From: "James Heltzel" <j3hel@mcsbank.net> on 03/17/2004 09:20:42 AM
Subject: Regulation BB - Community Reinvestment Act

James Heltzel
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Dear Federal Reserve:

As a community banker with many years experience in banking, I strongly endorse the federal bank regulators' proposal to increase the asset size of banks eligible for the small bank streamlined Community Reinvestment Act exam from $250 million to $500 million. This proposal will greatly reduce regulatory burden. I am employed at Mercer County State Bank, a $245 million asset sized bank located in Sandy Lake, Pennsylvania.

The small bank CRA exam process was a great innovation. As a community banker that is about to have our bank categorized as a large bank, I applaud the agencies for realizing it is time to expand this critical burden reduction for somewhat larger banks. (I don't feel that anyone would debate that $500 million is certainly a small bank in today's market!) When a bank must comply with the requirements of the large bank CRA evaluation, the costs and burdens increase substantially. It is difficult to estimate exactly what these additional requirements will cost. We are sure that the time, effort and expense will be significant. Any small benefit that may be realized will be more than offset in taking away from efforts in more beneficial areas of community service and involvement.

Large banks now stretch from coast-to-coast with hundreds of billions of dollars in assets. It is not fair to rate a community bank with a mega bank using the same CRA exam. I applaud the regulators for proposing this change. It is needed. At the same time, I would suggest that any bank with assets under $1 billion should fall under the new small bank definition. Please realize, most of rural America served by community banks has little in common with large banks and the large cities they are serving.

Community activists complain when a local bank becomes removed from neighborhoods because of mergers and acquisitions. A reduction of costs and burdens increases the likelihood that community banks will stay independent. Community groups need to realize that regulatory burdens are key factors in forcing smaller institutions to consider selling to larger institutions.

Increasing the size of banks eligible for the small-bank streamlined CRA exam doesn't relieve banks from CRA responsibilities. Survival of banks and the survival of the communities they serve are intertwined. This increase merely eliminates some of the most burdensome requirements, and by doing that, frees up some time and money that can be better spent in service towards the local community.

In summary, I believe that increasing the asset-size of banks eligible for the small bank streamlined CRA exam is an important first step in reducing regulatory burden. I also support eliminating the separate holding

company qualification for the streamlined exam, 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 exam to $1 billion in assets to better reflect the current demographics of the banking industry.

I applaud the regulators seeing this need for change. It is a change that will benefit local communities and the community banks that serve them.

Sincerely,

James Heltzel