

May 26, 2005

FDIC

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

E-Mail: Comments@FDIC.gov

Re: RIN 3064-AC89

Joint Notice of Proposed Rulemaking -Community Reinvestment Act Regulations

Dear Mr. Feldman:

Nevada State Bank located in Nevada with 68 branch offices and 3.4 billion in assets. We are a full service commercial bank with a primary focus on commercial, commercial real estate and construction lending. Our parent company is Zions Bancorporation, a \$31 billion-dollar bank holding company, headquartered in Salt Lake City, Utah.

The Bank would like to take this opportunity to provide comment on the Joint Notice of Proposed Rulemaking that would revise certain provisions of the rules implementing the Community Reinvestment Act (CRA).

Small Institution Definition

The Bank supports raising the threshold for a small institution from \$250 million to \$1 billion regardless of holding company size or affiliation. We also support the creation of a new small institution category defined under the regulation as “Intermediate Small Banks”. Although we support making these changes, we do not see any significance or benefit to adjusting the asset size for small and intermediate small banks on an ongoing basis based on changes to the Consumer Price Index.

Community Development Test

The Bank also supports reorganizing the examination process for “Intermediate Small Banks” into a two-part test, a new Community Development Test and the existing Lending Test.

The new test, a Community Development Test modeled after that which is currently in place for wholesale and limited-purpose banks, would measure the institution’s performance in community development lending, community development investments, and community development services (including retail banking services.)

We agree with the proposal to make this a flexible test that would specifically look at the community development opportunities available and the business strategies of the institution. In applying the flexibility intended by the federal banking agencies, examiners would not expect institutions to “create” community development activities in all three areas, and would not require the institution’s community development activities to be innovative, complex or new in order to achieve a Satisfactory rating. Weaknesses in one area would be mitigated by strengths in another.

Recognizing the importance of creating community development activities that promote sustainable development, this test, as proposed, would more easily recognize the synergy associated with activities that cross disciplines.

Test Weighting and Rating Requirements

We propose that the Community Development Test be given 40% weighting in the overall performance evaluation, with the Small Bank Lending Test weighted at 60%. We agree that an Intermediate Small Bank should be required to achieve a rating of at least satisfactory on both tests in order to receive an overall Satisfactory rating. We believe it is appropriate to require a satisfactory rating on both the Community Development Test and the Lending Test and to apply a higher weighting to the Lending Test in order to be consistent with CRA's stated purpose - to encourage financial institutions to help meet the credit needs of the local communities where they do business.

Community Development Definition

The Bank would strongly encourage the agencies to amend the definition of "community development" to include affordable housing and community development activities that revitalize or stabilize underserved rural areas and designated disaster areas

Rural Area Definition

We recommend that the definition of rural area be amended to include any area located outside of a Metropolitan Statistical Area. In addition, we recommend that underserved, when used in conjunction with a rural area, be defined as an area that is targeted for economic revitalization or stabilization.

Effect of Certain Credit Practices on CRA Evaluations

The proposed rule includes a revision to the CRA regulations to address the impact on a bank's CRA rating of evidence of discrimination or other illegal credit practices. Footnote 6 of the proposal states that evidence of credit practices that violate other laws, rules or regulations, including a federal banking agency regulation or a state law, if applicable, also may adversely affect a bank's CRA evaluation. The agencies intend to include in the revised regulation examples of violations that give rise to adverse CRA consequences.

The Bank believes that a high level of compliance with all lending laws, including federal banking agency regulations or a state law, must be maintained when providing credit to members of the communities where we do business. We do not doubt the importance of complying with ECOA, Fair Housing Act, Real Estate Settlement Procedures Act, Truth in Lending Act, HOEPA and FTC Act. However, these laws were passed by Congress and the various states at different times to achieve different purposes. Each includes its own compliance mechanisms and specifies the consequences of violations. Compliance with these laws, as well as with other federal banking agency regulations, is already strictly monitored during regular compliance examinations and should not adversely affect a bank's CRA evaluation.

In addition, for the same reason already stated above, we believe that non-compliance with lending laws by an affiliate should not adversely affect a bank's CRA evaluation.

Investment Test for Intermediate Small Banks and Large Banks

As part of the proposed Community Development Test for Intermediate Small Banks, the agencies anticipate that examiners would use their discretion, using performance context, to assign

appropriate weight in a bank's current period rating to prior-period outstanding investments that reflect a substantial financial commitment or outlay by the bank designed to have a multi-year impact, in addition to investments made during the current examination cycle.

We agreed with allowing examiners to use a performance context to assign appropriate weight in a bank's current period rating to prior period outstanding investments. It is our understanding that some, but not all, of the federal banking agencies' examiners currently allow this same type of flexibility in the large bank investment test. We strongly recommend that this same proposed guidance be included in the revised regulation as also applicable to the large bank investment test.

Thank you for providing us with the opportunity to submit our comments. If you have any questions, please do not hesitate to contact me at 702-642-2482.

Sincerely,

Jay Hiner, Vice President
CRA/Community Development