



IOWA BANKERS
ASSOCIATION

409

April 6, 2004

Office of the Comptroller of the Currency
Communications Division
250 E Streets, SW.
Public Information Room, Mailstop 1-5
Washington DC 20219
Attn: Docket No. 04-06

Jennifer J. Johnson, Secretary
Board of Governors
Federal Reserve System
20th Street and Constitution Avenue, NW.
Washington, DC 20551
Attn: Docket No. R-1181

Robert E. Feldman, Executive Secretary
Federal Deposit Insurance Corporation
550 17th Street, NW.
Washington, DC 20429
Re: 12 CFR Part 345

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

Re: Proposed Revisions to the Community Reinvestment Act Regulations

Dear Madams and Sirs:

Iowa Bankers Association ("IBA") is a trade association representing nearly 95% of 400+ banks and savings and loan associations in the State of Iowa. We appreciate this opportunity to comment on the joint proposed revisions to the Community Reinvestment Act regulation. In developing our comments contained herein, IBA invited its member banks to respond to questions posed in the proposed revisions.

The IBA supports the federal bank agencies' proposal to increase the number of banks and savings associations that will be examined under the small bank CRA exam from \$250 million to \$500 million. Currently in Iowa, approximately 32% of the total assets deposited in IBA member banks are deposited in eleven (11) institutions with more than \$500 million in assets. Raising the deposit limit threshold from \$150 to \$250 million will affect only five percent of our member banks with approximately thirteen percent of the total deposits held by IBA member banks.

It is impossible to fairly compare a bank with a few branch locations and total assets of \$250 million to a bank with hundreds of locations and billions of dollars in assets under the same exam process. Smaller banks simply do not have the resources (money, manpower, technology) to compete with these institutions under the large bank test. Just as community investment abilities of small and large banks differ, so do the needs of the small and large communities they serve. Community banks meet the credit needs of their communities by making loans relative to the deposits they take in. Smaller community banks business activities are usually focused on small, defined geographic areas in the community. The ripple effect of smaller dollar projects in a rural community

may far outweigh much larger dollar investments' impact a metropolitan area, yet the small community bank's CRA rating often does not reflect this. Increasing the size of banks eligible for the small-bank streamlined CRA exam does not relieve banks from CRA responsibilities. The change merely reduces the reporting requirements and costs for small bank, freeing up more time and money that can be better spent in service to the community in which the bank is located.

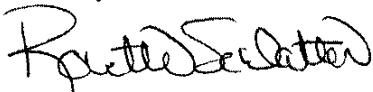
The reporting requirements under the large bank CRA exam process are staggering for a small bank. Under the current rules, due to our state's rural population an institution may not be a HMDA reporter because it is not located in a MSA, yet could still be subject to the large bank CRA test and data collection due solely to having assets in excess of \$250 million. Approximately one-third of IBA member banks with asset sizes between \$250 and \$500 million fall into this category. While these community banks still must comply with the general requirements of CRA, the asset-size increase will eliminate some of the most problematic and burdensome elements of the current CRA regulation for them.

The IBA also supports the elimination of the bank holding company asset size threshold. Many banks maintain their own charter, management and operational processes when purchased by a large holding company. They "inherited" the regulatory requirements of the holding company but have not always benefited from the holding company's resources for complying with these requirements.

Finally, we respectfully request the Agencies' consideration in raising the asset limit to \$1 billion rather than \$500 million. In Iowa a total of eight (8) banks holding slightly more than 10% of the total funds on deposit would benefit from this change. Though small in number, the relief provided these banks would be significant enabling them to target their time, energy and dollars to do what they do best – fueling their local economies by making small business loans, home loans, participating in community development projects, providing financial education, the list goes on and on.

Today's community banks are drowning in regulatory red tape, utilizing valuable resources to meet regulatory compliance mandates that could be put to much better use for economic and community development purposes in the communities they serve. Thank you for recognizing this and proposing the changes to the Community Reinvestment Act. If you have any questions related to my comments, please feel free to contact me at (800) 532-1423 or at rschlatter@iowabankers.com.

Sincerely,



Ronette Schlatter
Compliance Coordinator
Iowa Bankers Association
8800 NW 62nd Ave.
Johnston, IA 50131