

May 5, 2005

Mr. Robert E. Feldman
Executive Secretary
Federal Deposit Insurance Corporation
Comments@fdic.gov
RIN 3064-AC89

Dear Sir:

I am a Vice President and CRA Officer at a \$251 million dollar community bank in northwestern Pennsylvania. We have nine offices, all located in small communities. I support the CRA proposal to raise the large bank threshold from \$250M to \$1B. I am also in favor of the addition of underserved rural areas to the definition of community development.

I do have reservations in regards to the classification now of intermediate small banks that will be subject to a new Community Development Test. To impose a CD Test on an intermediate sized institution, especially a bank just over \$250M, will be burdensome. As in our situation, we do not have a full time CRA Officer that can devote all their time to determining what would qualify as a community development activity. I also do not agree with the requirement that an intermediate small bank must achieve a Satisfactory rating on the new CD Test in order to attain an overall Satisfactory rating. It appears unfair that a smaller institution that rates very strong in the lending test is downgraded to a Needs to Improve because they did not achieve a satisfactory rating in the new Community Development Test. Since the heart of CRA is to encourage financial institutions to meet the credit needs of their communities, why should a bank that has a strong lending record, good LTD ratio, and a majority of loans in their assessment area be penalized because of a yet-to-be determined CD Test? My concern is that the Community Development Test will be as difficult to fulfill as meeting the qualified investment test, which, in our locations, will not be easy.

From a community bank that does not have any LMI census tracts in our assessment area, I am interested in how underserved and rural will be defined. One suggestion in the proposal was to define rural as outside an MSA. If this definition is adopted, it will negatively impact us because our whole county is designated as an MSA, even though we are located in the portion of the county with small communities and farmland. Of our nine locations, seven are located in communities where we are the only financial institution. Some of our communities do not even have a grocery store.

If a new designation of intermediate small bank is to be adopted, I would like to see that threshold set at \$500M instead of \$250M. I believe that institutions up to \$500M should

be under the streamlined small bank examination and that banks from \$500M to \$1B should fall under the intermediate small bank examination.

I also feel that the Community Development Test should not be rated separately as proposed but be a community development criteria. As noted in the proposal, some community banks (ours included) do not have the resources available to compete with large institutions and have had difficulty obtaining qualified investments that meet the current definitions.

The move to raise the large bank threshold from \$250M to \$1B would provide much needed regulatory relief for community banks. This would allow community banks to be better positioned to do what we do best – meet the credit needs of our communities and provide the products and services that our communities need. This change would NOT reduce our commitment to our communities. We always have been, and will continue to be, a strong supporter of our communities and this commitment will not lessen, based on our asset size.

Thank you for your consideration in raising the threshold for a large bank to \$1B and for the opportunity to comment on this proposal.

Sincerely,

Deborah L. Barbour
Vice President and CRA Officer
Mercer County State Bank
Sandy Lake, PA