NEIGHBORHOOD HOUSING SERVICES OF CHICAGO, INC.

*Rebuilding Chicago's Neighborhoods*

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NHS

5608

October 7, 2004

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

Subject: RIN 3064-AC50

Dear Mr. Feldman

Neighborhood Housing Services of Chicago, Inc. ('NHS') is a not-for-profit community development corporation that has served Chicago's neighborhoods for nearly 30 years. Since our founding in 1975, we have assisted over 140,000 Chicagoans, made $307 million in loans, and built or rehabbed more than 22,000 units of affordable housing. Our record of achievement is due to the participation of many local banks and thrift institutions which fund our programs and invest in loan programs that benefit low/moderate income homeowners and homebuyers. While we believe that our lending partners support our work because they are committed to our communities, the provisions in the Community Reinvestment Act (CRA) provide added incentive and value to their involvement and investment.

We write to oppose the recommendations you posted on August 20, 2004 which propose raising the asset threshold of banks qualifying as "small" for the purposes of the Community Reinvestment Act (CRA). It is our opinion that this change would enable medium sized banks (those with assets between $250 million and $1 billion) to reduce their commitment to community-based organizations, which would severely undermine the work of organizations like NHS of Chicago.

If the proposed rule were to pass, in Illinois alone, 65 banks would be able switch from providing comprehensive community development services to providing limited lending for underserved communities. According to analysis done by the Woodstock Institute, "the number of FDIC regulated institutions active in the state would decline by 86 percent." Additional research shows that the number of banking offices in urban low and moderate income (LMI) census tracts operated by "large" banks would decline by 63 percent should the change be implemented. Finally, the Woodstock Institute estimates that "$635 million in community development lending and $114 million in community development investments statewide" are threatened by this proposal.

In an increasingly competitive market, CRA ensures that banks and thrift institutions do not shortchange their communities for the sake of increasing profits. Should the proposed rule take effect, we are concerned that mid-sized institutions would engage in a "race to the bottom," squeezing out servicing and investment from communities in order to remain competitive with other financial institutions doing the same.

Finally, we wish to remind the entire banking community that CRA should be viewed as an opportunity by both business and community to identify new, untapped markets. When CRA was first passed, there was a perceived risk in investing in LMI communities. Through the CRA requirements, many institutions learned that this sort of lending could be quite profitable when done correctly. While we have overcome many barriers to capital that once existed, the job is not yet done. Releasing mid-sized banks from an obligation to engage communities in multiple ways will lessen the chance that we all find new ways to serve LMI areas.

We thank you in advance for your careful consideration of our concerns. We hope that you will be persuaded to reject the proposed changes to CRA.

Sincerely,

James K. Wheaton
Acting Executive Director
NHS of Chicago, Inc.