May 10, 2005

Robert E. Feldman, Executive Secretary
Attention: Comments
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429
Attention: RIN 3064-AC89
Comments@FDIC.gov

Office of the Comptroller of the Currency
250 E Street, SW
Mail Stop 1-5
Washington, DC 20219
Attention: Docket No. 05-05
regs.comments@occ.treas.gov

Jennifer J. Johnson, Secretary
Board of Governors of the
Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551
Attention: Docket No. R-1225
regs.comments@federalreserve.gov

Re: Community Reinvestment Act Regulations

Dear Sir or Madam:

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.

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.

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,

Patrick M. O’Brien
Chairman / CEO HomeStar Bank
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