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Via email to [regs.comments@occ.treas.gov](mailto:regs.comments@occ.treas.gov)

Office of the Comptroller of the Currency  
250 E Street, SW.  
Public Reference Room, Mail Stop 1-5  
Washington, DC 20219.

Re: OCC Docket No. 04-11; 12 CFR Part 32; Proposed Extension of Lending Limits Pilot Program; 69 Federal Register 21978; April 23, 2004

Ladies and Gentlemen:

In September 2000 the Office of the Comptroller of the Currency (OCC) proposed to create new lending limit exceptions for certain residential real estate and certain small business loans for community national banks with main offices located in states that have a state bank lending limit higher than the current national bank lending limit. The American Bankers Association (ABA) supported the OCC's proposal in its comment letter dated November 20, 2000. In September of 2001, the OCC adopted the proposal. At the time of adoption, the OCC stated that it would review the pilot program after three years. Having conducted that review, the OCC now proposes to extend the pilot program for another three years. ABA supports the extension and urges that the OCC make the program permanent. The American Bankers Association (ABA) brings together all categories of banking institutions to best represent the interests of this rapidly changing industry. Its membership - which includes community, regional and money center banks and holding companies, as well as savings associations, trust companies and savings banks - makes ABA the largest banking trade association in the country.

The OCC review of the program shows that 169 national banks from 23 states have participated. The OCC has compared the performance of 129 banks that participated in the program to that of comparable state-chartered banks and national banks that did not participate in the program in these areas: (1) Loan portfolio composition; (2) asset quality; (3) liquidity and capital; and (4) differences in interest expense, noninterest expense and profitability indicators. The OCC could find no statistical difference between banks that participated and those that did not. OCC believes that, in the absence of any indication that the program has a negative or positive effect, the OCC should continue the program in pilot mode and conduct another review after three more years. OCC suggests that differences may arise after banks have been able to participate in the program for a longer time. As the OCC

states, "...the limited number of banks in the program, and the relatively small number of quarters of data available for review, make reaching a definitive conclusion about the program premature."

ABA certainly supports the extension of the pilot program. ABA has been told by a number of community national banks that the pilot program has allowed them to retain business customers that they otherwise would have lost, and these same banks have said the same to the OCC. Additionally, the OCC seems to suggest that the program has not been as widely adopted as they had anticipated it might, which causes the OCC to question whether the program is necessary. ABA suggests that one reason that some national banks have not participated in the program is their concern that they would, after three years, then have to reduce their business customers' credit lines if the program was halted. ABA believes if the program were made permanent, the OCC would see wider adoption of the program. In fact, ABA believes that the OCC has sufficient evidence from bankers of the benefits of the program and has found no evidence of any safety and soundness concerns so as to conclude that the program could be made permanent. If the OCC will not make the program permanent now, then ABA recommends that the OCC at least annually review the evidence to see if the OCC might make the program permanent before another whole three years passes.

Further, ABA recommends that the OCC expand the program to include more small farm loans. The OCC uses as its definition of "small business loan" the definition in the OCC's Community Reinvestment Act regulation (12 CFR 25.12(u)). That definition incorporates the definition of "loans to small businesses" from the instructions for preparation of the Call Reports and includes loans with original amounts of \$1 million or less, secured by nonfarm nonresidential properties, and certain commercial and industrial loans. This definition excludes most farm loans, which is particularly a problem for our many rural community banks. ABA notes that agricultural community national banks have just as much, if not more, experience and expertise in making farm loans as they do in making small business loans (as defined by the OCC for this proposal). Therefore the ABA believes that the OCC should enlarge the definition of loans eligible for the pilot program. Further, ABA recommends that the OCC not use the Call Report definition of "small farm loan" of less than \$500,000 in original amount but instead use the same \$1 million reporting amount that applies to small business loans in the proposal.

ABA appreciates the opportunity to comment on the OCC's proposed extension of its lending limit pilot program. If there any questions about these comments, please call the undersigned.

Sincerely,



Paul Smith  
Senior Counsel