

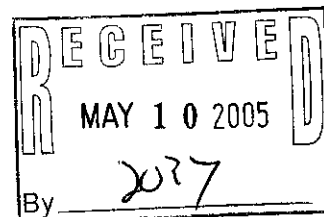
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# FARMERS STATE BANK

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May 6, 2005



Robert E. Feldman, Executive Secretary  
Attn: Comments  
Federal Deposit Insurance Corporation  
550 17<sup>th</sup> Street, NW  
Washington, DC 20429  
Attn: RIN 3064-AC89

Re: Community Reinvestment Act Regulations

Dear Sir or Madam:

As a community banker, I strongly support any steps that will ease the regulatory burden that community bankers confront every day and that unnecessarily use up time and energy that should be devoted to serving our customers and communities. The agencies' CRA proposal to increase the threshold for the streamlined CRA exam to \$1 billion is a step in the right direction.

With the many changes our industry has undergone in the last 25 years, especially the many mergers and the appearance of huge banks that operate nationwide, it is time to adjust the CRA rule and set a \$1 billion benchmark for tiered examinations. Simply applying the current streamlined CRA exam to banks with up to \$1 billion in assets would reduce burden more than the current proposal. However, adding a separate review for community development activities for intermediate banks (between \$250 million and \$1 billion) is an acceptable compromise.

It also would be less burdensome and simpler if the agencies added a community development factor to the existing CRA streamlined review. However, as the survival of community banks is intertwined with the health of the local economy, a separate community development test will still examine community banks for community reinvestment activities they would undertake with or without CRA.

The proposed review of a combination of community development lending, investments, and services under a community development test will be much more flexible than the existing separate and overly restrictive large bank tests. This flexibility will allow intermediate sized community banks across the company to serve their markets in the most appropriate way, given their own strengths and the needs of their communities. However, for burden reduction to be realized, examiners must understand how to apply this flexibility.

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Marion, IA 52302  
319 377 4891

**Collins Road Square**  
1580 Collins Town Rd  
Marion, IA 52302  
319 373 0512

**Lindale Mall**  
4444 1st Ave NW  
Cedar Rapids, IA 52402  
319 377 0200

**Edgewood Plaza Mall**  
399 Edgewood Rd NW  
Cedar Rapids, IA 52405  
319 397 2534

**Van Buren Village**  
2755 Edgewood Rd SW  
Cedar Rapids, IA 52404  
319 654 0446

**Hiawatha Office**  
175 Center Point Rd  
Hiawatha, IA 52233  
319 378 1115

**Alburnett Office**  
117 North Main Ave  
Alburnett, IA 52202  
319 842 2211

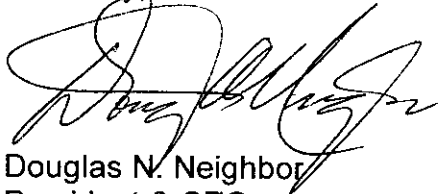
Expanding the definition of community development to include activities that benefit rural communities is also important. Unlike metropolitan areas, rural areas often are not neatly divided into low- or moderate-income areas. Allowing CRA credit for efforts that benefit the local community, such as schools and local infrastructure, will let community banks support pressing local needs, rather than make investments that benefit an area on the other side of the state, as is often the case under the current rules. Any definition of "rural," however, must be broad enough and easily applied to be workable.

Finally, I support expanding the definition of community development to include activities that benefit areas designated as disaster areas. It should be a simple matter for the bank to determine if an area is qualified, such as designation by a government authority. As disaster areas have special redevelopment needs, it is fitting that activities benefiting these areas qualify under CRA.

Regulatory burden disproportionately impacts community banks. Many are merging or selling under the pressures presented by regulatory burden. Without regulatory relief, many communities will lose their local institutions, to the detriment of the entire community.

Thank you for the opportunity to comment.

Sincerely,



Douglas N. Neighbor  
President & CEO

GRN/mkg