



IOWA BANKERS
ASSOCIATION

271

November 1, 2001

8800 NW 62nd Avenue
P.O. Box 6200
Johnston, Iowa 50131-6200
515-286-4300 • 800-532-1423
515-280-4140 FAX
www.iowabankers.com

Communications Division Mailstop 1-5
Office of the Comptroller of the Currency
250 E. Street, SW
Washington, DC 20219
Re: Docket No. 01-16

Robert E. Feldman, Executive Secretary
Attention: Comments/OES
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429
Re: 12CFR Part 345; RIN 3046-AC50

Ms. Jennifer J. Johnson, Secretary
Board of Governors of the
Federal Reserve System
20th Street & Constitution Ave., NW
Washington, DC 20551
Re: Docket No. R-1112

Regulation Comments
Chief Counsel's Office
Office of Thrift Supervision
1700 G Street, NW
Washington, DC 20552
Re: Docket No. 2001-49

Re: ANPR on the Community Reinvestment Act Regulations; 66 Federal Register 37602;
July 19, 2001

Dear Madams and Sirs:

Iowa Bankers Association ("IBA") is a trade association representing nearly 95% of banks and savings and loan associations in the State of Iowa. We appreciate this opportunity to comment on the Advance Notice of Proposed Rulemaking ("ANPR") as part of the joint agencies' review of the Community Reinvestment Act ("CRA") regulations.

The ANPR poses a number of broad questions about the extent to which the CRA regulations should be changed to more clearly emphasize an institution's actual performance in CRA responsibilities, promote consistency in CRA evaluations and eliminate unnecessary burden. IBA believes that any proposed change to the CRA regulations must be considered not only for the intended benefit but also in light of the associated costs that may occur as a result of implementing changes. Several bankers report that the changes made in the 1995 revision, while improving the examination process for small institutions, actually increased the regulatory burden for large institutions.

Recently, IBA invited its Compliance Committee to respond to questions posed in the ANPR. The Compliance Committee is comprised of 20 bankers from around the state, representing institutions in both the small bank and large bank categories for CRA purposes. Their comments follow.

Large bank exam: investment, lending and service tests

There is much inconsistency among the agencies as to how examinations are conducted, particularly as it relates to qualified investments. While one agency will allow a regional investment, another agency discounts them and yet another provides no clear guidance on what will count as a qualified investment under the investment test. Many bankers complain that the evaluation result depends not on the effectiveness of the bank lending in its own community, but rather on how innovative or flexible a large bank's community lending program is. Bankers state that their loan and investment programs must be continually upgraded, or new innovative programs developed, in order to have programs considered in subsequent examinations. Once criticism from a number of banks was that they feel as if the outcome of the examination is predetermined, based on whether or not they have developed a new program since the last exam. Often, existing programs introduced in prior years and continually funded are discounted or not even considered in subsequent exams.

Another concern expressed by the bankers is that lines of credit aren't assigned the same "weight" as smaller, individual loans for purposes of meeting the lending test.

It is IBA's position that ALL lending and investment programs being provided by financial institutions to their communities should be considered towards a satisfactory rating, rather than requiring new and innovative programs with each examination cycle. In addition, we recommend that lending and investments be considered together, rather than requiring a separate level of investments under the large bank exam process.

Small bank exam

Bankers argue that the asset size to determine a "small bank" for CRA examination purposes should be increased significantly and the holding company affiliation test should be eliminated. It seems unreasonable to hold a financial institution with assets of \$200 million (or its affiliated holding company with assets of \$1.2 billion) in a community with a population of less than 50,000 to the same examination standard as a \$12 billion financial institution in a community with a population of over 250,000.

IBA recommends that the bank holding company affiliation be removed from the definition of "small bank," and that the assets size for "small bank" classification should be increased to at least \$1 billion.

Performance context

Bankers report that often their performance in light of "performance context" pits them against financial institutions of similar asset size but in an entirely different community. While it may be difficult to compare "peer" institutions within the same community, examiners must be careful to compare with "peers" within communities where the socio-economic and demographic conditions are similar so as to truly compare "apples to apples." In addition, it seems inappropriate to compare a \$20 million institution to a \$200 million institution. IBA recommends examiners make a better effort in conducting


“peer” comparisons, so that institutions of similar size and in similar communities are evaluated in relation to the performance context.

IBA supports continued use of delineated assessment areas for determining a bank’s primary market area, however we recommend that each institution be allowed to designate a much broader assessment area, e.g. state, regional or national, recognizing the impact of new or innovative delivery services to meet the needs of expanding markets. In addition, the lending, service and investment activities of any affiliate of a financial institution should fully considered during the financial institution’s CRA examination, and full credit be given for such affiliate’s activities toward the financial institution’s final rating.

IBA also supports the elimination of the data collection requirement for large banks. This requirement is not authorized by the Act, nor is collected information of much value, since it provides little information about the actual credit NEEDS of the community.

Thank you for this opportunity to comment on the Advance Notice of Proposed Rulemaking on possible revisions to the Community Reinvestment Act. We appreciate your consideration of these comments. Feel free to contact me at 515-286-4391 or via e-mail, dbauman@iowabankers.com, should you have questions about these comments.

Sincerely,


Dodie Bauman, CRCM
Compliance Manager