OSHKOSH ON THE WATER

Oshkosh Housing Authority

Winnebago County Housing Authority

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Winnebago County
The Wave of the Future

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

October 15, 2004

RE: RIN 3064-AC50

Dear Mr. Feldman:

As an affordable housing specialist in Wisconsin I am requesting that the FDIC withdraw its proposal to change the CRA regulations for mid-sized banks. The FDIC proposal will be especially harmful to rural Wisconsin, where there are already fewer banks covered by the CRA regulations.

The difference between how "small" banks and "large" banks are currently reviewed for CRA purposes is that the large banks have a service test and investment test in addition to a lending test. The investment test is an important tool for increasing the amount of affordable housing and community development investments in our communities, because the banks that are subject to the large bank test feel more need to work harder to support affordable housing and make the kinds of investments that help low and moderate income people.

Currently in Wisconsin there are approximately 310 financial institutions covered by CRA. With the current $250 million threshold, 64 institutions are considered large banks while the other 246 are small banks. The Office of Thrift Supervision (OTS) recent decision to raise the threshold for thrifts to $1 billion removed five of the 64 institutions from the large bank test, but if the FDIC follows suit another 27 institutions would be shifted from the large bank to the small bank category and there would be just 32 "large banks" left in Wisconsin. Some rural counties would either no longer have any offices of a "large bank" located within them or would be reduced to having just one large bank.

The proposal by the FDIC to allow banks between $250 million and $1 billion in assets to pick and choose which types of activities they do to meet a new community development test will prove to provide little value to the intended beneficiaries of the Community Reinvestment Act, the low and moderate income people of our communities. In rural areas this is particularly true because the FDIC's proposes that "community development activity could benefit either low- and moderate-income individuals or individuals who reside in rural areas." Creating such a broad definition of community development, which could easily be interpreted to mean that loaning money to a Wal-Mart store opened in a rural area is "community development," will make the Community Reinvestment Act virtually meaningless in rural communities.

Local lenders large and small here have expressed little concern with their CRA obligations. Retaining the obligations across the country extends a level playing field. The FDIC needs to listen to the voices of the many National Community Reinvestment Coalition members across this country and withdraw this proposal and then begin to more rigorously enforce the Community Reinvestment Act in rural areas. Too many of the mid-sized banks, which are so important for our rural economy, are getting by with doing very little community development service and investment in our communities.

Sincerely,

Brad Masterson

Brad Masterson
Executive Director