

JAMES T. WALSH  
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## Congress of the United States

House of Representatives

Washington, DC 20515-3225

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MILITARY CONSTRUCTION

September 15, 2004

The Honorable Donald E. Powell  
Chairman  
Federal Deposit Insurance Corporation  
550 17<sup>th</sup> Street, NW  
Washington, DC 20429

Dear Chairman Powell:

I am writing to request that you withdraw the Federal Deposit Insurance Corporation's proposed changes to the Community Reinvestment Act (CRA) regulations.

A number of my constituents have expressed grave concerns with the recent Office of Thrift Supervision (OTS) ruling and the regulatory changes that the Federal Deposit Insurance Corporation (FDIC) has proposed regarding altering the definition of small banks and dramatically changing the requirements for rural financial institutions to invest in the communities they serve. In my district, CRA has been instrumental in increasing homeownership, boosting economic development, and expanding small businesses.

In New York State, the FDIC oversees 81 institutions that hold more than \$161 billion in total assets. Sixty of these financial institutions, or 74 percent, have assets of less than \$1 billion. Under the FDIC's proposal, these banks will be subject to a "streamlined" CRA examination that will not adequately evaluate financial institutions on their lending, investments, and particularly their services. Collectively, these banks control more than \$16 billion in assets across the state.

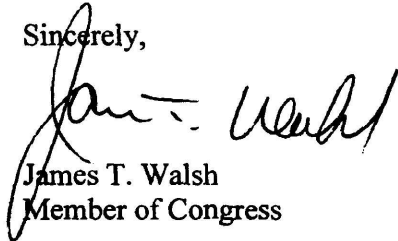
Furthermore, under the FDIC's proposal, only two rural New York FDIC-regulated banks would continue to be subject to the three-part CRA examination – a serious threat to much-needed community development efforts in rural areas. I am particularly concerned that the FDIC has proposed to allow any community development activities in rural areas - regardless of scope or populations served - to fulfill CRA requirements. This aspect of the FDIC's proposal undermines the statutory intent of CRA to require banks to engage in community development activities that benefit low- and moderate-income families in the areas they serve.

If this proposal were to be adopted, CRA reviews would not hold banks accountable for investing in Low Income Housing Tax Credits, a major source of affordable rental housing for low-income working families. Likewise, financial institutions would not be required to provide the bank branches and checking accounts instrumental to fulfilling the needs of low-income families in their communities. This could lead to an upsurge in

predatory lending practices and a rise in other wealth-stripping institutions such as payday lenders.

I urge you to withdraw this ill-conceived proposal which would potentially undermine nearly three decades of innovative investments in underserved communities across this country.

Sincerely,

A handwritten signature in black ink, appearing to read "James T. Walsh". The signature is written in a cursive style with a large, looping initial "J".

James T. Walsh  
Member of Congress