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Missouri's Real Community Banks

JERRY SAGE, Executive Director
310 Armour Road, Suite 211
North Kansas City, Missouri 64118
Phone: (816) 471-4504
Fax: (816) 221-3210

April 5, 2004

Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20055
Re: Docket No. R-1 181
Fax: (202) 452-3819
Email: regs.comments@federalreserve.gov

Re: Community Reinvestment Act Regulations

Dear Madam:

As a community banker association, I strongly endorse the federal bank regulators' 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 Executive Director of the Missouri Independent Bankers Association representing the interests of some 200 independent **owned** community banks in the state of Missouri.

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 burden 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—fueling America's local economies. 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.

Adjusting the asset size limit also more accurately reflects significant changes and consolidation **within the banking industry in the last 10 years**. **To be fair, banks should be evaluated** against their peers, not banks hundreds of times their size. The proposed change recognizes that it's 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, \$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** smaller institutions and forcing them to consider selling to larger institutions that can better manage the burdens.

Increasing the **size** of 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,



Jerry Sage
Executive Director