

FIRST  
NATIONAL  
BANK

218

March 22, 2004

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

Dear Sir or Madam,

As a community banker, I strongly endorse the federal bank regulator's 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 and elimination of the holding company size limit (currently \$1 billion). This proposal will greatly reduce regulatory burden. I am the President of First National Bank, a \$490 million bank, located in Pierre, South Dakota.

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 critical 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 - serving our communities financial needs. When a bank must comply with the requirements of the large bank CRA evaluation process, the costs and burdens increase dramatically. And the resources devoted to CRA compliance are resources not available for meeting the credit demands of the community. For example, in my Bank, the estimated costs to comply with CRA is over \$50,000 on an annual basis. The costs and resources used to comply could better be spent improving our communities economy.

To be fair, banks should be evaluated against their peers, not banks hundreds of times their size. The proposed change recognizes that it is not right to assess the CRA performance of a \$500 million bank or a \$1 billion 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, the size of banks eligible for the small-bank streamlined CRA examination should be increased to \$2 billion, or at a minimum of \$1 billion.

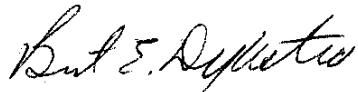
Ironically, community activists seem oblivious to the costs and burdens. And yet, they object to bank mergers that remove the local bank from the community. This is contradictory. If community groups want to keep the local banks in the community where they have better access to decision-makers, they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

Increasing the size of the 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 their communities, the increase will merely eliminate some of the most burdensome requirements.

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 \$2 billion or, at least, \$1 billion in assets, to better reflect the current demographics of the banking industry.

Sincerely,

A handwritten signature in cursive script, appearing to read "Brent E. Dykstra".

Brent E. Dykstra  
President

BED/gh