

NORTH CAROLINA BANKERS ASSOCIATION

P.O. BOX 19999/RALEIGH, NC 27619-1999

(919) 781-7979/FAX (919) 881-9909

TOLL FREE: (800) 662-7044

April 27, 2005 DELIVERED VIA E-MAIL

Office of the Comptroller of the Currency Ms. Jennifer J. Johnson, Secretary
250 E Street, SW Board of Governors of the Federal

Mailstop 1-5 Reserve System

Washington, DC 20219 20th Street and Constitution Avenue, NW Washington, DC
20551

Docket No. 05-04 Docket No. R-1225

regs.comments@occ.treas.gov regs.comments@federalreserve.gov

Robert E. Feldman, Executive Secretary

Attention: Comments

Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429

RIN 3064-AC89

comments@fdic.gov

Re: Community Reinvestment Act Regulations

Ladies and Gentlemen:

On March 11th, the OCC, Federal Reserve, and FDIC (the Agencies) issued a notice of proposed rulemaking that would revise the rules implementing the Community Reinvestment Act (CRA). The North Carolina Bankers Association (NCBA) is pleased to have the opportunity to provide these comments.

The NCBA is a trade association representing all 139 banks, savings institutions, and trust companies headquartered or doing business in North Carolina. On behalf of our members, the NCBA would like to express our support for the Agencies' ongoing efforts to provide regulatory burden relief and to improve the efficiency of examinations.

The Agencies' proposed rulemaking would make a number of amendments to the CRA regulations. Under the existing regulations, only "small banks" with an asset size of less than \$250 million are eligible for streamlined small bank exams. The Agencies propose to create an "intermediate small bank" category, which would include banks with at least \$250 million but less than \$1 billion in assets. The intermediate small banks would receive streamlined small bank exams, but they would also be subject to a new community development test. The small bank and intermediate small bank thresholds would be adjusted annually for inflation, based on changes to the Consumer Price Index.

The definition of "community development" would also be expanded to include (1) affordable housing for individuals in underserved rural areas and designated disaster areas, and (2) community development activities that revitalize or stabilize underserved rural areas and designated disaster areas. In addition, intermediate small banks would no longer be required to report data on small business, small farm, and community development lending. Finally, the CRA regulations would be modified to formally state that discriminatory or other illegal credit practices will adversely affect a bank's CRA performance rating.

These proposals have the potential to reduce unnecessary burden while improving the implementation of the CRA. However, the NCBA has identified a few areas of concern that we would like to bring to your attention.

One rulemaking change that may prove problematic is the creation of a separate community development test. We believe that creating a separate community development test for intermediate small banks adds an unnecessary layer of complexity. Rather than create an additional regulatory burden through a separate community development test, we propose that community development instead be used as one factor in evaluating a bank's overall CRA performance.

We also ask the Agencies to reexamine the proposed definition for community development. Although the NCBA supports broadening the definition of community development, we are concerned about the proposed definition's references to "underserved rural areas." Determining whether a loan is made in an "underserved" rural area could be complex and time-consuming. The standard would be greatly simplified if the Agencies instead used just the term "rural areas." A rural area could be quickly identified by reference to Census Bureau records or to other records selected by the Agencies.

As a final point, we recognize that some banks that would qualify for streamlined exams may prefer to be evaluated using the large bank lending, investment, and service tests. We ask the Agencies to preserve the large bank test as an option for small banks and small intermediate banks.

The North Carolina Bankers Association appreciates the opportunity to submit these

comments. If you have any questions, then please do not hesitate to contact the undersigned.

Sincerely,

Nathan R. Batts

Associate Counsel