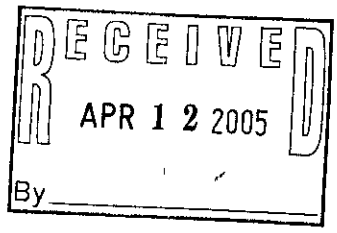
First Kensington Bank

Phone 727/376-1030

Fax 727/375-1763



April 4, 2005

Robert E. Feldman, Executive Secretary
Attn: Comments
FDIC
550 17th St. NW.
Washington, DC 20429

Re: RIN 1557-AB98

Dear Mr. Feldman,

I am submitting the following comment on the Proposed Rulemaking revising the rules implementing the Community Reinvestment Act (CRA). I am the Vice President of Compliance for First Kensington Bank, a community bank with approximately 290 million dollars in assets. The bank has seven full service branches and two limited service satellite offices operating within the Tampa/St. Petersburg/Clearwater Metropolitan Statistical Area (MSA). The bank is approximately five years old and is an affiliate of Kensington Bankshares, Inc., a bank holding company.

The proposed rulemaking impacts institutions of our size and will directly affect our obligations under the CRA. Primarily this rulemaking will change the categorization of our bank from a "large bank" to an "intermediate small bank." The March 2005 reporting period was the first time that our institution was required to report as a "large bank" as we had exceeded the 250 million dollar threshold for reporting requirements. Thus, I felt it was important to provide input as to how the proposed rulemaking may affect institutions that fall in the very low side of the "intermediate small bank" category

First I would like to address the re-categorizations of bank size that is proposed in the rulemaking. We believe that the asset threshold for considering an institution to be a "small bank" is more realistically set at $500 million. However, it is also understandable that this may simply be a function of the marketplace within which we operate. Just as a $250 million dollar bank in a rural setting might be considered "large," within our primary service area it is by no means "large." Our market area is dominated by national banks with thousand of locations and assets in the tens of billions of dollars. This trend has shown little or no sign of slowing down in the immediate future as national "mega-banks" have continued to move into our area and in the process have consumed many community banks. However, community banks continue to thrive within a niche market not served by the larger institutions. For this reason, any regulatory relief is welcome if it will allow institutions of our size to compete on a more level playing field. The "intermediate small bank" designation would certainly assist in this effort although it is a less than ideal categorization within our marketplace.

Next I would like to address the proposed rulemaking concerning the new community development test applied to intermediate small banks. It is of critical importance to note that under the performance standards applied to small banks the lending test allows for consideration of community development and qualified lending "as appropriate." Under the new scheme intermediate small banks will have separate lending and community development tests. This in effect creates a situation where the intermediate small bank will be subject to a de facto version of the large bank test. This is so because the intermediate small bank will still be evaluated on: "(1) The number and amount of community development loans; (2) The number and amount of qualified investments; (3) The extent to which the bank provides community development services; and (4) The bank's responsiveness through such activities to community development lending, investment, and service needs." (taken from proposed language of 12 CFR Chapter III, Part 345.26). This looks strikingly similar to the lending, investment, and service tests for community development that is already applied to large banks.

Institutions such as mine have found in many instances that it is difficult to even participate in many community investment activities because we simply do not have the resources to compete with institutions that are fifty times our size. This very fact is stated in the Notice of Proposed Rulemaking. "some community banks face intense competition for a limited supply of qualified investments that are safe and sound and yield an acceptable return." (Notice of Proposed Rulemaking, page 12151). The proposed rulemaking also reiterates that the test is designed to be a "more flexible development test for intermediate small banks." These two statements seem to be in direct conflict with the fact that in the next paragraph it states "it is not the intention of the federal banking agencies to permit a bank to simply ignore one or more categories of community development " Then, to complicate the discussion even further, the next sentence states: "Nor would the proposal prescribe any required threshold proportion of community development loans, qualified investments, and community development services for these banks."

All of this language creates a haze of circular logic, which the bankers must try to decipher themselves using some sort of regulatory Rosetta stone. In effect the regulators are stating: "We understand that it's difficult for you small guys to find quality community investments and there is a lot of competition for those investments.... and we're going to be flexible with you on this..... however, you must have these investments, but we won't tell you what the threshold minimum amount is...." This is analogous to the rules promulgating the requirements to protect customer information. We are told we must safeguard customer information, but we aren't told how to do so or what the standard for evaluation is.

It seems abundantly clear that the most efficient way to evaluate intermediate small banks is to simply apply the same rules that apply to small banks. In other words use a community development criterion and not a separate test. This is the position that has been stated over and over again by community bankers. In fact you acknowledged as such in the Notice: "Many industry commenters preferred to have a community development criteria, which would permit a bank to engage in one or more community development activities, and opposed a separate community development test."

For these reasons we would also oppose any requirement that mandates that an intermediate small bank must obtain "satisfactory" ratings on both the lending and community development tests in order to achieve an overall "satisfactory" rating This once again flies in the face of being "flexible" in the examination process.

Please do not construe this as an overall indictment of the revision that is being proposed. There are numerous parts of the new rules, which are extremely helpful, for instance, eliminating reporting requirements, and giving specific examples of violations that will result in adverse CRA consequences. That being said, I believe that the regulatory agencies should allow community bankers to be exactly that, bankers that operate and contribute to the very communities that they live in. Community bankers are perhaps the group that is most capable of assisting in community development due to the fact that they are members of the community. However, without specific guidance from the regulatory agencies as to how to comply with their community development expectations we may be subjected to standards that we have no reasonable ability to meet.

Respectfully submitted,

Scott C. Everett,
V.P., Compliance
First Kensington Bank