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VIA E-MAIL comments@fdic.gov

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

Re: RIN Number 3064-AC50
FDIC Proposal to Increase the Threshold for the
Small Bank CRA Streamlined Examination

Dear Sir or Madam:

I am an attorney with the law firm of Butler, Snow, O'Mara, Stevens & Cannada, PLLC located in Jackson, Mississippi. I am writing in support of the FDIC's proposal to raise the threshold for the streamlined small bank CRA examination at the specific request of The Peoples Bank of Biloxi, Mississippi ($580 million in total assets), Planters Bank & Trust Company, Indianola, Mississippi ($422 million) and Bank of Yazoo, Yazoo City, Mississippi ($162 million).

Each of these banks 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 change would significantly reduce the regulatory burden imposed on many community banks that under the current regulation are required to meet the very same standards imposed on the nation's largest banks. The impact on Mississippi community banks is significant. According to our research, 17 of 102 FDIC insured institutions headquartered in Mississippi have total assets between $250 million and $1 billion (14 nonmember state banks, 2 national banks and 1 savings bank subject to the new OTS CRA rules). At least 6 more institutions with total assets of approximately $200 million or more may soon be approaching the $250 million threshold (4 national banks, 1 savings association and 1 nonmember state bank). While the proposal will increase the number of institutions that qualify for the small bank examination, it will not, according to the data contained in the NPR, change materially the percentage of total industry assets covered by the large bank examination procedures when compared with the data from 1995 (when the $250 million level large bank definition was adopted).

Under the existing criteria, when a community bank exceeds $250 million, it must completely reorganize its CRA program and begin an extensive and expensive new tracking, reporting, monitoring and investment program. In our experience, banks of this size generally do not have the financial capability to hire specialized staff, obtain and maintain tracking systems and procedures, open new branches or engage in significant investments as do institutions with total assets in excess of $1 billion which are more likely to be located in a larger metropolitan area.

Community banks generally meet the credit needs of their communities by making loans within their assessment areas. There is no reason to expect a significant change in the way a community bank meets its CRA obligations once it crosses the $250 million threshold. Keeping the focus on lending under the Small Bank Performance Standard is particularly well suited to evaluating the performance of community banks with under $1 billion in assets and is consistent with the overall purposes of CRA. The change is also consistent with the FDIC's ongoing efforts to identify and reduce regulatory burden, particularly for smaller institutions, where appropriate and feasible to do so.

The Peoples Bank, Planters Bank and Trust Co. and Bank of Yazoo each oppose the addition of a mandatory community development criteria to the small bank examination for larger community banks with assets greater than $250 million up to $1 billion. The proposal as written would create a separate and additional community development obligation and regulatory burden to the small bank examination, drastically reducing the benefit of the streamlined small bank exam and will accomplish little to actually increase community development activities by small banks. The opportunities available to community banks for community development lending (and services to aid lending and investments as a substitute for lending) are few and far between. The current small bank test considers the institution's overall lending in its community, and we believe that is the appropriate test for banks with assets of less than $1 billion. We believe that the proposal should provide that examiners may continue to consider a community bank's performance in making community development loans, qualified investments or in providing community development services at the bank's request for purposes of raising a rating.

We strongly support the FDIC's proposal to change the definition of "community development" from focusing only on low and moderate income area residents to including individuals in rural areas. Mississippi community banks frequently serve large rural areas. The opportunities available for a community bank to engage in community development activities within its assessment area under the current criteria are extremely limited. Expanding the definition of community development to include affordable housing and community services to individuals in rural areas should increase the number of available opportunities and help reduce the likelihood of a community bank having to look outside its assessment area for those opportunities. We think it is important, however, that the FDIC provide a reasonably objective definition of "rural" to provide banks and bank examiners with appropriate guidance.

In conclusion, we believe that the FDIC proposal is a major improvement in the current CRA regulation consistent with the overall goals of the Community Reinvestment Act itself, and we urge the FDIC to adopt its proposal with the recommendations we have outlined above. We are providing copies of these comments to the Board of Governors of the Federal Reserve System and the Comptroller of the Currency in the hope of encouraging similar rule changes for state member and national banks. Thank you for the opportunity to provide these comments.

Very truly yours,

BUTLER, SNOW, O'MARA, STEVENS & CANNADA, PLLC

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