

From: John Westwood
Sent: Thursday, May 05, 2005 1:51 PM
To: Comments
Cc: David Eberhard; Ron Heaton
Subject: RIN 3064-AC89

Mr. Robert E. Feldman
Executive Secretary

Mr. Feldman,

Thanks for the opportunity to comment. I become discouraged at times thinking that community groups are writing banking regulations. Now it seems, another test, along with additional regulation, is being proposed to be placed on community banks. Our Bank is \$425 million with 13 branches in Southwestern Utah. We are a community bank I think because our bank is the ONLY financial institution in four small rural southern Utah towns. While applying for our office in Tropic, Utah, population 508 only when dogs and cats are counted, the FDIC officer processing our application called wondering where this new office would be located as he was unable to find the town on any known map of the State of Utah. We are a very large part of these small rural communities and finance firetrucks to roads for the towns and counties. Yet, the last CRA examination would not give us credit for these small security loans. It seems to me that the FDIC and the vocal community groups do not care about rural communities, they are concerned with what happens in downtown big city USA. I am being negative here, but every quarter I report CRA figures on the call report detailing small farm loans, small business loans, and small agricultural loans. These figures along with the other call report information should satisfy any group that indeed this bank is involved in the community. Apparently these call report figures are not passed along. No new tests are needed, that would only add to regulation burdens. Our CRA file has NEVER been examined by any person other than examiners and bank officers. Now the proposals are to increase the testing and documentation for this file that is never examined. Gathering information on small rural communities of 500 people for this CRA file seems very unproductive to me. It seems that the FDIC and community groups want us out of the smaller towns. We

chose to place branches in these small rural towns to serve the people. We are not there to make large profits. Leave the threshold at one billion with no additional unproductive tests.

Comments:

The agency submitted a list of issues for specific comments. My comments are as follows:

Is there another appropriate asset threshold to use when defining intermediate small banks, and, if so, why?

For true regulatory relief, the small bank threshold should be raised to at least \$1 billion without any additional requirements.

Should the assets size for small and intermediate small banks be adjusted on an ongoing basis, based on changes to the CPI?

Yes it does need to be adjusted. What index to use would be my question.

How has the information reported been used?

As I said, the quarterly call report information it seems has not been used. It should be not required if not used.

Does the proposal provide more flexibility in how an intermediate small bank may apply its community development resources and does the proposal have the potential to make the evaluations of those banks' community development performance more effective than under current regs?

The community development test does not provide more flexibility and regulatory relief. An intermediate small bank will still have to compile the same information as if it were examined under a large bank.

Should the community development test for intermediate small banks be separately rated and should the test be weighted equally?

The main purpose of CRA is to meet the credit needs of the communities they are in, so the lending test should have a larger weight. The proposal makes achieving a

satisfactory rating for an intermediate small bank more difficult than for a large bank making me think that we should move from these small rural communities to satisfy the regs. A "satisfactory" rating should be given for the intermediate small bank if an "outstanding" rating is received on the lending test.

Does the definition of "community development" provide sufficient recognition for community services to individuals residing in underserved rural areas ?

The existing definition of community development does not provide sufficient recognition for community services to individuals residing in underserved rural areas. Including rural areas as part of the community development definition will help us show that we meet the service criteria. These smaller communities are charged large dollar amounts to insure and register their requested bonds for road development or sewer development. Our bank purchases these bonds on an unrated basis saving the communities lots of money, but we were not given credit for any rural small town investments at our last examination.

Should a definition of "rural" be adopted?

The agency could adopt a definition similar to the Census Bureau's definition.

Should a definition of "underserved" be defined when used in connection with rural areas?

Too subjective. In what way is a community underserved? Everyone of our small community branch offices are in towns with limited services.

I strongly support regulatory relief by increasing the threshold for the small bank examination. I am opposed to the addition of a community development test because of the additional burden it will impose for no purpose. The community development test as proposed would be more burdensome than the large bank exam procedures. I support the inclusion of rural areas, without the addition of "underserved", as part of the community development definition.

Thanks for your time. Maybe I will comment on more items. I worry that these comments will be used like the call report figures - collected but never purposely used in connection with CRA requirements.

State Bank of Southern Utah
John R. Westwood, CFO