Southern Missouri
BANK

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October 27, 2004

Mr. Robert E. Feldman
Executive Secretary
Attn: Comments/Legal ESS
Federal Deposit Insurance Corporation
550 17th St, NW
Washington, DC 20429

RE: RIN Number 3064-AC50: FDIC Proposed Increase in the Threshold for the Small Bank CRA Streamlined Examination

Dear Sir or Madam:

I am President of Southern Missouri Bank & Trust Co., located in Poplar Bluff, Missouri, a community of approximately 40,000 residents. My bank has total assets of $320,000,000 and is now subject to the large bank CRA exam. I am writing to strongly support the FDIC's proposal to raise the threshold for the streamlined small bank CRA examination to $1 billion without regard to the size of the bank's holding company. This would greatly relieve the regulatory burden imposed on many small banks such as ours under the current regulation, which are required to meet the standards imposed on the nation's largest $1 trillion banks. I understand that this is not an exemption from CRA and that my bank would still have to help meet the credit needs of its entire community and be evaluated by my regulator. However, I believe that this would lower our current regulatory burden by helping us to maintain current staffing levels. In addition, we are meeting the credit needs of our community already as we have a 120% loan to deposit ratio.

I also support the addition of a community development criterion to the small bank examination for larger community banks. It appears to be a significant improvement over the investment test. However, I urge the FDIC to adopt its original $500 million threshold for small banks without a CD criterion and only apply the new CD criterion to community banks greater than $500 million up to $1 billion. Banks under $500 million now hold about the same percent of overall industry assets as community banks under $250 million did a decade ago when the revised CRA regulations were adopted, so this adjustment in the CRA threshold is appropriate. As FDIC examiners know, it has proven extremely difficult for small banks, especially those in rural areas, to find appropriate CRA qualified investments in their communities. Many small banks have had to make regional or statewide investments that are extremely unlikely to ever benefit the bank's own communities. That was certainly not the intent of Congress when it enacted CRA.

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The Southern Hospitality Bank

An additional reason to support the FDIC's CD criterion is that it significantly reduces the current regulation's "cliff effect." Today, when a small bank goes over $250 million, it must completely reorganize its CRA program and begin a massive new reporting, monitoring and investment program. If the FDIC adopts its proposal, a state nonmember bank would move from the small bank examination to an expanded but still streamlined small bank examination, with the flexibility to mix Community Development loans, services and investments to meet the new CD criterion. This would be far more appropriate to the size of the bank, and far better than subjecting the community bank to the same large bank examination that applies to $1 trillion banks. This more graduated transition to the large bank examination is a significant improvement over the current regulation.

I strongly oppose making the CD criterion a separate test from the bank's overall CRA evaluation. For a community bank, CD lending is not significantly different from the provision of credit to the entire community. The current small bank test considers the institution's overall lending in its community. The addition of a category of CD lending (and services to aid lending and investments as a substitute for lending) fits well within the concept of serving the whole community. A separate test would create an additional CD obligation and regulatory burden that would erode the benefit of the streamlined exam.

I strongly support the FDIC's proposal to change the definition of "community development" from only focusing on low- and moderate-income areas residents to including rural residents. I think that this change in the definition will go a long way toward eliminating the current distortions in the regulation. We caution the FDIC to provide a definition of "rural" that will not be subject to misuse to favor just affluent residents of rural areas. Our entire market area is rural in nature and for us to be successful in an over-banked market; we must serve all of the residents of our market area. We have internal goals of generating 6 – 10% loan growth in a market that is growing at less than a 3% rate, so we must actively meet the lending needs of all segments of our population.

In conclusion, I believe that the FDIC has proposed a major improvement in the CRA regulations, one that much more closely aligns the regulations with the Community Reinvestment Act itself, and I urge the FDIC to adopt its proposal, with the recommendations above. I will be happy to discuss these issues further with you, if that would be helpful.

Sincerely,

Greg Steffens
President
Southern Missouri Bank & Trust Co.