

Association

Allan D. Virr, President 603-225-6700, Extension 6041
fax - 603 223-0641 AllanV@bowmillsbank.com

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We are a regional compliance association comprised of 16 banks in central and southern portions of New Hampshire. Some of our institutions have become "Large Banks" under the current definitions of Part 345 and many of our institutions will become "large banks" as currently defined very soon. As a group we are particularly enthusiastic about the proposed definition of a "small institution."

The examination procedures for a "small bank" are an appropriate and efficient way to assess whether or not an institution is complying with the spirit of the Community Reinvestment Act. Consideration should still be given to expand the definition to institutions of less than 1 billion in assets.

When a community bank has to comply with the requirements of the large bank CRA evaluation process, the costs and burden increase associated with the reporting requirements increase our costs significantly and does not add value to the lending and service efforts of our banks. It is difficult to justify subjecting community banks of less than \$1 billion to the same standards applied to the large multi-billion regional banks with whom we compete.

From a regulatory stand point, the regulators could save a substantial number of examination hours that can be redirected to other projects or to a reduction in examination staff. Certainly the FDIC has projected what the hour and cost savings would be if the definition was to be expanded to \$750MM or \$1 billion. Does it make sense to develop CRA reports consisting of 30 to 80 pages representing hundreds of hours, when in fact the small bank CRA report is able to provide an effective assessment of a financial institutions CRA posture? Small banks represent such a small percentage of total assets in this country. It is the banks in excess of \$1 billion that should be evaluated for its commitment to community development loans and investments. It is appropriate that small banks be evaluated to ensure that they are making sufficient loans in their assessment area with a certain concentration in low- and moderate-income areas and to low- and moderate-income borrowers.

It is estimated that examination hours in the Consumer part of the Division could be reduced by 30 to 40 percent. That would certainly have a positive effect to the budgetary process. It is important that the regulators examine the benefits for the dollars spent by both the regulators and the financial institutions.

For a small bank (even under the current threshold) to meet the credit needs of its entire community or assessment area, however, it is becoming more and more difficult for the small banks to find community development loans and investments, as all the small banks are after the same assets in trying to satisfy the requirements of the Act. In part, this is due to the state and regional demographics. This would not be affected by a change in the threshold level.

Increasing the definition to any amount less than \$1 billion will have little adverse effect on the overall focus of the Act, but will have significant benefits to small financial institutions, who already have a

hefty financial burden in trying to comply with the various consumer and civil rights regulations, but it will also have a significant effect on the budgets of the various regulators.

The Fair Lending portion of Compliance and CRA examinations already subject our rating to jeopardy relative to abusive lending practices. Under the current small bank examination procedures, ratings are already subject to findings associated with Fair Lending issues. We collectively work diligently to avoid predatory practices that would impair our ability to compete for our share of the market. We support the proposed changes. There are unfortunately many competing lenders who are not subject to the Community Reinvestment Act. Many do not have a federal functional regulator.

Thank you for the opportunity to share these thoughts.

Respectfully,

Allan D. Virr, President
Lakes Region Compliance Association