

Perpetual Federal SAVINGS BANK of URBANA

March 27, 2004

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

RE: Proposed Amendments to the Community Reinvestment Act Regulations

I am writing to you at this time to support the regulations proposed to update the Community Reinvestment Act. In particular, I support your proposal to expand the number of financial institutions that will be examined under the streamlined small institution examination provisions of CRA. Your proposal achieves this result by increasing the asset threshold of banks that would qualify as community institutions from \$250 million to \$500 million.

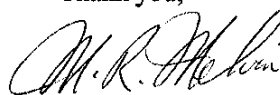
The small bank examination process is a simple, straightforward analysis evaluating five criteria:

- * An institution's loan to deposit ratio,
- * The percentage of total loans in its assessment area,
- * Its record of lending to individuals of different income levels (and businesses and farms of different sizes),
- * The geographic distribution of its loans; and
- * Its record of taking action in response to written complaints about its performance in helping to meet the credit needs in its assessment area.

The streamlined examination program was added to the CRA regulations in 1995 for a number of very good policy reasons that were valid then and remain valid today. First, many of the traditional CRA tests like the investment test or the service test are not relevant for community banks. The business of community banking revolves around making loans in their communities. Second, the regulatory burdens fall disproportionately on small banks that don't have the staff, software or the expertise to comply with the more complex CRA tests and data coding requirements. Finally, and perhaps more importantly, a true community bank will not survive if it is not responsive to the borrowing needs of its entire community.

There are many valid reasons for raising the threshold and expanding the application of the streamlined CRA test. Most importantly, inflation and consolidation have reduced the number of institutions covered by the streamlined exam over the last six years. The rationale for the alternate examination procedures, lack of resources, apply equally well to community institutions over \$250 million as well as those under that threshold. Increasing the amount of assets to \$500 million, however, will merely restore the banking assets covered by the streamlined program to what it was at its inception in 1997.

Thank you,



Michael R. Melvin
President

