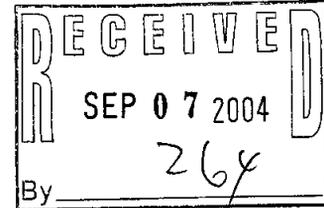


CANICCOR RESEARCH

P.O. Box 426829, San Francisco, California 94142-6829
Offices at 220 Golden Gate Avenue, 9th floor, San Francisco, CA 94102
Phone: (415) 282-8397 · FAX: (415) 885-5103 - e-mail: john.lind@caniccor.org

1 September 2004

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



Re: RIN 3064-AC50

Comments on Proposed Rule Making Community Reinvestment Act Regulations

CANICCOR provides rankings of the social responsibility of financial corporations to institutional investors and serves as a consultant to these investors in dialogues with these corporations. The purpose of these rankings is to assist investors with social concerns in selecting corporations for investment whose services to underserved sectors of the economy are adequate to superior.

CANICCOR provided comments on 31 March 2004 that were requested by the Access to Capital Working Group of the Interfaith Center on Corporate Responsibility as well as individual institutional investors. CANICCOR then elaborated those comments in an amendment to those comments in its letter to Chairman Powell of 12 August 2004. The following is a restatement and an elaboration of that letter of amendment. **The opinions presented here are those of CANICCOR alone.**

As of 16 July 2004, the Federal Reserve and the Office of the Comptroller of the Currency withdrew the proposed changes of the Community Reinvestment Act (CRA) Regulations of March 2004, while the Office of Thrift Supervision increased the proposed exclusion of small depositories up to \$1 billion in assets. CANICCOR requests that the FDIC concur with the Federal Reserve and the OCC and withdraw these proposed regulations.

However, if changes along the lines of this new proposal are made, CANICCOR urges that all subsidiaries of bank holding companies with assets of \$1 billion or more remain under the reporting requirements of CRA and not be classed as small banks for CRA purposes. The reason for this request is that institutional investors with social concerns need for their investment decisions the additional information provided under CRA to make more adequate evaluations of the social performance of corporations that are or hold bank holding companies of at least \$1 billion in depository assets.

CANICCOR maintains that:

- 1. These FDIC supervised banks with assets of less than \$1 billion, which are subsidiaries of larger bank holding companies, are a small number of banks and thus of minor cost to supervise.**

2. Since these are smaller subsidiaries of bank holding companies with greater than \$1 billion in assets, the cost of compliance is not significant to these smaller banks or they would be incorporated into the larger banks of \$1 billion or more within the holding company structure.

First of all the number of banks supervised by the FDIC considered for redefinition to "small banks" with assets between \$250 million and less than \$1 billion amounted to 802 of the total of 5162 supervised as of the end of 2002. Thus the examination of these 17% of the total banks is not a severe drain on the FDIC budget and so the reasons for their proposed exclusion must be based upon the concern for the banks themselves and the communities they serve.

As shown below, bank holding companies with assets of \$1 billion or more held as subsidiaries 261 banks supervised by the FDIC at the end of 2002. These 261 banks accounted for only 5.1% of the 2002 total of banks supervised.

Number of Banks with Assets of less than \$1 billion, supervised by FDIC, that are Subsidiaries of Banks Holding Companies with Assets of \$1 Billion or more Compared to the Total Banks Supervised by the FDIC with Assets of less than \$1 billion				
FDIC Supervised Banks	Bank Asset Size Category			
	< \$250 million	≥250 million to < \$500 million	≥500 mil. to < \$1 billion	Total < \$1 billion
All FDIC Supervised Banks				
Number	4360	555	247	5162
Subsidiaries of Bank Holding Companies with Total Assets of \$1 billion or more				
Number	151	72	38	261
% Total	3.4%	13.0%	15.4%	5.1%

The table shows that only 261 FDIC supervised banks with assets of less than \$1 billion are subsidiaries of banks holding companies with assets of \$1 billion or more and over half of them had assets of less than \$250 million. This number is such a small fraction of the total number of banks supervised by the FDIC and the costs to the banks for the additional reporting are small compared to the assets of the banks holding companies. Thus, CANICCOR maintains there is no need to remove the requirement that all subsidiaries of banks holding companies with assets of \$1 billion or more be subject to all the reporting under CRA and not be considered as "small banks".

SUMMARY OF FINDINGS

For all 290 bank holding companies (BHCs) with depository assets of \$1 billion to \$30 billion, the FDIC was required at the end of 2002 to examine 261 depositories, each with assets of less than \$1 billion. These 261 smaller depositories were held by 61 BHCs out of this total of 290. The assets of these 261 subsidiaries totaled \$71.4 billion out of the total assets of all 290 BHCs subsidiaries of \$268.1 billion. Thus the subsidiaries of less than \$1 billion in assets accounted to a significant 27% of the total assets of these 61 BHCs.

The OCC has withdrawn the proposed changes and they were required at the end of 2002 to examine 150 depositories, each with assets of less than \$1 billion, or about 60% of the number as the FDIC. These 150 smaller depositories were held by 64 BHCs out of the total of 290. The assets of these 150 totaled 46.1 billion, or about two-thirds that of the FDIC.

CANICCOR urges that the FDIC also withdraw the proposed regulations or, if not, that they continue to require full reporting and full evaluations of all subsidiaries of bank holding companies with depository assets of \$1 billion or greater, i.e. that these subsidiaries not be considered small banks.

DETAILED ANALYSIS

This report takes up the bank holding companies (BHCs) of greatest concern, dividing them into categories of \$1 billion up to \$2 billion, \$2 billion up to \$10 billion and \$10 billion up to \$30 billion in total depository assets, based upon the call reports of December 2002. The results of this analysis for each of these size categories are presented in the following three tables. These tables consist of an upper section detailing information for each federal regulator on BHCs of the given size, which have at least one subsidiary of less than \$1 billion in assets. Note that the sum of the number BHCs and their total depository assets are less than the total for the three regulators because some bank holding companies hold several subsidiaries subject to regulation by different bank regulators. Otherwise all totals are the sum of the numbers in column for the three regulators. The lower section, consisting of only a total for the size category, gives the total number of bank holding companies, their subsidiaries and total depository assets for comparison.

Banks Holding Companies with Depository Assets of \$1.0 Billion to less than \$2.0 Billion

Table I shows that out of a total of 130 bank holding companies with depository assets in this category, 36 held at least one depository subsidiary with assets of less than \$1 billion. Of these 36 BHCs, 25 of them held 61 subsidiaries, which were subject to examination by the FDIC. These 61 subsidiaries accounted for 74.7% of the total depository assets of these 25 BHCs. These 61 small subsidiaries subject to FDIC performance evaluations were distributed as follows:

36 subsidiaries with assets of under \$250 million, holding 13.7% of the BHC assets,
13 subsidiaries of \$250 million to \$500 million, holding 13.4% of the BHC assets, and
12 subsidiaries of \$500 million to \$1 billion, holding 26.5% of BHC assets.

These FDIC examined subsidiaries of less than \$1 billion in assets accounted for a significant 53.6% of the total BHC assets of these 25 BHCs and 14.21% of all 130 BHCs in this size category. These percentages do not include a few small subsidiaries regulated by other federal banking agencies, since the FDIC regulated only 74.7% of the total assets of these 25 BHCs.

Note that the OCC, which rejected the proposed regulations, had 39 subsidiaries to examine in 2002 or nearly two-thirds the number that the FDIC examined.

Table I. Numbers and Assets of Bank Holding Companies (BHCs)														
Assets of \$1.0 Billion to < \$2.0 Billion														
by supervisory agency and by asset size of smaller subsidiaries.														
Agency	Num. of BHCs (1)	Number of Subsidiaries by Asset Size in Million of Dollars					Assets-\$ Billions		% of BHC Group Assets	Assets by Subsidiary Asset Size as % of BHC Assets				
		Agency Total	Total <1000	0 - <250	250- < 500	500 - <1000	BHC Assets (1)	Agency subsidiaries		Agency Total	Total <1000	0 - <250	250- < 500	500 - <1000
Holding Companies with at least one Subsidiary of less than \$1.0 Billion in Assets														
OCC	21	44	39	25	8	6	26.47	16.48	9.36	62.3	39.1	10.2	11.5	17.4
FR	9	14	13	6	5	2	12.46	5.71	3.24	45.9	32.0	5.4	12.5	14.1
FDIC	25	66	61	36	13	12	33.51	25.02	14.21	74.7	53.6	13.7	13.4	26.5
Total	36	124	113	67	26	20	37.22	37.22	21.13					
All Bank Holding Companies with Assets of \$1.0 Billion to < \$2.0 Billion														
Total	130	219	113	67	26	20	176.13	176.13						

(1) These columns count the number or assets of a BHC more than once when a BHC contains subsidiaries subject to two or more agency banking regulators. The totals are correct, and the total of all BHC assets is equal to the sum of all agency regulated assets, assuming no thrifts are included.

Banks Holding Companies with Depository Assets of \$2.0 Billion to less than \$10.0 Billion

Table II provides an analysis similar to that above for this group of BHCs.

Table II. Numbers and Assets of Bank Holding Companies (BHCs)														
Assets of \$2.0 Billion to < \$10.0 Billion														
by supervisory agency and by asset size of smaller subsidiaries.														
Agency	Num. of BHCs (1)	Number of Subsidiaries by Asset Size in Million of Dollars					Assets-\$ Billions		% of BHC Group Assets	Assets by Subsidiary Asset Size as % of BHC Assets				
		Agency Total	Total <1000	0 - <250	250- < 500	500 - <1000	BHC Assets (1)	Agency subsidiaries		Agency Total	Total <1000	0 - <250	250- < 500	500 - <1000
Holding Companies with at least one Subsidiary of less than \$1.0 Billion in Assets														
OCC	28	91	73	37	19	17	120.72	64.41	11.63	53.4	19.5	4.5	6.0	9.0
FR	16	45	40	17	11	12	75.54	26.78	4.84	35.4	20.6	3.1	6.0	11.5
FDIC	30	149	137	83	36	18	122.92	64.80	11.70	52.7	28.4	7.9	10.3	10.2
Total	45	285	250	137	66	47	155.99	155.99	28.17					
All Bank Holding Companies with Assets of \$2.0 Billion to < \$10.0 Billion														
Total	128	384	250	137	66	47	553.67	553.67						

(1) These columns count the number or assets of a BHC more than once when a BHC contains subsidiaries subject to two or more banking regulators. The totals are correct, and the total of all BHC assets is equal to the sum of all agency regulated assets, assuming no thrifts are included.

In this category of BHCs, the FDIC regulated 137 subsidiaries that had assets of less than \$1 billion of 30 BHCs. These 137 small subsidiaries were distributed as follows:

83 subsidiaries with assets of under \$250 million, holding 7.9% of the BHC assets,
 36 subsidiaries of \$250 million to \$500 million, holding 10.3% of the BHC assets, and
 18 subsidiaries of \$500 million to \$1 billion, holding 10.2% of BHC assets.

These FDIC examined subsidiaries of less than \$1 billion in assets accounted for a significant 28.4% of the total BHC assets of these 30 BHCs and 11.70% of all 128 BHCs in this size category. These percentages do not include a few of these smaller subsidiaries regulated by other federal banking agencies, since the FDIC regulated only 52.7% of the total assets of these 30 BHCs with smaller subsidiaries.

Note that the OCC, which rejected the proposed regulations, had 73 subsidiaries to examine in 2002 or a little over one-half the number that the FDIC examined.

Banks Holding Companies with Depository Assets of \$10.0 Billion to less than \$30.0 Billion

Table III is similar to the tables above for this category of BHCs. Even with these larger bank holding companies, there were still 18 out of a total of 32 that held subsidiaries of less than \$1 billion in assets. These 18 BHCs accounted for 36.22% of the total assets of the total of 32 BHCs in this size category.

Table III. Numbers and Assets of Bank Holding Companies (BHCs) Assets of \$10.0 Billion to < \$30.0 Billion by supervisory agency and by asset size of smaller subsidiaries.														
Agency	Num. of BHCs (1)	Number of Subsidiaries by Asset Size in Million of Dollars					Assets-\$ Billions		% of BHC Group Assets	Assets by Subsidiary Asset Size as % of BHC Assets				
		Agency Total	Total <1000	0 - <250	250- <500	500 - <1000	BHC Assets (1)	Agency subsidi-aries		Agency Total	Total <1000	0 - <250	250- <500	500 - <1000
Holding Companies with at least one Subsidiary of less than \$1.0 Billion in Assets														
OCC	15	59	38	18	11	9	270.53	120.59	21.99	44.6	4.5	0.8	1.5	2.2
FR	5	18	12	4	5	3	79.13	47.96	8.74	60.6	6.0	0.7	2.5	2.8
FDIC	6	67	63	32	23	8	111.69	30.07	5.48	26.9	16.6	4.7	7.0	4.9
Total	18	144	113	54	39	20	198.62	198.62	36.22					
All Bank Holding Companies with Assets of \$2.0 Billion to < \$10.0 Billion														
Total	32	168		54	39	20	548.33	548.33						
(1)These columns count the number or assets of a BHC more than once when a BHC contains subsidiaries subject to two or more banking regulators. The totals are correct, and the total of all BHC assets is equal to the sum of all agency regulated assets, assuming no thrifts are included.														

In this category of BHCs, the FDIC regulated 63 subsidiaries that had assets of less than \$1 billion of 6 BHCs. These 63 small subsidiaries were distributed as follows:

32 subsidiaries with assets of under \$250 million, holding 4.7% of the BHC assets,
 23 subsidiaries of \$250 million to \$500 million, holding 7.0% of the BHC assets, and

8 subsidiaries of \$500 million to \$1 billion, holding 4.9% of BHC assets.

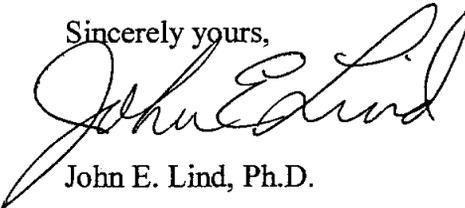
CONCLUSION

In conclusion, CANICCOR urges that the FDIC withdraw the proposed regulations. If the FDIC does not withdraw them, CANICCOR urges that the FDIC continue to require full reporting and full evaluations of all subsidiaries of bank holding companies with depository assets of \$1 billion or greater, i.e. that none of these subsidiaries be considered small banks.

Only 261 FDIC supervised banks with assets of less than \$1 billion are subsidiaries of bank holding companies with assets of \$1 billion or more and that over half of them had assets of less than \$250 million. This number is such a small fraction of the total number of banks supervised by the FDIC and the costs to the banks for the additional report are small compared to the assets of these banks holding companies. Thus, CANICCOR maintains there is no need to remove the requirement that all subsidiaries of banks holding companies with assets of \$1 billion or more be subject to all the reporting under CRA and not be excluded as "small banks".

Thanks you for considering this submission.

Sincerely yours,



John E. Lind, Ph.D.

Cc: Steering Committee, Interfaith Center on Corporate Responsibility (ICCR), Working Group on Access to Capital, \$110 billion in assets under management by members and affiliate members including:

Protestant Church Funds, assets under management of more than \$23 billion:

Patricia Zerega, Evangelical Lutheran Church in America

Vidette Bullock Mixon, General Board of Pension and Health Benefits

The United Methodist Church

William Somplatsky-Jarman, Presbyterian Church (USA)

Healthcare Systems, assets under management of \$4.4 billion:

Susan Vickers, Catholic Healthcare West

Catherine Rowan, Trinity Health

Investment Fund Managers, assets under management of \$13.9 billion:

Lauren Compere, Boston Common Asset Management

Julie Fox Gorte, Director, Social Research Department, Calvert Asset Management Co.

Steven Lydenberg, Chief Investment Officer, Domini Social Investments LLC

Joan Bavaria, President, Trillium Asset Management Corp

Kenneth Scott, Vice President, Portfolio Manager, Walden Asset Management

Religious Orders, assets under management of more than \$1.1 billion:

Rev. Joseph P. La Mar, Maryknoll Fathers and Brothers

Séamus P. Finn, Missionary Oblates of Mary Immaculate

Valorie Heinonen, Sisters of Mercy Region of Detroit Charitable Trust
Mercy Investment Program

Others: Paul M. Neuhauser, Professor Emeritus, School of Law, University of Iowa, ICCR Board