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**Independent Bankers
Association of Texas**

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**Robin-Conf (Boston)
October 15, 2001**

Mr. Robert E. Feldman
Executive Secretary
Attn: Comments/OES
Federal Deposit Insurance Corp.
550 17th Street, NW
Washington, DC 20429
Fax: 202-898-3838
Email: comments@fdic.gov

Communications Division
Public Information Room
Office of the Comptroller of the
Currency
250 E Street, SW Mailstop 1-5
Washington, DC 20219
Attn: Docket No. 01-16
Fax: 202-874-4448
Email: regs.comments@occ.treas.gov

Ms. Jennifer J. Johnson, Secretary
Federal Reserve Board
20th Street and Constitution Ave, NW
Washington, DC 20551
Attn: Docket No. R-1112
Email: regs.comments@federalreserve.gov

Regulation Comments
Chief Counsel's Office
Office of Thrift Supervision
1700 G Street, NW
Washington DC 20552
Attention: Docket No. 2001-49
Fax: 202-906-6518
Email: regs.comments@ots.treas.gov

RE: Community Reinvestment Act

Dear Sirs or Madams:

The Independent Bankers Association of Texas ("IBAT") is a trade association representing approximately 600 independent community banks domiciled in Texas. Many of its members have commented to the association and the regulators over the years regarding the burdensome requirements for compliance with the Community Reinvestment Act ("CRA"). Community banks by their very nature are committed to the success and the activities of their local communities. The banks' future is intimately intertwined with the local community. Thus, even without a community reinvestment act, such institutions would still be involved in reinvesting in their communities. In short, the underlying key objectives of CRA are subscribed to by the IBAT members. Our concerns lie with the regulatory process and the particular requirements under the CRA rules.

Small Bank Test

Our major concern is that the size for a small bank is far too small based on Texas' experience. Using the last available data (i.e. June 30, 2000), we have

observed that the nine largest FDIC insured institutions in Texas control 52.8% of the state's deposits and each have deposits of \$5.8 billion or more. Institutions with over \$1 billion in deposits control 63.5% of total deposits but only make up twenty-four (24) separate institutions. There are 805 FDIC insured banks doing business in Texas. Seven hundred eighty one (781) of those are \$1 billion or less in deposits and control a mere 36% of all deposits. We believe that these statistics reflect that deposits are truly dispersed in the state over a wide number of institutions and that the appropriate level for a small bank is \$1 billion and less in assets. (By way of explanation, our data is drawn from the FDIC market share reports. Comparable information on asset sizes is not available. Thus, deposit share is the only data we can use to reflect variations in sizes of institutions. We understand, however, that an asset rather than deposit test is used for CRA.)

Furthermore, we would suggest that the holding company test be eliminated altogether. Most (although not all) bank holding companies hold a single institution. In those rare circumstances in which a holding company owns more than one bank, there are significant business reasons for such holdings such as slight variations in minority ownership outside of the holding company or other business factors. The holding company format is not used as a subterfuge to keep banks below the asset test size. Rather, the holding company structure is a product of other business and legal criteria. Alternatively, the bank holding company asset size should be increased to \$5 billion.

Investment Test

Those institutions that have found themselves in the large bank category have almost uniformly reported difficulties in meeting the investment test of the large bank exam. It is extremely difficult to identify investments that will satisfy the requirements of the CRA rules. Investment in worthwhile development projects are not enough. The investment must contribute to the particular community. Such investments are not available in the communities in which these intermediate size banks (that are arbitrarily forced to meet the "large" bank test) may be located. We do not believe that the investment test furthers the original objectives of the community reinvestment act. If the investment test is retained, however, it should be an option for a large bank rather than a mandatory component.

Thank you for this opportunity to comment. Again, IBAT and its members strongly support the underlying goals of community reinvestment. We simply urge that the rules be fine-tuned to achieve those objectives without excessive regulatory burden.

Cordially,

Christopher L. Williston, CAE
President and CEO

CLW:rpl

Evans, Sandra E

From: Bonnie Kankel [bkankel@ibat.org]
Sent: Tuesday, October 16, 2001 11:28 AM
To: comments@fdic.gov; regs.comments@federalreserve.gov; regs.comments@occ.treas.gov;
regs.comments@ots.treas.gov
Subject: Community Reinvestment Act



CRA 101501.doc

Since tomorrow is the deadline for commenting on proposed CRA rules, I am attaching the comment letter from the Independent Bankers Association of Texas. Hard copies will be mailed separately to each of you.

Thank you for your consideration.

Bonnie Kankel
IBAT Vice President - Membership

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