



May 10, 2007

Communications Division  
Office of the Comptroller of the Currency  
Public Information Room  
Mail Stop 1-5, 250 E Street, SW  
Washington, DC 20219  
Docket ID OCC-2007-007

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

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

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

**Re:** Expanded Examination Cycle for Certain Small Insured Depository Institutions and U.S. Branches and Agencies of Foreign Banks, 72 FR 17798 (April 10, 2007)

Dear Sir or Madam:

America's Community Bankers (ACB)<sup>1</sup> is pleased to comment on the banking agencies' joint interim rules to implement the expanded examination cycle provisions of the Financial Services Regulatory Relief Act of 2006 (FSRRA) and related amendments.

Prior to enactment of the FSRRA, the banking agencies could expand the examination cycle from 12 months to 18 months for institutions that (i) have assets less than \$250 million; (ii) are well capitalized; (iii) were found at the most recent examination to be well managed and to have a composite rating of outstanding or good; (iv) have not undergone a change in control in the prior 12 months; and (v) are not subject to a formal enforcement action.

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<sup>1</sup> America's Community Bankers is the national trade association committed to shaping the future of banking by being the innovative industry leader strengthening the competitive position of community banks. To learn more about ACB, visit [www.ACB.us](http://www.ACB.us).

The FSRRA amended the law to provide regulatory burden relief by allowing the banking agencies to raise, from \$250 million to \$500 million, the threshold under which institutions may qualify for the expanded 18-month examination schedule. The law was also amended to allow the banking agencies to determine, if consistent with safety and soundness, that institutions with a composite rating of 1 or 2 under the CAMELS rating and that meet the other qualifying criteria could qualify for the expanded examination cycle.

The banking agencies note in the interim rules that the number of institutions that will qualify for the expanded examinations cycle will increase by approximately 1,089 for a total of approximately 6,670 institutions in the 18-month cycle.

The interim rules also make the management component of the qualifying criteria more transparent in that institutions that receive a 1 or 2 for the management component of the CAMELS rating will be considered “well-managed.”

Finally, the agencies note that they will continue to use off-site monitoring tools to identify problems at smaller institutions in between their examinations. The agencies also remind their regulated institutions that nothing in the law prohibits examinations at qualifying institutions from happening on a more frequent interval.

#### **ACB Position**

ACB fully supports the agencies’ interim rules on the expanded 18-month examination cycle. The regulatory relief that the rules will provide is critical to the continued success of community banks across the U.S. As the agencies recognize in the interim rules, institutions that are well-capitalized and well-managed generally present lower levels of risk.

We believe the authorities retained by the banking agencies to monitor institutions continually off-site, combined with the ability of the agencies to examine institutions of concern on a shorter examination cycle, will be sufficient to maintain safety and soundness while providing regulatory relief.

ACB looks forward to continuing to work with the agencies to seek more ways to reduce the regulatory burden facing community banks. Please contact the undersigned at 202-857-3121 or [pmilon@acbankers.org](mailto:pmilon@acbankers.org), or Krista Shonk at 202-857-3187 or [kshonk@acbankers.org](mailto:kshonk@acbankers.org) if you would like to discuss our comments further.

Sincerely,



Patricia A. Milon  
Chief Legal Officer and Senior Vice President,  
Regulatory Affairs