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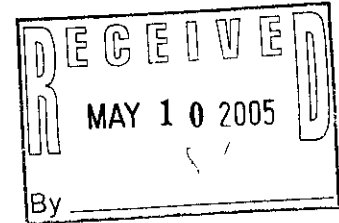
FARMERS STATE BANK

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FDIC Insured

May 6, 2005

Robert E. Feldman, Executive Secretary
Attn Comments
Federal Deposit Insurance Corporation
550 17th 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 country 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.

Main Bank
1240 8th Ave
Marion, IA 52302
319 377 4891

Collins Road Square
1380 Twist Town Rd
Marion, IA 52302
319 375 0512

Lindale Mall
4444 1st Ave NE
Cedar Rapids, IA 52402
319 395 0201

Edgewood Plaza Mall
399 Edgewood Rd NW
Cedar Rapids, IA 52405
319 390 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 1245

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 area 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,


Morris F. Neighbor
Chairman of the Board