

From: Lynn Frerich [mailto:lfrerich@fnbbastrop.com]
Sent: Tuesday, May 10, 2005 2:11 PM
To: Comments
Subject: Proposed CRA Regulations

Robert E. Feldman, Executive Secretary
Attention: Comments
12 CFR Part 345 – RIN 3064-AC89
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, D. C. 20429

My name is Lynn Frerich and I am Vice President of the First National Bank of Bastrop. We are a \$270 million bank located in Central Texas. We have faithfully supported our community for over 115 years. Last year, we originated 3039 new loans totaling \$56,907,653. 98% of these were in our CRA trade area.

I strongly support raising the threshold of a “small bank” under CRA to \$1 billion. We will fall in to the existing big bank CRA guidelines next year for the first time. Our bank is located in a community of 5,000 residents. By most standards, we would be considered to be rural. However, we would be defined as urban since we are located in the Austin – San Marcos MSA.

Because census tracts are designated by population, the census tracts in our county are very large. None are low income. Under proposed rules we would have to take money out of our community and send it into a low income urban area in the MSA for CRA credit. We are not a wealthy county. Over 40% of our school children are eligible for the free lunch program. Taking this money out of our county would be a disgrace and would result in Community *Dis*-investment.

In addition to encouraging you to raise the threshold of a “small bank” under CRA to \$1 billion, I also support indexing the size thresholds for both the small bank and the intermediate small bank annually, based on the consumer price index.

The current proposal, which would add a new community development test (“CD test”) that would be separately rated in CRA examinations for banks between \$250 million and \$500 million in assets (“intermediate small banks”) is unacceptable to us. The purpose of the changes to CRA was to grant regulatory relief to smaller institutions. Adding a new untried and untested requirement to CRA undermines this effort and in fact increases regulatory burden. As an alternative, why not adopt the proposed intermediate small bank test for banks over \$500 million but less than \$1 billion? This test would offer potential relief from being a large bank, but could allow a bank like ours the option to be considered a large bank if this new test does not work. Either way, the new CD test should be a factor in the new intermediate small bank exam and not a separate test.

The spirit of Community Development lending should be to provide credit to the entire community. A separate test would create an additional CD obligation and regulatory burden, eroding the intent of the streamlined exam and take money out of our community.

In conclusion, I believe that the FDIC has proposed a major improvement in the CRA regulations, one that much more closely aligns the regulations with the Community Reinvestment Act itself, and I urge the FDIC to adopt its proposal, with the recommendations above.

Lynn Frerich
First National Bank