

From: Ron Heaton [mailto:RHeaton@sbsu.com]
Sent: Thursday, May 05, 2005 2:12 PM
To: Comments
Subject: Comments- 12 CFR Part 345- RIN3064-AC89

Robert E. Feldman, Executive Director
Federal Deposit Insurance Corp

Dear Mr. Feldman,

Thank you for allowing me to comment on the proposed revisions to the Community Reinvestment regulations. I work as the CEO for a small bank in southwestern Utah and these regulation impact me and my bank significantly.

We have 13 offices in our area and a number of them in are in very small towns. Our efforts have been to serve our areas by investing into the areas we serve as you will note from our ratings on our CRA exams. Our last exam was under the big bank classification because we are now over the \$250 million mark. We did well on the exam but it was much more time consuming and expensive than we believe it ought to be for a bank our size. I commented on the proposals in February but notice this proposal is very different and hope to encourage you to amend your proposal because as it stands now, I do not believe it would be much better than the big bank exam.

My Comments:

- I urge you to raise the threshold for the existing small bank test to \$500 million or above. Actually, \$1 billion would be a better threshold, but I understand community groups are protesting vigorously. When CRA went into effect those banks under \$250 million in assets held just under 13.84% of banking assets. Today all banks under \$1 billion dollars hold 13.96% of banking assets (American Bankers Association analysis and FDIC statistics) How can this be a sign of the FDIC "letting banks off the hook"? I believe community groups are ignoring the facts and forgetting that the small bank test for CRA is a very effective and efficient test of Community Reinvestment.

-I do not believe it is fair to propose a separate Community Development test on "small intermediate banks" besides the lending tests. I support the concept of "small intermediate banks" from \$500 million to \$1.5 billion but think the idea of a separate CD test and making you pass both tests to receive a "satisfactory" is not a reduction in regulatory relief and is "double jeopardy". If this is your choice we would probably choose the big bank test because we have done it once and we do not have to face two separate tests. We have always prided ourselves in participating in community development but if we are going to compete with other financial institutions we must have reasonable regulations.

-The threshold should be indexed with the CPI or some other measure of the time value of money. This may save us from revisiting the size issue in 5 to 7 years.

- The small intermediate bank community development category should give credit for "underserved rural areas". We have a number of economically challenged rural areas

that are no longer in low and moderate income census tracts but need economic development and investments. The definition of rural should be any area not included in a metropolitan statistical area. Underserved should be any county designated as a CDFI area or designated by the state as low income area. Income should be anything under 100% of the non-metropolitan median income.

I urge you to give us some regulatory relief so we can continue our job of investing in our communities.

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