BANK IOWA
Iowa's Hometown Bank

230 1st Street East
Independence, IA
50644

May 6, 2005

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

Re: RIN Number 3064-AC89 Joint Notice of Proposed Increase in the Threshold for the Small Bank CRA

Dear Sir:

I am the Compliance and CRA Officer for BankIowa, located in rural Iowa. We have been subject to the large bank CRA requirements since January 1, 2002. I would like to start out my comment letter by providing you with the history of our bank. BankIowa has a total of eight branch offices all located in Iowa. Following is the location of our offices and the population of each town:

Town Branch Office is Located	Population*
Independence, Iowa (MSA – NA)	6,007
Lamont, Iowa (MSA – NA)	503
Jesup, Iowa (MSA – NA)	2,210
Norway, Iowa (MSA 16300)	602
Cedar Falls, Iowa (MSA 47940)	36,164
Waterloo, Iowa (MSA 47940)	68,641
Cedar Rapids, Iowa (NE office and SW office) (MSA 16300)	121,522

* 2000 Census Bureau www.census.gov

Our assessment area consists of Buchanan, Black Hawk, Linn, and Benton counties, total population of these counties is 366,410*. BankIowa is a $300 million, family-owned bank established in 1921.

I am writing to strongly support the FDIC's proposal to raise the threshold for the streamlined small bank CRA examination to $1 billion without regard to the size of the bank's holding company. This would greatly relieve the regulatory burden imposed on many small banks, which are required to meet the standards imposed on the nation's largest $1 trillion banks. I understand that this is not an exemption from CRA and that my bank would still have to help meet the credit needs of its entire community and be evaluated by my regulator under the small bank CRA requirements. However, I believe that this would lower my current regulatory burden of man-hours used for tracking investments, loans and services. In 2003, those of us at BankIowa that are responsible for data entry of CRA loans into the government software and auditing of loan, investment and service tracking, logged our CRA work hours. This time totaled up to the equivalent of 1,000 man-hours. This did not even include the time that lenders and loan support spent on determining if a loan was CRA reportable and compiling the information on such loans, the time that senior management and our CRA committee spent on reviewing donation requests, and accumulating the information needed to document that investments and services met the definitions of CRA in order for us to earn CRA credit. Additionally, this obviously did not count our CRA service commitments made by BankIowa employees.

I do <u>not</u> support the addition of a separate community development criterion to the small bank examination for larger community banks, what you refer to as "intermediate banks" (banks between $250 million and $1 billion in assets). As FDIC examiners know, it has proven extremely difficult for small or intermediate banks, especially those in rural areas such as our bank, to find appropriate CRA qualified investments <u>in their communities</u> that meet the definition of "community development." Many small banks have had to make regional or statewide investments that are extremely unlikely to ever benefit the banks' own communities just to meet the definition of "community development." That was certainly not the intent of Congress when it enacted CRA. Additionally if examiners "feel" that the bank is not meeting local needs, the bank then doesn't receive any credit for the investment made outside the community. It's a catch 22 for the smaller rural banks. However, coming up with new criteria that appear to again be subjective without provide banks with clear benchmarks will not solve any of the regulatory burden issues.

In order for a community bank to survive in rural areas, the bank <u>*has*</u> to serve and reinvest in its community. There are numerous donation opportunities for us that if not made, would hurt our bank, yet these donations don't qualify for CRA. Thus, if you enact a different criterion for the larger-small banks, you are still not accomplishing anything, but creating regulatory burden, which diverts resources from serving the community to addressing regulatory created overhead expenses. What would be the point of raising the threshold if all you are going to do is create more documentation responsibility, which is no different from what is happening now? Banks are not trying to "get out" of anything and will not be ignoring our communities if you just raise the threshold and eliminate the new-tiered requirements, just as we did not ignore them when we meat the definition of a small bank.

Regarding an additional shortcoming of the propose system, how are examiners going to compare banks if one bank decides to focus on investments and another comparable bank focuses on services? There are already way too many subjective judgment calls being made by examiners on CRA and this will make it even worse. Instead of creating another criterion for the intermediate banks, that are "flexible" you need to apply the same (current regiment for banks < $250 million) criterion to all banks that are under $1 billion in assets. I believe the most flexibilities that you can give the intermediate banks is to just apply the small bank criteria to any bank under $1 billion.

If you really want to address something that will benefit all communities, both rural and large, you just need to revamp the actual definition of community development within the existing examination process without adding a different tier of responsibility for banks between $250 million to $1 billon.

Change the definition to include “underserved rural areas, affordable housing and designated disaster areas” as you are proposing. However be sure to specifically define what you mean by this and do NOT leave it up to the subjective interpretation of the examiners. Give the banks benchmarks or at least minimum requirements so that banks are shooting in the dark and guessing if they are meeting the expectations of the examiners.

Additionally, the big push across America is improving the financial literacy of all people of all ages, income, race, etc. Why not include this as a provision of providing “community service”? Examiners can give twice as much weight to this same service if the education provided was geared specifically towards low or moderate-income people or geographical areas. Refer to FDIC PR41-2005, which is more proof of the push of the importance of financial literacy.

Also, with federal and state funding being tight, why not include commitments (service or monetary) made to public school systems as being eligible to earn CRA credit regardless if the school is “primarily” low-income? Again, a financial service, such as providing financial education training for students or teachers would earn CRA credit, but could be given twice as much weight if the service was performed for a school meeting the definition of low or moderate income. Why not try to meet more than one criterion with changing this regulation to help banks earn recognition for the services we are providing to the communities in which the banks resides and still aiding other “causes” of the federal and state governments? It may also help to alleviate some the “community organization’s” concerns if they were actually made aware of all the donations and services that banks give to their communities outside of what is required by CRA.

I know that there are many banks that are in the same position as BankIowa. For instance, many local citizens look to our bank for financial support, educational training and for volunteer hours, including our school system and our senior citizens. Because our school is not located in a low or moderate-income area and because our students are not “primarily” low income, we get no CRA credit for anything we do to help them. We have to take money away from this type of donations request in order to make donations in investments that meet the current definition of “large bank community development.” How is that helping our community? Just to reiterate, the small community banks are already serving their communities, and if you remove the unnecessary burden of large bank CRA reporting regiment, we could do more. Community banks have to help their communities, or perish. Let us continue to do this without having to spend hours learning new regulatory requirements and documenting such activities to ”prove” that we are helping all segments of our communities,

In conclusion, I believe that the FDIC has proposed a major improvement in the CRA regulations by raising the threshold to $1 billion. This much more closely aligns the regulations with the Community Reinvestment Act itself, and I urge the FDIC to adopt its threshold proposal, and eliminate the “in-between” criterion for larger-small banks ($250 million to $1 billion) as I have outlined in the recommendations above. I will be happy to discuss these issues further with you, if that would be helpful.

Sincerely,

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