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November 14, 2005

Ms. Jennifer J. Johnson, Secretary,
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, N.W.
Washington, DC 20551

RE: Docket No. R-1235
Capital Adequacy Guidelines for Bank Holding Companies;
Small Bank Holding Company Policy Statement;
Definition of a Qualifying Small Bank Holding Company

Board of Governors:

I am writing in strong support of the proposed change in the definition of a qualifying "Small Bank Holding Company" as covered in the "Small Bank Holding Company Policy" guidelines Increasing the asset size threshold from the current level of \$150 million to the proposed \$500 million (and further adjusted over time) is long overdue.

The original purpose of the small bank holding company policy statement was to permit the formation and expansion of small bank holding companies with debt levels that are higher than what is permitted for larger bank holding companies. The original policy statement was never indexed and, therefore, did not allow for small bank holding companies to grow and still maintain the small bank status. With the significant growth and consolidation that has been experienced in the financial industry it is vital that the policy be changed to grow with the industry. The leverage requirements as they currently stand make it more difficult for smaller bank holding companies to expand when they reach the \$150 million level. Small banks are instrumental in supporting their local markets and communities. The present leverage ratios often restrict expansion opportunities for banks especially when the expansion moves the consolidated group into meeting the requirements of the consolidated capital ratios.

in addition, the required Federal Reserve Reports, FRY-9C and FRY-9LP, which include consolidated financial statements, are a burden for many smaller bank holding companies to prepare. The cost to outsource the preparation of these reports is also prohibitive.

I strongly support the proposed change in the asset threshold for the Policy Statement and Capital Guidelines and to revise the reporting requirements for the FR Y series of reports increasing the reporting threshold from \$150 million to \$500 million.

Sincerely,

Charles L. Cavanagh
President