UNIVERSITY OF ILLINOIS
AT URBANA-CHAMPAIGN

College of Law Clinics
241 Law Building
504 East Pennsylvania Avenue
Champaign, IL 61820

October 16, 2004

VIA FACSIMILE ONLY

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

RE: RIN 3064-AC50

Dear Mr. Feldman:

I am writing to urge you to withdraw proposed changes to Community Reinvestment Act (CRA) regulations that would eliminate the investment and service portions of the CRA exam for state-chartered banks with assets between $250 million and $1 billion. I am both a direct service provider to low-income persons and a member of the Financial Links for Low-Income People (FLLIP) coalition, a statewide coalition of Illinois nonprofit organizations, government agencies, financial institutions, and regulators dedicated to expanding financial education and asset-building opportunities for low-income people.

If this change is approved, over 97 percent of all banks in Illinois would be subject to a weakened CRA exam. The proposed change would affect 70 banks in Illinois, including several banks that have contributed both to local initiatives and to the FLLIP coalition's programs. In my personal experience, those banks have provided sizeable grants which have been used for activities such as providing free financial education classes, microenterprise loans and microenterprise development education, and matching funds for Individual Development Accounts (IDAs) which help low-income workers buy a house, start a business, go to college, or buy a car.

With fewer government and foundation resources available, nonprofit organizations increasingly rely on our bank partners not only for monetary support by way of investment, but also for CRA services. The proposed rule would result in Illinois organizations receiving fewer resources from financial institutions.

The elimination of the service test would also have harmful consequences for low- and moderate-income communities that lack mainstream banking centers and affordable financial services. CRA examiners would no longer expect mid-size banks to maintain or build branches

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in low- and moderate-income communities. Mid-size banks would have less incentive to offer low-income consumers affordable checking and savings accounts and other banking services.

The FDIC proposal to replace the investment and service parts of the CRA exam with a community development criterion is troublesome for a number of reasons. First, the new community development criterion allows mid-size banks to choose only one activity from community development lending, investments, or services. Furthermore, the community development criterion's weight on CRA exams is unclear. Finally, allowing banks to receive community development credit for any activities in rural areas regardless of their impact on low- and moderate-income populations, would allow banks to get credit for projects that exclude the very populations that CRA was intended to help.

For all these reasons, I oppose the proposed changes to CRA and ask that you withdraw the proposed rule.

Sincerely,

Cynthea E. Geerdes, Director
Transactions & Community Economic
Development Clinic