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March 17, 2004

Jennifer J. Johnson, Secretary  
Board of **Governors** of the Federal Reserve System  
20th Street and Constitution Avenue, NW  
Washington, DC 200551

RE: Proposed Revisions to the Community Reinvestment Act Regulations

Dear Ms. Johnson:

I am writing to support the federal bank regulatory agencies' (Agencies) proposal to enlarge 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 million to \$500 million **and** to eliminate my consideration of **whether the small institution** is owned by a holding company. **This proposal is** clearly a major step towards an appropriate implementation of the **Community Reinvestment Act** and **should** greatly reduce regulatory **burden** on those institutions newly made eligible for the small institution examination, and I **strongly** support both of them.

Since we are a \$385 million **Bank**, we had the pleasure of being examined under the large **bank** procedures. Our examiners came to the **conclusion** that the **procedures** were inappropriate for a bank of our size and complexity and it was a waste of both their **time and** ours.

While the small **institution** test was the most significant improvement of the revised **CRA**, it was **wrong** to **limit its application** to only **banks** below \$250 million in assets, depriving many community **banks** from my regulatory relief. Currently, a **bank** with more than \$250 million in assets faces significantly more requirements that substantially increase regulatory burdens without consistently producing additional benefits as contemplated by the **Community Reinvestment Act**. **In today's** banking market, **even** a \$500 million bank often has only a handful of branches. I recommend raising the asset threshold for the small institution examination to at least \$1 billion. 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**, which is to ensure that the Agencies evaluate **how banks help** to meet the credit needs of the communities they serve.

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*Where the employees are the owners.*

In conclusion, I strongly support 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. I also support 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 are drowning in regulatory red-tape.

Sincerely,



Lawrence L. McCants

President  
First National Bank

LLM/ya