

Office of the Comptroller of the Currency
250 E Street SW, Mail Stop 1-5
Washington DC 20219
RE: Docket No. 05-17

Jennifer J. Johnson
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington DC 20551
Docket No. OP-1240

Robert E. Feldman
Executive Secretary
Attention: Comments, RIN 3064-AC97
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington DC 20429

January 9, 2005

To Whom it May Concern:

Thank you for the opportunity to comment on the proposed changes to the Community Reinvestment Act.

We have stated in previous letters that in its current form the Community Reinvestment Act (CRA) has been and continues to be extremely important in helping increase access to credit for low-income communities and leverage private capital for the community development field. CRA has been instrumental in increasing access to homeownership, boosting economic development, and expanding small businesses in the nation's minority, immigrant, and low- and moderate-income communities, both urban and rural.

CEI is a nonprofit community development corporation (CDC) and community development financial institution (CDFI) serving Maine. Under the New Markets Tax Credit and venture capital financing we've extended beyond Maine to include other rural New England and upstate New York regions. We now manage \$250 million in capital. Our ability to help develop Maine's and other regions' economy and create income, employment and ownership opportunities for low income people depends on our partnership with the banking system. The CRA has been essential in stimulating a vibrant and positive relationship to spur investment in underserved areas. We have significant relationships with most banks in Maine and beyond, and value these, and believe the CRA has been instrumental in ensuring these relationships prosper.

The current proposal by the federal regulators has some merit. We are pleased that the federal agencies direct banks to focus on low- and moderate-income families in areas

impacted by disasters and we believe that ensuring mid-size banks continue to offer community development loans, investments and services maintains the intent of the CRA. However we are concerned that other proposed questions divert bank financing to middle- and upper-income housing. We believe that the agencies must maintain the central goal of CRA, namely eliminating redlining and expanding access to credit for low- and moderate-income families and communities. Following is a review of CEI, and our comments on the agencies' proposal.

CEI Profile

For over 28 years CEI has sought out ways to improve access to capital for marginalized populations to provide affordable housing and access to decent employment for the people and places left out of the economic mainstream, and to align private capital markets with social investments benefiting communities, residents and the environment. We have loaned, leveraged and invested over \$1.1 billion to 1,700 businesses. We have created over 1,000 units of affordable rental, supported and homeownership housing. We have helped create and sustain job opportunities for over 16,000 individuals. We have also provided business counseling to 20,000 fledgling enterprises, many of whom become bank customers. In addition, as stated above, our venture capital and new markets tax credit (NMTC) programs serve parts of Northern New England and upstate New York. We have a substantial housing development program that provides affordable housing for residents of mid-coast Maine.

Natural Disasters

We are pleased that the agencies are proposing CRA credit for banks financing community development in areas impacted by disasters for up to one year after the expiration of official federal or state disaster status. As community developers ourselves, we know that community development financing takes considerable time to plan and implement, often beyond the one year of official disaster zone status. We are also pleased by the agencies' proposal to provide more "weight" or credit to community development activities that are most responsive to the needs of low- and moderate-income individuals impacted by natural disasters. Your proposal to provide CRA points for investments that benefit families displaced by disasters promises to be very beneficial to areas receiving a large influx of families resettling in the wake of Hurricane Katrina and future natural calamities.

We have also entered into a partnership with one of our CDFI peers, Southern Mutual Help Association in New Iberia, Louisiana, to do what we can to help them build capacity for reconstruction.

Community Development Services

The proposed questions on community development services provide an important emphasis on low-cost banking services for low- and moderate-income consumers. This is of particular concern for Maine citizens as we are increasingly aware of Mainers' needs to access low cost alternatives to payday loans and predatory mortgage loans. We believe there is currently an effort among the payday lending industry to expand operations in Maine. We are providing information to key state legislators and regulators to guard against this highly questionable practice. As well, we are completing a study on predatory mortgage lending in Maine that indicates a need to get borrowers out of the reach of predatory lenders. Low-cost checking accounts, electronic transfers, and remittances provide critical alternatives to

payday loans and other high cost fringe products as well as moving them into the financial mainstream. Low cost banking services enable low-income consumers to save and build wealth in contrast to usurious products that strip wealth.

Once these proposed questions are finalized, we believe it is essential that the agencies will provide CRA points for low cost banking services as well as penalizing banks on CRA exams for abusive products such as bounce protection, whose wealth stripping features are not advertised clearly to consumers.

Mid-Size Bank Criterion

We ask that you clarify the CRA exam criterion for mid-size banks with assets between \$250 million to \$1 billion that assesses their provision of services through branches and other facilities. We would like to see an explicit inclusion of an examination of the number and percent of branches in low- and moderate-income communities. Placing branches in low- and moderate-income communities is vital since a recent Federal Reserve study shows that racial disparities in high cost lending is less when banks conduct the lending through branches as opposed to using brokers.

CRA Credit for Mixed Income Development Preferable to Middle- and Upper-Income Housing Development Credit

In place of CRA points for financing middle- and upper-income housing developments in distressed rural middle-income census tracts, we would like to see credit for mixed-income housing in such areas. Recent discussion in the field of community development indicates substantial benefit from mixed-income housing developments. Elsewhere in the existing Question and Answer document and in your proposed questions, the agencies provide credit for mixed-income housing developments. Mixed-income housing helps to overcome segregation by income and is an activity worthy of CRA points if the housing contains a significant number of low- and moderate-income families.

Community Development Loans, Investments and Services

We are pleased that your proposed question and answer reiterates that mid-size banks must offer community development loans, investments and services. Mid-size banks cannot ignore one or more of these activities. We also recognize that qualitative factors on CRA exams can be important, but we ask that you add a provision to your proposed questions stating that qualitative factors will not be employed by examiners to excuse low levels of community development lending, investments or services.

Predatory Mortgage Lending

Finally, we would like to see added a Question and Answer indicating that a bank will automatically undergo a fair lending exam to test for compliance with federal anti-predatory and anti-discrimination law when the bank or one of its affiliates makes a high concentration of subprime loans to minorities, elderly, women, low-income borrowers or to communities recovering from natural disasters and experiencing shortages of credit. This is of significance in Maine as our soon-to-be-released predatory mortgage lending report indicates that African Americans and Native Americans in Maine, while still a small population in Maine, are significantly more likely to receive a subprime mortgage than their white counterparts.

Thank you for the opportunity to comment on the proposed changes to the Community Reinvestment Act. If you have any questions, please do not hesitate to contact either Hannah Thomas (hlt@ceimaine.org) or me (rlp@ceimaine.org) at the address above.

Sincerely,

Ron Phillips
President

CC:
CEI Board
Maine Attorney General Steven Rowe
Treasury Secretary John W. Snow
Senator Olympia Snowe
Senator Susan Collins
Congressman Thomas Allen
Congressman Michael Michaud
Maine Bankers Association
Maine Association of Community Banks
National Community Reinvestment Coalition