Send to: Comments@FDIC.gov
Subject: RIN No. 3064-AC89 – CRA Regulations

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

May 4, 2005

Subject: Comments on Proposed Revisions to the Community Reinvestment Act

As a community bank, we appreciate the opportunity to comment on this important matter. Overall, we are pleased that the agencies have recognized the need to address the regulatory burden imposed on smaller banks. The most welcome feature of the proposal is the decision to raise the threshold for a "small bank" examination from banks with assets under $250 million to those with assets of less than $1 billion, regardless of any holding company size or affiliation.

With that said, we would like to comment further on specific aspects of the proposal.

Community Development Test

Under the proposed "intermediate small bank" rules, a satisfactory on the community development test would be required in order for the bank to get an overall "satisfactory" CRA rating, no matter how good its lending in the community is. In our view, having a separate community development test overemphasizes that aspect of the evaluation of a bank's performance in meeting its community's credit needs, therefore we do not support adding a new category of "intermediate small banks" subject to this special form of CRA examination. Instead of simplification or regulatory relief, this proposal would result in making CRA much more complicated and increase compliance burden.

Investments, or binding commitments, in any SBIC or Low Income Tax Credit fund active in the state or states where a bank is located should automatically count toward the safe harbor.

For the above reasons, we strongly oppose a separate community development test and suggest that the community development criterion be considered as part of the overall small bank streamlined evaluation. This would be a more reasonable means of assessing a bank's effectiveness in meeting the needs of its community.

Definition of "Community Development"

The bank agrees with the proposed rule making that the rates of poverty in rural America are frequently understated by simply using median family income figures and the use of these factors frequently distort the poverty rate in these rural communities. Banks are frequently called upon to support needed economic or infrastructure development in very different ways than envisioned

in the current definition of CRA Services. These activities should not be ineligible for CRA credit because they do not benefit only low- or moderate-income individuals.
Therefore, we strongly support expanding the definition of "community development" so that it includes activities that benefit rural residents in addition to individuals in low-and moderate-income areas. In addition, by changing the definition of community development to include a wider range of activities, the agencies will be opening up new opportunities in these rural areas and will encourage all institutions to expand their service to their communities in new ways. We firmly believe that any type of loan, investment or service we provide to rural areas is of significant benefit.

While the inclusion of rural areas for community development is strongly supported, there is noted concern regarding the definition of "underserved rural area". We are concerned that the documentary burdens to proving that a loan or community development activity is to an "underserved rural area" or person will significantly increase our documentation and regulatory burden.
To address this concern, the bank proposes a simple definition of "rural" based on population density.

Final Comment

Currently, each of the regulatory agencies is promoting financial literacy as an important national initiative for the overall financial well being of our country. Likewise, the banking industry is being encouraged to promote financial literacy programs to their customers and in their local schools and communities. However, under the current Community Reinvestment Act (CRA) and its regulations, banks only receive CRA credit if their programs target low- and moderate-income schools and communities. In light of the recently proposed Social Security Reform that will allow individuals to control their own Social Security retirement funds and the increase of bankruptcies for all economic groups, this issue takes on heightened significance.
Given that financial literacy cuts across all socio-economic groups regardless of geographic location we request that consideration be given to the expansion of CRA credit in the banking community for financial literacy initiatives that include, but also go beyond, the low- and moderate-income population. These initiatives have great potential for improving the overall economic well being of our country.

Thank you for considering our views.

Sincerely,

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