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October 19, 2004

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

RE: RIN Number 3064-AC50

Dear Mr. Feldman:

As a staff member of an affordable housing and community development organization, I am writing to convey my deepest concern over several fundamentals of the Federal Deposit Insurance Corporation's (FDIC) proposed changes to the regulations governing the Community Reinvestment Act (CRA). The proposition to raise the asset threshold for small banks to $1 billion would seriously weaken CRA and undermine partnerships that Neighborhood Housing Services of New York City and its eight Neighborhood Offices and Homeownership Center (NHS) and other community development organizations have cultivated and formed with banks. The proposed changes will impede the decades of progress that has been made in underserved communities.

Since 1982 NHSNYC has been working to provide low- and moderate-income residents the opportunity to purchase their own home or to provide them with the resources to maintain their homes. We accomplish this mission by rehabilitating residential housing and mixed-use properties; constructing new affordable housing and providing pre- and post-purchase education which ultimately create neighborhood revitalization. Furthermore, we are a member of NeighborWorks/Neighborhood Reinvestment Corporation, which is a not-for-profit organization chartered by the U.S. Congress that supports over 200 community based organizations throughout the country to promote community development and stabilization. NHSNYC is also a Community Development Financial Institution and as such, we are working hard with other community and economic development groups to build wealth and further stabilize and revitalize communities with low- and moderate income families.

CRA has been vital to the work of NHSNYC. CRA not only provides an incentive for financial institutions to develop relationship with NHS, but it is also a critical force in maintaining these relationships and in keeping banks committed to providing products and services to residents in low- and moderate-income communities. CRA has been instrumental in increasing homeownership rates, bolstering the economic development and enlarging small businesses in New York City and communities in Bedford-Stuyvesant and East Flatbush in Brooklyn; Jamaica and Northern Queens, the North and the South Bronx and Staten Island as well as throughout the nation's low- and moderate-income neighborhoods.

Under the present CRA regulations, banks with assets of at least $250 million are graded by performance based evaluations, which examine their level of lending, investing, and serving low- and moderate-income communities. The proposed changes will eliminate the investment and service components of the CRA exam for state-chartered banks with assets between $250 million and $1 billion. In place of the investment and service parts of the exam, the FDIC proposes to add a community development criterion. The community development criterion would require banks to offer community development loans, investments, or services.

This community development criterion which the FDIC seeks to impose would clearly be an insufficient replacement for the investment and services tests. Mid-size banks with assets between $250 million and $1 billion would only have to consider doing *one* of three activities; i.e., community development lending, investing or servicing. As it is today, mid-size banks must engage in all three activities. With FDIC's proposal, mid-sized banks could now choose the easiest or most convenient community development activity for them as opposed to providing a detailed range of activities which meet the needs of low- and moderate-income communities.

Under current CRA requirements, lenders frequently work with NHSNYC to capitalize existing loan pools or to create new products designed to specifically target an underserved market niche. For example, NHSNYC has a loan product capitalized by a consortium of 15 banks aimed at rehabilitation of small apartment buildings in low- and moderate-income communities. We have another loan product also capitalized by a consortium of banks aimed at providing additional financial resources to first time homebuyers. We also have lines of credit from several banks which enable us to provide affordable home repair loans to low-and moderate income homeowners. These products meet a clear community need, but are riskier and more labor intensive, and, were it not for CRA, it is unlikely that the banks would have collaborated to create such products or to provide individual lines of credit.

Not only has CRA urged lenders to provide more appropriate products, it has also encouraged lenders to become more involved in community education efforts. NHSNYC is proud to have over forty financial institutions involved in providing lending, volunteering their professional expertise, and participating in the educational services to our clients. NHSNYC is concerned that if the proposed changes take effect, it could dramatically impact the degree of investment in under-served low- and moderate-income communities in urban and even rural areas. Although NHS is proud of the banking relationships that we have cultivated with these various financial groups, it would not have reached this level without the underlining enforcement from CRA. Without such comprehensive testing, what incentive would many banks have to continue the degree of financial investment in many low- and moderate-communities? It is our hope that many of these long-time partnerships would continue to work with community development organizations in urban and rural America as well as NHSNYC.

On behalf of Neighborhood Housing Services of New York City, I appreciate the opportunity to render comments of the proposed rule, and I firmly recommend that it be withdrawn and that no action be taken on the current regulations governing CRA.

Thank you for your attention to this critical matter.

Sincerely,

Yvonne Ferran

Yvonne Ferran
Loan Officer

cc. Sarah Gerecke, Chief Executive Officer
Louis Kilkenny, Director Lending & Program Services
Bernell Grier, Chief Operating Officer
Gunnel Rydstrom, Director of Citywide Lending and Program Services
Janelle Greene, Director, Government & Community Relations