

March 22, 2004

Regulation Comments  
Chief Counsel's Office  
Office of Thrift Supervision  
1700 G Street, NW  
Washington, DC 20552

Attention: No. 2004-04  
[regs.comments@ots.treas.gov](mailto:regs.comments@ots.treas.gov)

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Re: Community Reinvestment Act Regulations

Dear Sir or Madam:

As a community banker, I strongly endorse the federal 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. This proposal will greatly reduce regulatory burden. I am the Executive Vice President/CFO of First Federal Savings Bank, a \$324,000,000 mutual institution located in Twin Falls, Idaho. Part of my job responsibility is to supervise the bank's compliance program.

The small bank CRA examination process was an excellent innovation. As a community banker, I applaud the agencies for recognizing that it is time to expand this burden-reduction benefit to larger community banks. At this critical time for the economy, this will allow more community banks to focus on what they do best--fueling America's local economies. If smaller institutions must comply with the requirements of the large-bank CRA evaluation process, it appears that the costs and burdens will increase dramatically. The resources devoted to CRA compliance are resources not available for meeting the credit opportunities and needs of the community.

First Federal is beginning to understand the large-bank requirements. We have our Compliance Coordinator registered for the CRA seminar to be held at the end of this month. We are not fully aware of the increase in costs we will experience if this proposal is not passed, but we do know we have recently had increasing compliance burdens and costs. We understand CRA to be an important responsibility, which has garnered the bank an outstanding rating in our last CRA exam. The increased burden and cost of the large-bank requirements do not seem commensurate with the supposed benefits achieved by forcing the already CRA-conscious community bank into those requirements.

Adjusting the asset 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 many times their size. The proposed change recognizes that it's not right to assess the CRA performance of a \$500 million 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, I believe the size of banks eligible for the small-bank streamlined CRA examination should be increased to \$1 billion.

Ironically, community activists seem oblivious to the costs and burdens. And yet, they object to bank mergers that remove the local bank from the community. This is contradictory. If community groups want to keep the local banks in the community where they have better access to decision-makers, they must recognize that regulatory burdens are strangling smaller institutions and forcing some to consider selling to larger institutions that can better manage the burdens.

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 our communities, the increase will merely eliminate some of the most burdensome requirements. As a community bank, our natural desires and efforts are to invest in our communities.

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. I also urge the agencies to seriously consider raising the size of banks eligible for the streamlined examination to \$1 billion in assets to better reflect the current demographics of the banking industry.

Thank you for your consideration of my comments on this subject.

Sincerely,

Jay P. Dodds  
EVP/CFO