

From: Stephanie Hodo [mailto:shodo@firststatebnk.com]
Sent: Friday, April 08, 2005 1:58 PM
To: Comments
Subject: CRA Joint Notice of Proposed Rulemaking FIL-21-2005

First State Bank
Stephanie Hodo
Assistant Vice President Compliance

April 6, 2005

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

RE: FIL-21-2005: Community Reinvestment Act Joint Notice of
Proposed Rulemaking

Dear Sir,

I am writing to strongly support the FDIC's proposal to raise the reporting threshold for the streamlined small bank examination to \$1 billion without regard to the size of the bank's holding company. This would greatly reduce the regulatory burden imposed on small banks such as my own under the current regulation.

My bank is headquartered in Waynesboro, Mississippi, a town of approximately 6,500 residents. Our assessment area consists of four Mississippi counties, Clarke, Wayne, Greene, and George. These counties are all rural areas with a combined population of 71,614 according to 2000 census information. The bank has total assets of \$300 million. My bank's success or failure in large part depends on whether we meet the needs of the communities we serve. We are a locally owned and operated hometown bank. We want to grow so that we can continue to serve the needs of our community by providing community development services which will promote economic development. The employees, directors and shareholders reside in these counties and they want to see these areas improve and prosper. We all have a very personal interest in community development.

Increasing the reporting threshold would greatly reduce our bank's regulatory burden under the act. We are a relatively new CRA "large" bank reporter. We began collecting data as a large bank in 2002. Because we lacked the expertise needed to handle the collection of data for CRA, we purchased software to help us with the requirement. We manually input these records into our software on a daily basis. I feel that the

resources that are allocated to data collection and reporting could be better used by providing more services within our community.

I strongly oppose making the community development (CD) criterion a separate test from the bank's overall CRA evaluation. For a community bank such as mine, the CD lending is not significantly different from the provision of credit to the entire community. The current small bank test considers the bank's overall lending in its assessment area. The addition of a category of CD 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 a streamlined examination.

My bank is involved in many innovative projects to help the communities that we serve. We currently offer a low-interest rate loan for low-to-moderate income borrowers that wish to purchase a home. The product is called HOUSEHELP. We have also applied and received grant money from the Federal Home Loan Bank to help those who qualify with closing and downpayment costs associated with purchase their first home. We offer a free checking account to anyone who qualifies. We are also involved in offering the FDIC's Money Smart curriculum.

I strongly support the FDIC's proposal to change the definition of "community development" from only focusing on low-and moderate-income area residents to including rural residents. The tract income limitation that is currently applied to the definition is ineffective in addressing the needs of rural areas that do not have low- or moderate-income tracts. Our assessment area is made up of thirteen tracts of which two are moderate-income and eleven are middle-income tracts. Even though the majority of the tracts within our assessment area fall in middle-income, there are many communities within these tracts that are made-up of primarily low- to moderate-income people.

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

Respectfully Submitted,
Stephanie Hodo
AVP Compliance and CRA Officer
First State Bank
708 Azalea Drive
Waynesboro, MS 39367
601.735.3124