INDEPENDENT COMMUNITY BANKERS of AMERICA

May 10, 2007

Office of the Comptroller of the Currency
250 E Street, SW
Mailstop 1-5
Washington, DC 20219
November 9, 2005
Attention: Docket ID OCC-2007-0007

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

Jennifer J. Johnson, Secretary
Board of Governors of the
Federal Reserve System
20th Street an Constitution Avenue, NW
Washington, DC 20551
Docket No. R-1279

Regulation Comments
Chief Counsel's Office
Office of Thrift Supervision
1700 G Street, NW
Washington, DC 20552
Attn: OTS-2007-0006

Re: Expanded Examination Cycle for Certain Small Insured Depository Institutions

Dear Sir or Madam:

The Independent Community Bankers of America (ICBA)[1] appreciates the opportunity to offer comments on the interim rules to implement the examination provisions of the Financial Services Regulatory Relief Act of 2006 (FSRRA). The examination provisions of FSRRA permit insured depository institutions that have

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[1] [1]*The Independent Community Bankers of America represents the largest constituency of community banks of all sizes and charter types in the nation, and is dedicated exclusively to representing the interests of the community banking industry. ICBA aggregates the power of its members to provide a voice for community banking interests in Washington, resources to enhance community bank education and marketability, and profitability options to help community banks compete in an ever-changing marketplace.*

With nearly 5,000 members, representing more than 18,000 locations nationwide and employing over 265,000 Americans, ICBA members hold more than $876 billion in assets $692 billion in deposits, and more than $589 billion in loans to consumers, small businesses and the agricultural community. For more information, visit ICBA's website at www.icba.org.

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INDEPENDENT COMMUNITY BANKERS of AMERICA *The Nation's Voice for Community Banks*
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up to $500 million in total assets, and that meet certain other criteria, to qualify for an 18-month (rather than 12-month) on-site examination cycle. Prior to enactment of FSRRA, only institutions with less than $250 million in total assets were eligible for an 18-month on-site examination cycle.

Background

Section 605 of FSRRA, which became effective on October 13, 2006, amended section 10(d)(4)(A) of the Federal Deposit Insurance Act to raise, from $250 million to $500 million, the total asset threshold below which certain 1-rated insured depository institutions may qualify for an 18-month (rather than a 12-month) on-site examination cycle. **ICBA strongly supported raising the asset threshold for well-managed community banks and Section 605 of FSRRA is similar to a provision included in the ICBA-backed Communities First Act.** Subsequently and with the strong support of ICBA, a technical amendment was passed by Congress to allow the banking agencies to authorize by regulation that certain 2-rated institutions with total assets of $500 million or less would be eligible for an 18-month examination cycle as well.

ICBA's Position

ICBA strongly supports the interim rules which will allow a community bank with assets of up to $500 million to qualify for an 18-month exam cycle if the bank received a composite rating of outstanding or good at its most recent examination. Besides raising the asset threshold, the rules clarify that an institution's composite condition will be considered "outstanding" if it received a composite rating of 1 and "good" if it received a composite rating of 2 under the Uniform Financial Institutions Rating System, commonly referred to as "CAMELS". The rules also clarify that a small institution meets the statutory "well managed" criteria for an 18-month cycle if the institution, besides having a CAMELS composite rating of 1 or 2, also received a rating of 1 or 2 for the management component of the CAMELS rating at its most recent examination.

The agencies estimate that these interim rules will increase the number of insured depository institutions that may qualify for an extended 18-month examination cycle by approximately 1,089 institutions, for a total of 6,670 insured depository institutions. By reducing their regulatory burden, these well-managed institutions will now have more resources to serve their customers and communities.

ICBA believes that these rules will also allow the banking agencies to better focus their supervisory resources on those institutions that present capital, managerial, or other issues of supervisory concern, while concomitantly reducing the regulatory burden on small, well capitalized and well managed community banks. FDIC data indicates that between 1985 and 2000, banks with a composite CAMELS rating of 1 or 2 were more than three times less likely to fail over the next five-year period than institutions with a lower composite CAMELS rating. With better off-site monitoring activities, the agencies can now spend less time on on-site examinations of well capitalized and well managed community banks.

Conclusion

ICBA strongly supports the interim rules which will allow community banks with assets of up to $500 million to qualify for an 18-month exam cycle and commends the agencies for issuing them. These rules will reduce the regulatory burden on approximately 1,089 community banks that qualify under the expanded exam cycle, allowing them to better devote resources to serving their customers and communities. The rules will also allow the banking agencies to focus more of their resources on those institutions that present capital, managerial and or other issues of supervisory concern.

ICBA appreciates the opportunity to comment on these interim rules. If you have any questions about our letter, please do not hesitate to call me at 202-659-8111 or at Chris.Cole@icba.org.

Sincerely,

Christopher Cole

Christopher Cole

Regulatory Counsel