financial institutions of all sizes in Illinois, including state and national community banks, regional banks, money center banks, savings banks, and savings and loan associations, which together account for over 85 percent of all banking assets in our state. We appreciate this opportunity to comment on the proposed CRA rules.

The IBA strongly supports raising the threshold of a “small bank” under CRA to \$1 billion, without regard to the size of the holding company. We also support indexing the size thresholds

for both the small bank and the intermediate small bank categories annually, based on the Consumer Price Index.

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We strongly urge the threshold for the existing small bank test be raised to \$500 million, as was earlier proposed. The current proposal would make small banks with assets of less than \$250 million subject to a lending test; intermediate small banks with assets of at least \$250 million and less than \$1 billion would be subject to both a lending test *and* a new community development test. The earlier proposal offered greater relief from regulatory burden for \$250 - \$500 million banks, which would, under the current proposal, be subject to a new, untested requirement - a community development test. The addition of this new community development test undermines the purpose of reducing banks' regulatory burden, as would be more fully realized under the earlier proposal which applied only the lending test to small banks with assets of between \$250 and \$500 million.

The IBA supports the adoption of the proposed intermediate small bank test – a two part test encompassing both a lending test and the new community development test – for banks over \$500 million but less than \$1 billion. However, while the proposed community development test for intermediate small banks appears to offer greater flexibility in meeting unique community needs, we have strong reservations about making it a separate test – one with equal weight to lending in the bank's community. The consequence of a less than satisfactory rating (no matter how outstanding the bank's record of meeting the credit needs of its community) is an unsatisfactory overall CRA rating. We believe this is inconsistent with the statute and Congressional intent. Not even the large bank investment test was given this level of importance. We urge, rather, that the community development test be made a factor in the new intermediate small bank examination.

We also would like to bring your attention to the negative impact rural banks believe that the current definition of the term "community development" has on rural America. Too many rural banks have had to make contributions, investments, or loans outside of their communities to satisfy the current large bank CRA test. We urge that the term "rural" include those counties designated "nonmetropolitan" by OMB. This is an equitable, and readily available, standard definition.

In addition, the proposed CRA rules include references to "underserved rural areas" in the definition of the term "community development." We recommend that "underserved" include any rural area that has been targeted by a governmental agency for development and any rural area or county designated as a Community Development Financial Institutions investment area. There also needs to be parity between the number of low- and moderate-income census tracts in rural areas with the number of low- and moderate-income census tracts in urban areas.

Thank you for your consideration of our comments.

Sincerely,


Hunt Bonan
IBA Chairman and
Chairman, The Peoples
National Bank of McLeansboro


Linda Koch
President and Chief Executive Officer
Illinois Bankers Association