Massachusetts Bankers Association

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April 14, 2004

Communications Division
Public Information Room
Mailstop 1-5
Office of the Comptroller of the Currency
250 E Street, SW
Washington, DC 20219
Re: Docket No. 04-06

Fax: (202) 874-4448
regs.comments@occ.treas.gov

Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 200551
Re: Docket No. R-1181

Fax to the Office of the Secretary at
(202) 452-3819 or (202) 452-3102
regs.comments@federalreserve.gov

Robert E. Feldman, Executive Secretary
Attention: Comments
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429
Re: 12 CFR Part 345

Fax: (202) 898-3838
comments@fdic.gov

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

Fax: (202) 906-6518, Attn: No. 2004-04.
regs.comments@ots.treas.gov

SUBJECT: Proposed Revisions to the Community Reinvestment Act Regulations

Dear Sir/Madam:

The Massachusetts Bankers Association ("MBA"), which represents 220 commercial, savings, and cooperative banks and savings and loan members in Massachusetts and New England appreciates the opportunity to comment in support of the federal bank regulatory agencies' (Agencies) proposal to increase the number of banks and saving associations that will be examined under the small institution Community Reinvestment Act (CRA) examination. The Agencies propose to increase the asset threshold from $250 million to $500 million and to eliminate any consideration of whether the small institution is owned by a holding company.

We commend the Agencies' ongoing efforts to update and improve the regulations issued under the CRA. This proposal is clearly a major step towards an appropriate implementation of the CRA and should greatly reduce regulatory burden on those

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community banks newly made eligible for the small institution examination, and the MBA strongly supports both of them.

The proposal defines a small bank as an institution that has total assets of less than $500 million raising the threshold from its current $250 million. The MBA supports this change as previously mentioned and continues to advocate that this threshold should be even higher – at $1 billion. It makes sense for the Agencies, to increase the threshold to account for inflation as well as to reflect the consolidation that has taken place in the industry creating much larger institutions. Small banks are typically non-complex financial institutions operating in a well-defined geographical area. In Massachusetts, the change would mean that an additional 63 community banks would be considered small institutions.

As the Agencies state in their proposal, raising the small institution CRA examination threshold to $500 million makes numerically more community banks eligible. However, in reality raising the asset threshold to $500 million and eliminating the holding company limitation would retain the percentage of industry assets subject to the large retail institution test. It would decline only slightly, from a little more than 90% to a little less than 90%. That decline, though slight, would more closely align the current distribution of assets between small and large banks with the distribution that was originally anticipated when the Agencies adopted the definition of "small institution." Thus, the Agencies, in revising the CRA regulation, are really just preserving the status quo, which has been altered by a drastic decline in the number of banks, inflation and an enormous increase in the size of large banks. The MBA believes that the Agencies need to provide greater relief to community banks than just preserve the *status quo* of this regulation.

The MBA recommends raising the asset threshold for the small institution examination to at least $1 billion. We believe raising the limit to $1 billion is appropriate for two reasons. First, keeping the focus of small institutions on lending, which the small institution examination does, would be entirely consistent with the purpose of the Community Reinvestment Act. This would also ensure that the Agencies evaluate how banks help to meet the credit needs of the communities they serve.

Second, raising the limit to $1 billion will have only a small effect on the amount of total industry assets covered under the more comprehensive large bank test. According to the Agencies' own findings, raising the limit from $250 to $500 million would reduce total industry assets covered by the large bank test by less than one percent. According to December 31, 2003, Call Report data, raising the limit to $1 billion will reduce the amount of assets subject to the much more burdensome large institution test by only 4% (to about 85%). Yet, the additional relief provided would, again, be substantial, reducing the compliance burden on more than 500 additional banks and savings associations (compared to a $500 million limit). Accordingly, the MBA urges the Agencies to raise the limit to at least $1 billion, providing significant regulatory relief while, to quote the Agencies in the proposal, not diminishing "in any way the obligation of all insured depository institutions subject to CRA to help meet the credit needs of their communities. Instead, the changes are meant only to address the regulatory burden associated with evaluating institutions under CRA."

In conclusion, the MBA strongly supports increasing the asset-size of banks eligible for the small bank streamlined CRA examination process as a vitally important step in revising and improving the CRA regulations and in reducing regulatory burden. The MBA also supports eliminating the separate holding company qualification for the small institution examination, since it places small community banks that are part of a larger holding company at a disadvantage to their peers and has no legal basis in the Act. While community banks, of course, still will be examined under CRA for their record of helping to meet the credit needs of their communities, this change will eliminate some of the most problematic and burdensome elements of the current CRA regulation from community banks that have been subject to a number of new regulations in recent years.

Thank you for the opportunity to present our views.

Sincerely,

Tanya M. Duncan
Director, Housing and Federal Policy

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