SHELBY COUNTY
STATE BANK
P.O. Box 29
Harlan, IA 51537-0029

137

March 12, 2004

Regulation Comments
Chief Counsel's Office
Office of Thrift Supervision
1700 G. Street, NW
Washington, DC 20552
Attn: No. 2004-04

Re: Community Reinvestment Act Regulations

Dear Sir or Madam:

As a community banker, I strongly endorse the federal bank regulators' proposal to increase the asset size of banks eligible for the small bank streamlined Community Reinvestment Act (CRA) examination from $250 million to $500 million and elimination of the holding company size limit (currently $1 billion). This proposal will greatly reduce regulatory burden. I am the Executive Vice President of Shelby County State Bank, a $200 million bank located in Harlan, Iowa.

The small bank CRA examination process was an excellent innovation. As a community banker, I support the agencies for recognizing that it is time to expand this critical burden reduction benefit to larger community banks. At this critical time for the economy, this allows more community banks to focus on what they do best-fueling America's local economies. When a bank must comply with the requirements of the large bank CRA evaluation process, the costs and burdens increase dramatically. And the resources devoted to CRA compliance are resources not available for meeting the credit demands of the community. For example, in my bank we estimate the services required in complying with large bank CRA require 75% of a full time loan administrator.

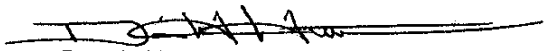
Eliminating the holding company size limit also more accurately reflects significant changes and consolidation within the banking industry in the last 10 years. To be fair, banks should be evaluated against their peers, not banks hundreds of time their size. The proposed change recognizes that it's not right to assess the CRA performance of a $500 million bank or a $1 billion bank with the same exam procedures used for a $500 billion bank. Large banks now stretch from coast-to-coast with assets in the hundreds of billions of dollars. It is not fair to rate a community bank using the same CRA examination. And, while the proposed increase is a good first step, the size of banks eligible for the small-bank streamlined CRA examination should be increased to $2 billion, or at a minimum, $1 billion.

Our bank is part of a larger holding company and therefore subject to this burdensome regulation. Nearly two years ago our bank was required to begin compliance with large bank CRA. Since then, we have spent thousands of dollars and countless hours complying with the special rules of large bank CRA. Serving a rural market in Western Iowa, the vast majority of our loans (over 99%) fall into the same income category. This being the case, there is no benefit derived from compiling all this mostly identical data. The purpose of large bank CRA is lost in small rural markets such as our own.

Increasing the size of banks eligible for the small-bank streamlined CRA examination does not relieve banks from CRA responsibilities. Since the survival of many community banks is closely intertwined with the success and viability of their communities, the increase will merely eliminate some of the most burdensome requirements.

In summary, I believe that increasing the asset-size of banks eligible for the small bank streamlined CRA examination process is an important first step to reducing regulatory burden. I also support eliminating the separate holding company qualification for the streamlined examination, since it places small community banks that are part of a larger holding company at a disadvantage to their peers. While community banks still must comply with the general requirements of CRA, this change will eliminate some of the most problematic and burdensome elements of the current CRA regulation from community banks that are drowning in regulatory red-tape.

Sincerely,



Dennis H. Huttmann
Executive Vice President