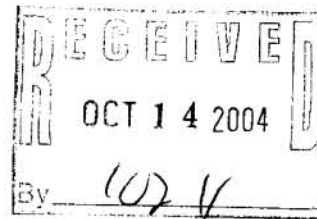




Iowa State Bank

It's Nice To Be Home



October 7, 2004

Capital Office

627 East Locust
P.O. Box 6100
Des Moines, IA
50309-6100
(515) 288-0111
FAX (515) 288-0945
Toll Free 1-888-824-0111

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

Re: RIN 3064-AC50

East Office

3818 Hubbell
Des Moines, IA 50317
(515) 262-1030

Dear Mr. Feldman:

Iowa State Bank, with assets of \$235,000,000, is a community bank located in metropolitan Des Moines, Iowa. For the past decade, the bank has earned an "Outstanding" CRA Rating by the FDIC. With a very serious interest in community reinvestment, we appreciate this opportunity to comment on the notice of proposed rulemaking regarding the Community Reinvestment Act (CRA).

West Office

3601 E.P. True Parkway
West Des Moines, IA 50265
(515) 223-0011

We support the Federal Deposit Insurance Corporation's (FDIC) proposal to change the definition of "small bank" from the current asset threshold of \$250,000,000 to the proposed total assets of \$1 billion, without regard to holding company affiliation. The overall impact of this change for Iowa would result in only 32 additional supervised financial institutions being treated as small banks for CRA examination purposes. This change would significantly decrease the regulatory compliance burden for these institutions, allowing them to allocate resources, previously dedicated to regulatory compliance, to delivery of products and services within their communities.

South Office

6410 SW 9th Street
Des Moines, IA 50315
(515) 287-3750

However, we cannot support the proposed changes to the small bank performance standards, which would include a "community development criterion" for institutions with assets greater than \$250,000,000 and up to \$1 billion. This additional performance standard would defeat the original intent of the February 6, 2004 interagency Notice of Proposed Rulemaking (NPR), that being to "reduce unwarranted burden consistent with ongoing efforts to identify and reduce regulatory burden where appropriate and feasible..." Banks hoping to take advantage of channeling newfound resources into lending, investment and services available to their local communities would instead channel those resources back into regulatory compliance efforts to evidence the banks' participation in community development loans, investments and services.

Skywalk Office

Trust Services
612 Locust
Des Moines, IA 50309
(515) 246-8240

Telephone Banking

PhoneHome 224-8090
Toll Free PhoneHome
1-800-400-5416

Under existing examination practices, small institutions are evaluated on their records of lending to borrowers of different income levels and businesses and farms of different sizes, focusing primarily on lending activity within the institutions' delineated assessment area. The FDIC's own discussion in this proposal admits its concern that smaller institutions presently covered by the large bank tests have noted difficulties with making qualified investments, including the difficulty in competing with larger banks for limited investment opportunities and maintaining staff and resources to do so. The addition of the "community development criterion" for small banks would place these institutions right back into the difficult position they have historically found themselves when being evaluated previously under the large bank tests.

In addition, under existing interagency CRA Q&A's, examiners can consider "lending-related activities," including community development loans and lending-related qualified investments, when evaluating the first four performance criteria of the small institution test." Q&A 26(a)-1, 66 FR at 36637. Another Q&A states that examiners will consider these types of lending-related activities "when it is necessary to determine whether an institution meets or exceeds the standards for a satisfactory rating" or "at an institution's request." Q&A 26(a)-2, 66 FR at 36637. Yet another describes that the "small institution performance standards focus on lending and other lending-related activities. Therefore, examiners will consider only lending-related qualified investment for the purposes of determining whether the small institution receives a satisfactory CRA rating." Q&A 26(a)-5, 66 FR at 36637. So the "community development criterion" already exists under established interagency examination guidance, allowing small institutions' performance in making community development loans and qualified investments to positively impact their overall CRA ratings. We find little to be gained by adding express "community development criterion" to small bank performance standards.

Iowa banks take seriously the spirit and intent of the Community Reinvestment Act, recognizing that no community bank will survive without meeting the needs of its customers and communities. We urge you to allow banks to dedicate as much of their resources as possible to meeting those needs, affording banks with total assets up to \$1 billion to be considered "small banks" and enjoy the existing streamlined test for "small bank" CRA performance.

Thank you for the opportunity to comment. Please contact me should you have questions related to these comments.

Sincerely,



Stephen L. Henry,
President & Community Reinvestment Officer

