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COMITE DE VIVIENDA SAN PEDRO

St. Peter's Housing Committee

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October 18, 2004

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

RE: RIN 3064-AC50

Dear Mr. Feldman:

St. Peter's Housing Committee, a Project of the Tides Center, urges you to withdraw your proposed changes to the Community Reinvestment Act (CRA) regulations. CRA has been instrumental in increasing homeownership, boosting economic development, and expanding small businesses in the nation's immigrant, low- and moderate-income, and people of color communities.

Under the current CRA regulations, banks with assets of at least $250 million are rated by performance evaluations that scrutinize their level of lending, investing, and services to low- and moderate-income communities. The proposed changes will eliminate the investment and service parts of the CRA exam for state-charted banks with assets between $250 million and $1 billion. In place of the investment and service parts of the CRA exam, the FDIC proposes to add a community development criterion. The community development criterion would require mid-size banks with assets between $250 million and $1 billion to engage in only one of three activities: community development lending, investing or services. Currently, mid-size banks must engage in all three activities.

If enacted, 879 state-chartered banks with over $392 billion in assets would become eligible for the streamlined and cursory exam. In total, 95.7 percent or more than 5,000 of the state-charted banks that the FDIC regulates have less than $1 billion in assets. These 5,000 banks have combined assets of more than $754 billion.

In California, there are 146 state-chartered banks located within urban areas. 122 of these or 84% have assets up to $1 billion and would be eligible for the streamlined exam. In rural California, there are 9 state chartered financial institutions with 8 of these having assets up to $1 billion. If enacted, 89% of California's rural financial institutions would become eligible for the streamlined exam.

The FDIC proposal would significantly harm community development activities in rural areas. The proposal states that a bank's rural community development activities could benefit any group of individuals instead of only low- and moderate-income individuals.

The FDIC's proposal would eliminate the small business lending data reporting requirement for mid-size banks. Mid-size banks with assets between $250 million and $1 billion will no longer be required to report small business lending by census tracts or revenue size of the small business borrowers.

In sum, the FDIC's proposal is directly opposite CRA's statutory mandate of imposing a continuing and affirmative obligation to meet community needs. The proposed changes will dramatically reduce community development lending, investing, and services. The proposal will particularly affect rural areas least able to afford reductions in credit and capital. Eliminating critical data on small business lending will also result in further reductions to the amount and type of small business lending. The Federal Reserve Board and the Office of the Comptroller of the Currency have recognized the harm this proposal would cause.

CRA is a vital reinvestment tool. If the FDIC refuses to reverse this proposed course of action, we will ask that Congress halt your efforts.

Sincerely,

Nick Pagoulatos
Project Director

Cc: Senators John Kerry and John Edwards