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Sent: Tuesday, May 03, 2005 4:38 PM
To: Comment
Subject: CRA Regulation Letter

FIRST STATE COMMUNITY BANK
201 E. COLUMBIA STREET
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May 3, 2005

Dear Sirs:

This letter is regarding the latest ABA proposal on revising the Bank CRA regulations. The following summarizes our thoughts:

- It is my opinion that the threshold for a “small bank” should be raised to the \$1 billion asset level. Adjusting the changes by the CPI sounds logical as long as the lower limit would not fall below \$1 billion in assets. It seems that if any bank purchased would be under \$1 billion in assets, then they should remain there if they stay a separate charter.
- As stated above, I believe that banks under \$1 billion in assets should be subject to the streamlined exam. The “Community Development” test does not sound like a good idea and it would seem that the regulators should evaluate the entire portfolio of a bank. In our case, we have approximately a 90% ratio of loans being made in our assessment area and that alone should be proof of supporting our communities. What might be considered is bringing back the old term of anti-redlining to insure that banks are not intentionally omitting certain areas from their assessment areas. Evaluating the application process would appear to be more valuable and realistic to the regulators as an assessment tool.
- Expanding the definition of “community development”, in my opinion, would only aid us if there were a natural disaster in our area. We seem to fit the 60% of non-metropolitan areas that lack LMI tracts, and maybe the regulators should evaluate the loans being made to those entities that help less fortunate people regardless of what type of tract they may fall in.
- We have no issues with the regulators adversely affecting a bank’s CRA rating, if a bank or its affiliates engage in specified discriminatory, illegal or abusive credit practices in connection with certain loans made. If this is being done, then there should be some form of penalty.
- There would be no need for new definitions of “rural areas” or “underserved areas” and the regulators should evaluate assessment areas and a bank’s application process.
- In my opinion, the large bank test is also frivolous. The regulators should evaluate us on what we are doing for our communities regardless of our size.

Sincerely,

John Denkler
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