LA04-377

Congress of the United States

Washington, DC 20515

September 15, 2004

The Honorable Donald Powell
Chairman
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429

FDIC
SEP 17 2004
OFFICE OF LEGISLATIVE AFFAIRS

Dear Chairman Powell:

The undersigned members of the Congressional Black Caucus (CBC) are writing to request that you withdraw your proposed revision to the definition of a "small bank" in regulations implementing the Community Reinvestment Act (CRA). This proposal will harm many communities, especially communities we represent, and is contrary to the purposes of the CRA. In addition, the process by which the FDIC has undertaken this dramatic restructuring of CRA troubles us and does not reflect our tradition of open and deliberative formulation of regulatory policy.

CRA has proven to be one of our nation's most important community reinvestment tools. Since the passage of CRA in 1977, banks and thrifts have invested trillions of dollars in communities they serve, including low-income communities. This capital has fueled economic revitalization in every state and has served to make credit available to millions of Americans who deserved but could not access it. Financial institutions have acknowledged that CRA obligations have caused them to discover new markets and profit opportunities that might otherwise have been ignored.

CRA was never intended to be the responsibility solely of very large thrifts and banks. Indeed, mid-sized banks and thrifts are often more intimately familiar with their communities and better positioned to make the most effective CRA investments. These institutions have played a vital role in the success of CRA. It would, therefore, significantly undermine the effectiveness of CRA if these institutions were exempted from the investment and service tests required under the more stringent CRA examination. Yet this is precisely what the FDIC now proposes to do. According to the FDIC's figures, increasing the small bank exemption from $250 million to $1 billion would reduce the percentage of state nonmember banks classified as "large" from 10.6% to 4.3% and remove over 900 institutions and $400 billion in assets from CRA.

The split vote by the FDIC board and the inclusion of a "community development" criterion in the streamlined small bank CRA test seems to reflect the FDIC's own concern about the adverse impact these proposed regulations could have on community revitalization under CRA. We believe that the FDIC should have followed the lead of the Federal Reserve System and the Office of the Comptroller of the Currency in maintaining the current small bank thresholds. The adoption of the FDIC's proposals would result in three different CRA standards among the four banking regulators. Instead of promoting regulatory uniformity, the FDIC's proposal would create a fractured CRA landscape that could permanently damage CRA. If institutions are

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FROM MELVIN WATT

having difficulty meeting their CRA obligations, we believe that a better response would be to re-examine the types of investments that qualify for CRA credit. We would urge the FDIC to work with other bank regulators to create a uniform system that maximizes both bank and thrift assets available for CRA-type investments and CRA-appropriate investment opportunities. This response would guarantee that CRA remains a powerful community revitalization tool while helping banks and thrifts to meet their obligations.

Finally, we believe that a change of this significance should be made in a transparent manner with as much involvement by affected parties as possible. The FDIC issued the proposal after an unusually short review period for its board members and then provided a short comment period that began during August, a typical vacation period. These circumstances make it unlikely that the proposal will receive the full analysis and commentary it deserves or that it would otherwise receive. We believe that the FDIC should extend the comment period to ensure that all parties who wish to comment on the proposal have sufficient time and opportunity to do so.

Thank you for your consideration of our input.

Sincerely,

Barbara Lee

Wm Lacy Clay

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[illegible]

[illegible]

Corrine Brown

[illegible]

[illegible]

Artur Davis

[illegible]

Alcee L. Hastings

Danny K. Davis

[illegible]

Diane E. Watson

[illegible]

Bennie G. Thompson

Eleanor H. Norton

[illegible]

Signed by:

Rep. Melvin L. Watt
Rep. Barbara Lee
Rep. Stephanie Tubbs Jones
Rep. Charles B. Rangel
Rep. William J. Jefferson
Rep. William Lacy Clay
Rep. G. K. Butterfield
Rep. Robert C. Scott
Rep. Donald M. Payne
Rep. Sheila Jackson-Lee
Rep. Corrine Brown
Rep. Sanford D. Bishop, Jr.
Rep. Julia Carson
Rep. Artur Davis
Rep. David Scott

Rep. Maxine Waters
Rep. Juanita Millender-McDonald
Rep. Gregory W. Meeks
Rep. Donna M. Christian-Christensen
Rep. Elijah E. Cummings
Rep. Kendrick B. Meek
Rep. Alcee L. Hastings
Rep. Danny H. Davis
Rep. Albert R. Wynn
Rep. Diane E. Watson
Rep. Major. R. Owens
Rep. Bennie G. Thompson
Rep. Eleanor Holmes Norton
Rep. Harold Ford