

From: cspellman@asgofc.com  
Sent: Friday, April 09, 2004 2:00 PM  
To: regs.comments@ots.treas.gov  
Subject: OTS - No. 2004-04; Proposed Revisions to the Community Reinvestment Act Regulations; 69 Federal Register 5729; February 6, 2004

Office of Th

The Federal Deposit Insurance Corporation, the Board of Governors of the Federal Reserve Board, the Office of the Comptroller of the Currency, and the Office of Thrift Supervision (the Agencies) have proposed to make amendments to the Community Reinvestment Act (CRA) regulations. The Agencies propose (1) to amend the definition of "small institution" to mean an institution with total assets of less than \$500 million, without regard to any holding company assets, and (2) to provide specifically that evidence that an institution, or any of an institution's affiliates the loans of which have been considered pursuant to §\_\_.22(c), has engaged in specified discriminatory, illegal, or abusive credit practices in connection with certain loans will adversely affect the evaluation of the institution's CRA performance. The Agencies also propose to change how the data disclosed in CRA disclosure statements is presented, in order to make it more useful to the public.

I am writing to you on behalf of American Sterling Bank, a federally chartered thrift, located in Sugar Creek, Missouri, with assets of approximately \$250 million. This letter specifically addresses the amendment to change the definition of "small institution" from \$250 million to \$500 million. American Sterling Bank strongly supports the proposed increase in the asset threshold for a small bank under CRA and the elimination of the holding company test for a small bank. While the increase in asset size to \$500 million is welcome, we urge the Agencies to provide significant regulatory relief to small institutions by increasing the asset threshold to \$1 billion. Since 1995 when the CRA was last revised, the dollar threshold in determining large bank vs. small bank has not changed. What has changed is the number of banks and their size. Since 1995 there are 2000 fewer financial institutions. The size of today's largest banks tower over the largest bank of 1995.

American Sterling Bank is one of the few institutions in the country that is directly affected by your final decision. The bank's asset sizes hovers around the \$250 million mark (on 12/31/02 are assets were barely over \$250 million on 12/31/03 are assets were barely under \$250 million). Our main location is in a community of less than 4,000 residents. We are the only financial institution in the city. Our core business is processing deposits and making mortgage loans which are sold on the secondary market. American Sterling Bank does not have investment advisors or trust accounts. We are a traditional, non-complex community bank. Our loan to deposit ratio is high and we support our community civically, financially and philanthropically.

The potential financial impact on this proposal to our company can not be directly measured but it will have impact. Examiners are pushing for growth at our institution. However, this growth does come with a cost. That cost is

additional resources. For example, if we became a large bank we would have to buy a software system to gather and report CRA Small Business/Small Farm Information. Although not a requirement, our regulator along with all of the other regulators use the same software. From a risk management standpoint, the use of this software is required in order to be proactive and view the same output prior to an exam. This software is not cheap-initial costs estimates were \$12,000 annually. In addition, we have the additional costs of data input, review and audit, submission and data analysis. Other costs will be the level of documentation needed to comply with the additional service, investment and community development tests.

Of major concern is the investment test, even though we are in a small town, we are part of a larger metropolitan area. There are several large regional banks located in the area along with branches of the mega-banks. They are all competing for the same investments in the local area. In reviewing their CRA performance examinations issued by the regulators, it's clear to see that there are not enough investment opportunities currently. Being one of the smallest entities in this area, the opportunity to obtain CRA investment credit will be limited.

Becoming a large institution under CRA imposes a dramatically higher regulatory burden that drains both money and personnel away from helping to meet the credit needs of our community. We hope that the CRA definition will be expanded to, at a minimum, of \$500 million and to provide real regulatory relief \$1 billion. Thank you for the opportunity to participate in this important public policy decision.

Sincerely,

Christopher T. Spellman

Vice President, Compliance Officer

American Sterling Bank

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