



HAWAII NATIONAL BANK

117

WARREN K.K. LUKE
Chairman and CEO

March 19, 2004

VIA FACSIMILE (202) 906-6518

Regulation Comments
Chief Counsel's Office
Office of Thrift Supervision
1700 G Street, NW
Washington, DC 20552

ATTENTION: No. 2004-04

Gentlemen:

RE: Proposed Revisions to the Community Reinvestment Act Regulations

Thank you very much for the opportunity to comment on the proposed amendments to the Community Reinvestment Act (CRA) regulations.

The agencies propose to amend the definition of "small institution" to mean an institution with total assets of less than \$500 million, without regard to any holding company assets. This proposal is a major step towards an appropriate implementation of CRA and will reduce the regulatory burden on those institutions which would become eligible under the proposed rule. We support this proposal.

In today's banking environment, regulatory burden on community banks have grown larger, including the new revised reporting requirements for HMDA, the USA PATRIOT Act, and the privacy provisions of the Gramm-Leach-Bliley Act. Our Bank is currently the smallest bank headquartered in Honolulu, yet we have been subjected to the large institution examination with the associated costs and burden, and our total assets are nearing the proposed \$500 million threshold. All other banks headquartered here have assets in excess of \$1 billion. We respectfully recommend raising the threshold for small institutions to \$1 billion for the following reasons:

Chief Counsel's Office
Office of Thrift Supervision
Page 2
March 19, 2004

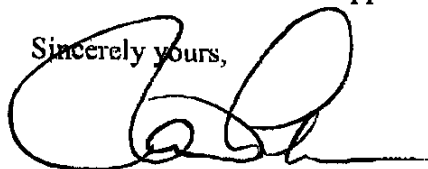
- Keeping the focus of small institutions on lending, which the small institution examination does, would be entirely consistent with the purpose of CRA, which is to ensure that the Agencies evaluate how banks help to meet the credit needs of the communities that they serve.
- Raising the limit to \$1 billion will have only a small effect on the amount of total industry assets covered under the more comprehensive large-bank test. According to the December 31, 2003, Call Report data, raising the limit to \$1 billion will reduce the amount of assets subject to the much more burdensome large-institution test by only 4%. Yet, the additional relief provided would again be substantial by reducing the compliance burden on more than 500 additional banks and savings associations (as compared to the proposed \$500 million threshold).

A community bank is typically non-complex; it takes in deposits and it makes loans. Its business activities are usually focused on small, defined geographic areas where the bank is known in the community. The small institution examination accurately captures the information necessary for examiners to assess whether a community bank is helping to meet the credit needs of its community, and nothing more is required to satisfy the Act. Accordingly, we urge the Agencies to raise the limit to at least \$1 billion which will provide significant regulatory relief and will not, to quote the Agencies in the proposal, diminish "in any way the obligation of all insured depository institutions subject to CRA to help meet the credit needs of their communities. Instead, the changes are meant only to address the regulatory burden associated with evaluating institutions under CRA."

With respect to the agencies' proposal relating to an adverse rating if an institution is found to have engaged in specified discriminatory, illegal, or abusive credit practices, we support this proposal.

Again, thank you for the opportunity to provide you with our comments.

Sincerely yours,



Warren K.K. Luke
Chairman and CEO

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