



January 9, 2006

Re: OCC Docket No. 05-17; Federal Reserve Docket No. OP-1240; FDIC RIN 3064-AC97

OCC: regs.comments@occ.treas.gov

Federal Reserve Board: regs.comments@federalreserve.gov

FDIC: comments@fdic.gov

To Whom It May Concern:

ShoreBank Corporation is pleased to comment on the proposed Interagency Questions and Answers Regarding Community Reinvestment, published November 10, 2005. ShoreBank is the nation's first and leading community development bank holding company, and comprises two commercial banks and an international consulting company, and has several not-for-profit affiliates. Two of those not-for-profit affiliates, ShoreBank Enterprise Pacific ("SEP") and Northern Initiatives, serve primarily rural areas.

Our major comment relates to the proposed criteria to be used to identify distressed or underserved nonmetropolitan middle-income geographies (§___12(g)(4)(iii)-1). We believe these definitions, **primarily because they are based on a relatively large geographic unit, the county**, will serve to exclude needy geographies. For example, the definition of distressed community is apparently based in part on eligibility criteria for programs run by the Treasury Department's Community Development Financial Institutions Fund ("the Fund"). SEP has found that even though the Fund's criteria are based on the characteristics of census tracts (a smaller geography than county in the states in which SEP works), distressed communities are consistently excluded from eligibility. This is the result of the fact that relatively large rural geographies (including both census tracts and counties) contain a wide variety of types of populations, with pockets of distress encompassed within relatively better-off much larger geographies. SEP commissioned MetroEdge, formerly a ShoreBank company¹, to analyze distress at the **block group** level, a significantly smaller geography than either census tract or county. A summary of the results of that analysis is attached to this letter. In brief, the analysis demonstrates that, by using too large a geography, many of the distressed communities within SEP's service area are excluded from the Fund's "hot zones." We strongly urge the regulators not to make the same error with respect to CRA, and would be happy to work with you to develop methodologies, such as those used by MetroEdge, that could be relatively easily be applied to smaller geographies.

ShoreBank Corporation also wishes to comment on proposed §___12(i)-3, relating to community development service, and in particular the bullet relating to "providing credit counseling, home-buyer and home-maintenance counseling, financial planning or other financial services education to promote

¹ MetroEdge has since become a part of the Local Initiatives Support Corporation (LISC).

community development and affordable housing.” We suggest that “entrepreneurship training” be added to this list of community development services. Over ShoreBank’s 30 year history, we have found that

the development of local entrepreneurs in underserved communities is one of the most effective means to long-term community development and stabilization.

Finally, we wish to support the comments submitted by our affiliate Center for Financial Services Innovation (CFSI), relating to various other aspects of the services definition. A copy of CFSI’s comment letter is also attached.

Thank you very much for this opportunity to comment.

Sincerely,

A handwritten signature in black ink, appearing to read "Ellen Seidman". The signature is fluid and cursive, with a long horizontal stroke at the end.

Ellen Seidman
Executive Vice President
National Partnership and Policy Development

Attachments:

MetroEdge study for ShoreBank Enterprise Pacific (summary)
CFSI comment letter