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Subject: Community Reinvestment Act

Docket No. R-1225
Proposed Amendments to the Community Reinvestment Act (CRA)

Submitted by:
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First PREMIER Bank appreciates the opportunity to discuss the merits associated with the proposal to simplify the measurement criteria and data collection for small banks with assets between \$250 million and \$1 billion.

First PREMIER Bank is a \$500 million community bank operating with thirteen branches in Eastern South Dakota.

Proposal

Merits of proposal
FPB applauds the agencies efforts for seriously considering regulatory burden relief. The proposal to create an "intermediate small bank" and eliminate the data collection for these banks is a realistic attempt to provide competitive compliance burden relief to community and rural banks.

Specific comments to issues raised in the joint proposed rulemaking include

1. Asset Threshold

First PREMIER Bank (FPB) concurs with the \$1 billion asset threshold for the new "Intermediate Small Bank" and adjusting it annually based upon a recognized index.

2. Elimination of Data Collection

FPB concurs that the elimination of data collection for small business, small farm and community development loans would provide regulatory relief. However, it is FPB's belief that the relief would come in form of reduced compliance oversight (data integrity examinations) and elimination of associated resubmission risk. FPB would most likely continue to collect the data to ensure its lending experience is fairly assessed by examiners under the revised lending test for Intermediate Small Banks.

3. Flexibility in Applying Community Development Resources Through More Strategic Use of Loans, Investments and Services

FPB concurs with the proposal that rural community banks have a competitive disadvantage with Community Development loans and investments. This is due to

limited opportunities in rural regions and the inability to compete for resources with large regional banks. However, the proposed Community Development test will not significantly change how FPB deploys its resources. The measurement criteria does not provide incentives for reallocating community development resources. The only perceivable change would be how examiners apply weightings of community development loans, investments and services, which is not under control of the banks.

Meaningful impact of the rating emphasis will only come if examiners apply a pragmatic approach of balancing available community development opportunities, competition, and the Bank's participation in community activities and services.

4. Does a Two-Criteria Test Make Evaluations More efficient

FPB does not anticipate gains in efficiencies from the rating change. Examiners will continue to assess Lending, Investments, Community Development Activities and Services as currently in the current large bank test. Thus, documentation of efforts will not change or will increase, as banks understand how examiners apply the new ratings. In addition, examiners would have to assess the lending component without the aid of data collection information, which will increase onsite examination burden.

5. Weighting of the Lending and Community Development Criteria

FPB believes that more banks will see their Public Evaluation ratings downgraded under the intermediate small bank criteria if 1) they are required to achieve a "Satisfactory" on both the Lending and Community Development criteria and 2) the proposed two criteria are weighted equally. FPB would not support the dual criteria rating system without a change in the weighting such as 75% Lending and 25% Community Development. The emphasis would then be placed on meeting the credit needs of the community which is where the focus should be placed.

6. Definition of "Rural" and "Underserved"

FPB believes that the definition of Rural and Underserved should be easy and understandable for the Banks and regulators. A definition such as rural being outside of an MSA would be one such suggestion. FPB agrees, that additional assessment areas that are not currently low-to-moderate income will be available to provide community or economic re-development support, which could be a benefit to many small communities. In addition, a more meaningful impact would be to relax the acceptable community development criteria, such as allowing the "double-counting" of certain lending activities in underserved, rural or disaster areas.

In conclusion, FPB finds a modest benefit to adopting the revised Intermediate Small Bank definition and eliminating the data collection and would support such a change. However, FPB does not anticipate a reduction in examination burden. In addition, FPB believes that examiner discretion in assessing and weighting the Community Development criteria will provide increased documentation burden to banks due to the substantial uncertainties that will be experienced. FPB again applauds the agencies for developing this proposal and allowing the public to shape the changes in CRA examinations going forward.

Respectfully submitted,

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