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Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429-9990
Attention: Robert E. Feldman

September 13, 2004

Re: RIN 3064-AC50
Proposed CRA changes

FDIC RECEIVED 2004 SEP 21 P
EXECUTIVE SECRETARIAT THE OFFICE OF

Dear FDIC leaders:

The proposed Community Reinvestment Act (CRA) changes are anti-public interest and should be withdrawn. I was shocked to learn that the proposed FDIC plan to increase the streamlined examination plan from $ 250 million to $ 1 billion, will almost eliminate CRA requirements for about 2,000 banks (96% of all FDIC regulated banks) with total assets of about $ 800 billion. The plan change would affect branches in over 18,000 communities. Banks that qualify for the streamlined changes will then only have to engage in one of three activities (community development lending, investing or services) in disadvantaged areas instead of all three.

In California 122 of the 146 state-chartered banks located in urban areas will have their CRA requirements almost eliminated by the proposal. Our San Diego area has a number of banks who will no longer be required to serve our minority and low and moderate income communities. In fact all locally owned banks will be allowed to have the changes from the FDIC proposal. This is absolutely wrong!

Personally, I have a lot of background in opening branch offices and lending in disadvantaged areas. The person who got me fired up on this subject was Governor Ronald Reagan who appointed me to 3 positions in his administration and I also served as an alternate member of his 7 member Cabinet. When Ronald Reagan died I was asked to appear on TV 3 times to reflect on my experience with him in Sacramento. San Diego's business newspaper, The Daily Transcript, asked me to write an article on my personal experiences with Governor Reagan (article attached). Read the paragraph "Business Involvement" which refers to serving disadvantaged areas. Reagan was a leader in helping disadvantaged and minority communities. The proposed CRA changes will mean that some banks will not be required to serve San Diego areas that badly need financial help.

Upon returning to San Diego I became Managing Officer and later President of San Diego Federal. We immediately opened the first branches of any financial institution in San Diego's primary African-American and Hispanic Communities. I was very fortunate to retire in 1988 before the passage of FIRREA. FIRREA has resulted in the elimination of all S & Ls in San Diego and the reduction in California is from over 200, twenty years ago, to about 20 S & Ls now left in our State. San Diego has lost institutions that had very strong desires to serve disadvantaged areas.

Two attached editorials from 1989 and 1990 provide some background as to the power behind the passage of FIRREA in 1989. A question – Is the banking lobby going to win again like they did in the passage of FIRREA or will the public prevail by the dumping of the proposed CRA changes?

For the past 12 years I have served on San Diego's City-County Re-Investment Task Force which enforces the CRA. I was appointed by the African-American members of both the City Council and the Board of Supervisors because of my background and dedication to serve San Diego's disadvantaged areas. If the proposed changes to the CRA are made by the FDIC our Task Force will be probably be eliminated (this is a public service body with no remuneration). We work closely with banks in monitoring their service to disadvantaged communities.

In San Diego the CRA law has been of tremendous help in upgrading our disadvantaged areas. I can see the future closures of bank branches in disadvantaged areas in San Diego if the CRA changes are made as the CRA requirements for most banks will be history. Already check cashing companies are exploiting low and moderate income people with unbelieveable fees. We don't need to force more people to use check cashing companies.

I personally enjoyed helping to serve San Diego's disadvantaged areas and it was a thrill, as indicated in the article, to be told by the FHLBB that our institution had the # 1 CRA ranking of all S & Ls in the U.S. We were asked by the FHLBB to help them in educating other S & Ls in CRA activities.

I remember well the events around the passage of the CRA law in 1977. As the California representative on the Executive Committee of the U.S. League of Savings Institutions I personally lobbied hard in Washington for the CRA bill and was a leader in getting the U.S. League to strongly support the passage of FIRREA. The commercial banks were not for it and at the U.S. League we led the way to help get the CRA enacted into law. All of our California congressional members on the House Banking Committee (both parties) supported the legislation as did California's two U.S. Senators.

In closing, please drop the FDIC's proposed changes and leave things like they are. In San Diego the changes will really hurt our area. Smaller banks now can and do make good profits doing CRA lending and the communities benefit. The CRA change to streamline will hurt low and moderate income areas and is anti-public interest. Don't do it! CRA works so please reject the proposal and keep CRA "as is"!

Sincerely,

Jim Schmidt

James C. Schmidt
Retired President, Great American Bank (name changed from San Diego Federal)
Public member of San Diego City-County Re-Investment Task Force since 1992

CCs – FDIC Board Members, Donald Powell, Chairman; John Reich, Vice Chairman; Thomas Curry, Director; John Hawke Jr., Comptroller of the Currency; and James Gilleran, Director of the Office of Thrift Supervision.
Congressmen Randy "Duke" Cunningham, Duncan Hunter and Darrell Issa.

The Daily Transcript FRIDAY, JUNE 11, 2004

First Amendment: Congress shall make no law respecting an establishment of religion, or prohibiting the free exercise thereof; or abridging the freedom of speech, or of the press; or the right of the people peaceably to assemble, and to petition the government for a redress of grievances.

OPINION & COMMENT

Remembering the governor from California

Commentary

By Jim Schmidt

Gordon Luce and I had the great honor of joining Ronald Reagan at the start of his term as governor of California in January 1967.

We ran the Business and Transportation Agency as Reagan's appointees, with Gordon as secretary and myself as assistant secretary and chief deputy.

We oversaw the four transportation departments and the seven business regulatory departments, which included Banking, Savings and Loans, Real Estate, Corporations, Insurance, Housing and Community Development, and Alcoholic Beverage Control.

When I returned to San Diego, Gov. Reagan appointed me to the State Transportation Board and the California Toll Bridge Authority to help continue his plans to improve transportation in California.

I have many great memories, but here are my recollections of three important things that happened during my time in Sacramento:

Business involvement

Reagan believed the business community is key to addressing social problems.

Based on personal involvement, he was concerned about but supported only some of the principles of the 1964 Rumford Fair Housing Act, which had banned housing discrimination based on race. The act had been declared unconstitutional in 1967 and was a controversial issue in Sacramento. Reagan had questions about it.

In January 1968, Reagan toured the state and met only with minority groups — with no media present. Bobby Keyes of San Diego took the trip with him.

Keyes, an African-American, was one of the minority members of the Reagan administration.

The governor returned from the state tour shaken by what he learned.

He immediately announced that he was in full support of the principles of the Rumford Act and would oppose any legislation that would hurt minorities in improving their housing needs.

Reagan deeply believed that labor and business, along with the minority community, should work together to solve housing problems.

I was personally involved in the key meetings with the governor, as the Housing and Community Development Department fell under our Business and Transportation Agency.

After I joined San Diego Federal — later changed to Great American — in 1969 as managing officer, we immediately implemented the Reagan philosophy in serving San Diego's older and disadvantaged areas, such as Logan Heights, with a plan to finance housing in those areas.

In the 1980s, we were told by the Federal Home Loan Bank Board that we had the No. 1 Community Re-Investment Act ranking in serving disadvantaged areas among all savings and loans in the country.

I will never forget seeing the governor's encouragement for the business community to help and serve the minority community and the disadvantaged.

Management style

Reagan's cabinet only had seven members, including four secretaries overseeing 40 departments, a director of finance, executive secretary/chief of staff, the cabinet secretary and also Lt. Gov. Bob Finch.

The cabinet met twice a week for an hour and a half. Only cabinet members sat at the table with the governor. The counsel and legislative director were at the sides to answers questions if needed.

An excellent one-page memo plan for cabinet meetings was recommended by cabinet Secretary Bill Clark and adopted by the governor. The memo plan had four points on the page. Each memo set out the issue, the facts, a discussion of the issues and then the conclusions and recommendation.

The memos were exchanged in advance between the cabinet members, then discussed at the cabinet meeting. The governor would then make his decision.

As an alternate member of the cabinet as the Business and Transportation Agency representative, I learned more about management in state government than in the private sector and it really helped in my future endeavors.

Bipartisanship

Reagan led the way as a Republican in developing good relationships with Democrats. He did such a good job in this effort that Sen. Hugh Burns of Fresno, Democratic president pro tem of the Senate, was co-chair of Reagan's 1970 re-election campaign.

Democratic Sen. Randy Collier of Yreka, who served over 30 years in the state Senate and was chair of the Senate Transportation Committee, always said that Reagan was the greatest governor he had ever worked with.

Serving Reagan in Sacramento was an experience I will always remember. It could not have been better. He was the nicest person anyone could ever meet.

Schmidt was president of San Diego Federal Savings and Loan/Great American before retiring in 1988. He served under Gov. Ronald Reagan as assistant secretary of the Business and Transportation Agency from 1967-69.

Source Code: 20040610tzb

National Thrift News May 8, 1989

EDITORIAL

Are the Referees Neutral?

As the Bush plan to bring financial integrity to the deposit insurance system has worked its way through the Administration and the Congress, we've heard a lot about pressure from "special interests."

The phrase generally means the thrift industry trade groups and a number of legislators who are viewed as being biased on their behalf.

But in fact no group has lobbied as hard – or as effectively – as the American Bankers Association.

On the crucial issues of parity in premiums and the question of insurance stickers, the ABA has prevailed.

The banking group had a head start on other lobbying organizations. The ABA's point of view has already won out in the drafting stages at the Treasury Department.

By preserving two separate insurance identities, the Treasury has locked thrift institutions into a situation in which their insurance will continue to cost more and the funds that will be covered by that insurance also will bear a penalty price.

And now it has been disclosed that the two individuals given responsibility for drafting the measure (recruited to Treasury ostensibly as disinterested academics) earned enormous consulting fees from major commercial banks and can expect to resume those relationships when they leave government.

We don't accuse Robert Glauber or David Mullins of showing favoritism to the bank position. But the appearance of a conflict certainly exists.

We think the Treasury decision to accept the irrational separate insurance sticker demand of the ABA not only will give banks a continued huge competitive advantage.

It also will mean the eventual cost to the taxpayer will be increased by billions of dollars.

On the sticker issue, the Treasury made clear that it had decided early on to continue the two separate identifying decals and made sure that the Congressional committees concerned understood that the subject was closed.

The deregulation process was supposed to assure a "level playing field," something the ABA always supports, at least verbally.

But in fact the playing field for retail deposits has borne a substantial down slope in the direction of the banks for some years now and the pending legislation assures it will remain out of kilter.

We hope the decision to hand this crucial competitive long-term advantage to the commercial banks was reached without an eye to anyone's future consulting fees.

National Mortgage News

January 27, 1990

EDITORIAL

An Ideologue Departs

When Robert R. Glauber and David Mullins were named as key deputies to Treasury Secretary Nicholas Brady back in early 1989, we voiced concern about their negative attitude toward specialized housing lenders.

Both men had taught at Harvard and had worked on a consulting basis for major commercial banks.

Mr. Mullins now is vice chairman of the Federal Reserve where he has been an advocate of monetary policies that appear designed to widen the spreads of big commercial banks and that would allow banks entry into almost any business they covet.

And Mr. Glauber now too is leaving the Treasury to return to academia (and consulting).

His lasting legacy as undersecretary for finance is the Financial Institutions Reform, Recovery and Enforcement Act.

Under FIRREA, the thrift industry was to be restructured into an efficient housing lender and the government was to be protected from any future disaster in deposit insurance, all at a supposed cost of $50 billion plus interest.

The language of FIRREA has left for dead dozens of thrift institutions that had been profitable and solvent.

And it has created a regulatory system that has stifled growth and profitably beyond anyone's worst fears.

In the current financial environment thrifts should be growing rapidly and earning substantial profits.

But only a portion of the industry is profitable and very few can afford even minimal growth.

By the way, that $50 billion plus interest has grown in two-and-a-half years to more than $200 billion plus interest, despite the Administration's guarantee that FIRREA had solved the problem.

If Mr. Bush is re-elected, we hope that Secretary Brady (or a successor) will seek replacements for Messrs. Glauber and Mullins that don't come burdened with an ideological position that affects whatever they do.

The country can ill afford another round of government by consultant.