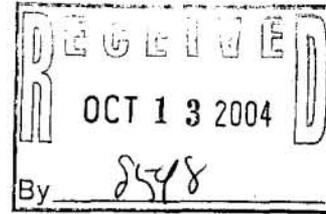


September 30, 2004



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

FROM: John Elden, Northland Foundation
RE: RIN 3064-AC50

Withdraw Proposal to Weaken CRA

Dear Mr. Feldman:

As a member of the National Community Capital Association (NCCA), I urge you to withdraw your proposed changes to the Community Reinvestment Act (CRA) regulations. If enacted, the FDIC will define small banks as \$1 billion and less with those banks having assets between \$250 million and \$1 billion subject to community development criteria.

You propose that state-chartered banks with assets between \$250 million and \$1 billion follow a community development criterion that allows banks to offer community development loans, investments OR services, which will result in significantly fewer loans and investments in low-income communities—the very communities that the CRA was enacted to serve. Currently, mid-size banks must show activity in all three areas of assessment. Under the proposed regulations, the banks will now be able to pick the services convenient for them, regardless of community needs.

In my state, Minnesota, the 320 banks regulated by the FDIC would have NO obligation to explore partnerships that bring private capital through CDFIs to low-income Minnesotans and their communities. Commenters advocating for this change state that raising the limit to \$1 billion would have only a small effect on the amount of total industry assets covered under the large bank tests. I think this would be very hard to justify to the low-income communities in Minnesota left without meaningful services. Since 95.7 percent of the banks you regulate have less than \$1 billion in assets, there will be no accountability for the vast majority of state-chartered banks.

Your proposal is especially harmful in rural communities. The proposal seeks to have community development activities in rural areas counted for any group of individuals regardless of income. This could divert services from low- and moderate-income communities in rural areas where the needs are particularly great.

The impetus for the creation of the CRA was to encourage federally insured financial institutions to meet the credit and banking needs of the communities they serve, especially low- and moderate-income communities. This proposal undermines the intent of CRA, and threatens to undo the years of effort to bring unbanked consumers into the financial mainstream. I urge you to remove this dangerous proposal from consideration.

Sincerely,