

# Massachusetts Bankers Association

April 14, 2004

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

Fax: (202) 874-4448  
[regs.comments@occ.treas.gov](mailto:regs.comments@occ.treas.gov)

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

Fax: (202) 898-3838  
[comments@fdic.gov](mailto:comments@fdic.gov)

Jennifer J. Johnson, Secretary  
Board of Governors of the Federal Reserve  
System  
20th Street and Constitution Avenue, NW  
Washington, DC 20051  
Re: Docket No. R-1181

Fax to the Office of the Secretary at  
(202) 452-3819 or (202) 452-3102  
[regs.comments@federalreserve.gov](mailto:regs.comments@federalreserve.gov)

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

Fax: (202) 906-6518, Attn: No. 2004-04.  
[regs.comments@ots.treas.gov](mailto:regs.comments@ots.treas.gov)

**SUBJECT:** Proposed Revisions to the Community Reinvestment Act Regulations

Dear Sir/Madam:

The Massachusetts **Bankers** Association ("MBA"), which represents 220 commercial, **savings, and cooperative** banks and **savings** and loan **members** in Massachusetts and New England appreciates the **opportunity** to comment in **support** of the federal bank **regulatory** agencies' (Agencies) proposal to increase the number of banks and saving associations **that** will be examined under the **small institution** Community Reinvestment Act (CRA) **examination**. The Agencies propose to increase the asset threshold **from** \$250 d o n to \$500 d o n and to eliminate **any** consideration of whether the **small** institution is owned by a holding **company**

We commend the Agencies' *ongoing* efforts to update **and** improve the **regulations issued** under the CRA. **This** proposal is clearly a major step **towards** an appropriate implementation of the CRA **and** should **greatly** reduce regulatory burden on those

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community banks newly made eligible for the **small** institution examination, and the MBA **strongly supports both of them.**

The proposal defines a **small bank as an** institution that **has** total assets of less than \$500 million **raising** the threshold **from** its current \$250 million. The **MBA supports this** change as previously mentioned and continues to advocate that **this** threshold should be even higher - at \$1 billion. **It makes** sense for the Agencies, to increase the threshold to account for inflation **as well as to** reflect the consolidation that **has taken** place in the **industry** creating much larger **institutions.** Small banks are **typically** non-complex **financial** institutions operating in a well-defined geographical area. In Massachusetts, the change would mean that **an additional 63** community banks would be considered **small institutions.**

**As** the Agencies **state** in their **proposal, raising** the **small institution** CRA examination threshold to \$500 million **makes** numerically more community banks **eligible.** **However,** in reality **raising** the asset threshold to \$500 million and **eliminating** the holding company limitation would retain the percentage of industry assets subject to the large retail institution test. **It** would decline only **slightly,** from a little more than 90% to a little less than 90%. That decline, though **slight,** would **more** closely align the current distribution of assets between small and large banks **with** the distribution that **was originally** anticipated when the Agencies adopted the definition of "small institution." Thus, the Agencies, in revising the **CRA** regulation, **are** really **just** preserving the status **quo,** which **has** been altered by a drastic decline in **the** number of banks, inflation **and an** enormous increase in the **size** of large banks. The **MBA** believes that the Agencies need to provide **greater** relief to community banks than **just** preserve the *status quo* of this regulation.


The **MBA** recommends raising the asset threshold for the small institution examination to at least \$1 billion. We believe **raising** the limit to \$1 billion is appropriate for two reasons. First, **keeping** the focus of **small institutions** on lending, which the small institution examination does, would be entirely consistent with the purpose of **the** Community Reinvestment **Act.** This would also ensure that the Agencies evaluate how **banks** help to meet the credit needs of the communities they serve.

Second, **raising** the limit to \$1 billion will have **only** a **small** effect on the amount of total industry assets covered under the **more** comprehensive large bank test. According to the Agencies' own findings, **raising** the limit **from** \$250 to \$500 million would reduce **total industry** assets covered by the large bank test **by** less than one **percent.** According to December 31, 2003, Call Report **data,** raising the limit to \$1 billion **will** reduce the amount of assets subject to the much more burdensome large institution test by only **4%** (to about **8%**). Yet, the additional relief provided **would, again,** be substantial, **reducing** the **compliance** burden on more than 500 **additional** banks and savings associations (compared to a \$500 million limit). Accordingly, the **MBA** urges the Agencies to raise **the** limit to at least \$1 billion, providing significant regulatory relief while, to **quote** the Agencies in the proposal, not **diminishing** "in any way the obligation of **all** insured depository institutions subject to CRA to help meet the credit needs of their communities. **Instead,** the changes **are** meant **only** to address the regulatory burden associated with evaluating institutions under **CRA."**

In conclusion, the MBA strongly supports increasing the asset-size of banks eligible for the small bank streamlined CRA examination process as a vitally important step in revising and improving the CRA regulations and in reducing regulatory burden. The MBA also supports eliminating the separate holding company qualification for the small institution examination, since it places small community banks that are part of a larger holding company at a disadvantage to their peers and has no legal basis in the Act. While community banks, of course, still will be examined under CRA for their record of helping to meet the credit needs of their communities, this change will eliminate some of the most problematic and burdensome elements of the current CRA regulation from community banks that have been subject to a number of new regulations in recent years.

Thank you for the opportunity to present our views.

Sincerely,



Tanya M. Duncan  
Director, Housing and Federal Policy

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