

1000 SOUTH WASHINGTON AVENUE, SUITE 101
LANSING, MICHIGAN 48910-1647

www.cedam.info

VOICE 313.485.3688
FAX 313.485.3043
staff@cedam.info



COMMUNITY ECONOMIC DEVELOPMENT ASSOCIATION OF MICHIGAN



UNITING PARTNERS TO REBUILD OUR COMMUNITIES

October 19, 2004

Mr. Robert E. Feldman, Executive Secretary
Attention: Comment/Legal ESS
Federal Deposit Insurance Corporation
5550 17th St. NW
Washington, DC 20429

Re: RIM 3064-AC50

Dear Mr. Feldman:

The Community Economic Development Association of Michigan, a statewide trade association with over 250 member and partners, formally opposes your proposed changes to the Community Reinvestment Act that would allow banks with assets of up to \$1 billion to be given the same truncated test as small banks. Small banks, institutions with less than \$250 million in assets, are evaluated under a "streamlined" lending test, with no test regarding investment or services. They are examined only once every four or five years, depending on whether they have a satisfactory or an outstanding rating, respectively.

Currently, banks with assets greater than \$250 million are subjected to the most rigorous exams. Under current CRA regulations, banks having at least \$250 million in assets are rated according to performance regarding lending, investing, and services to low- and moderate-income communities. In Michigan, 36 of these FDIC insured institutions with assets totaling \$15,263,665,000, would no longer be subjected to the most rigorous exams.

Currently, banks are required to finance affordable housing and economic development projects that target low- and moderate-income borrowers and neighborhoods. Under the proposed changes, banks may earn CRA points for financing developments that have no community economic development benefit.

Nationally, since 1977, banks and community organizations have entered into over 390 community agreements worth more than \$1.09 trillion in reinvestment dollars for underserved populations. A department of treasury study documents that lenders made more loans to low-and moderate-income borrowers in geographical areas in which they had negotiated CRA agreements with local community groups.

Without guidelines that encourage banks to provide loans, services and investment in low-and moderate income neighborhoods, banks could default to the days of "redlining," in which particular neighborhoods received no services, loans or investment.

Again, CEDAM urges you to keep the current CRA exam threshold. It will matter in Michigan.

Respectfully,

Tony Lentych
Executive Director

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