

Via E-mail

May 6, 2005

Office of the Comptroller of the Currency (OCC)

<http://www.occ.treas.gov>.

Docket Number 05-04

Board of Governors of the Federal Reserve System

<http://www.federalreserve.gov>.

Docket R-1225

Federal Deposit Insurance Corporation

<http://www.fdic.gov/regulations/laws/federal/propose.html>.

RIN 3064-AC89

Re: Proposed Community Reinvestment Act (“CRA”) Regulations

Dear Sir or Madam:

The Virginia Bankers Association (the “VBA”) is writing to comment on the proposed changes to the CRA regulations. The VBA represents nearly all of the commercial banks and savings institutions doing business in the Commonwealth of Virginia. Its members include many small banks serving local communities, as well as large banks with a multi-state or nationwide presence. The VBA currently has 161 members.

The VBA commends the federal banking agencies on their efforts to reduce regulatory burden for banks under CRA regulations. Our banks, particularly our community banks, are under enormous strain because of the various regulatory requirements to which they are subject. We contend that their success (indeed their survival) depends on the federal banking agencies working to find ways to reduce regulatory burdens and costs.

In this regard, the VBA strongly supports re-defining a “small institution,” for purposes of eligibility for the streamlined CRA evaluation, as one with assets of \$1 billion or less, from the current \$250 million or less asset threshold, without regard to holding company assets. Banks with less than \$1 billion in assets are “community banks” and share much more in common with the \$200 million asset bank than the large multi-billion-dollar bank. Thus, they should be treated like small banks for CRA evaluation purposes. We further support increasing this threshold annually based on increases in the Consumer Price Index. This is a fair and logical way to have the threshold keep up with inflation.

We also agree that there is no justification for treating small banks that are part of a holding company any differently than independent small banks. Small banks with a

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holding company do not find addressing their CRA responsibilities any less burdensome than similarly situated banks without a holding company.

We do, however, oppose including a new community development test for so-called “intermediate small banks” – those between \$250 million and \$1 billion in assets. As indicated above, these banks should be treated the same as banks with assets of \$250 million or less, since both groups represent small banks deserving of the streamlined CRA evaluation procedures. Our banks are concerned about the effect this proposed test will have on their CRA compliance efforts, especially since they would have to get a satisfactory rating in this area in order to get an overall satisfactory CRA rating. Requiring banks with assets between \$500 million and \$1 billion to comply with a new community development test runs counter to regulatory reduction and is unnecessary. We urge the federal banking agencies to drop this test from its final proposal. At the very least, the threshold for the intermediate small bank examination evaluation should be raised to \$500 million.

We emphasize that our member banks are incurring significant costs in CRA compliance that many of their competitors (e.g., credit unions) are not. We therefore believe it is very important for the agencies to do all they can to minimize the burdens associated with CRA. We appreciate the opportunity to comment on this important proposal.

Sincerely,

Walter C. Ayers  
President and CEO  
Virginia Bankers Association

WCA/sk