Rural Community Assistance Corporation

October 20, 2004

Robert E. Feldman, Executive Secretary
Attention: Comments/Legal ISS
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429-9990

RE: Federal Deposit Insurance Corporation proposed rulemaking, RIN 3064-AC50

Dear Mr. Feldman:

I am writing on behalf of the Rural Community Assistance Corporation (RCAC), a regional non- profit corporation serving rural communities in thirteen western states, regarding the proposed revisions to the Community Reinvestment Act (CRA), specifically 12 CFR 345. RCAC opposes the options outlined in the proposed rulemaking. RCAC does support adding rural areas to the definition of 'community development' with safeguards to ensure benefit to low-income and minority individuals. The proposed revisions (with the exception of adding rural areas to the 'community development' definition) would significantly undermine the intent of the Community Reinvestment Act (CRA), reduce private investment in community development, and adversely affect National, state, and local goals of alleviating homelessness and increasing home ownership. The value of the current regulations to low-income and minority persons and communities, far outweighs the benefits to lending institutions of any regulatory relief.

The current CRA regulations are essential to the successful development of affordable housing and other community development projects throughout our region. RCAC works closely with community based organizations and local entities to leverage private investment for community development projects. The regulations have encouraged a broad range of lending institutions to participate in community development through purchasing Low Income Housing Tax Credits (LIHTC), providing creative financing and flexible underwriting, accessing grants to community development organizations, and conducting outreach to low-income and minority communities. These community development activities have enabled many organizations to leverage scarce public investments in affordable housing.

RCAC also is a Community Development Financial Institution (CDFI) with a loan fund. As one of the first CDFI's, we benefit from CRA through banks which provide loan capital to our loan fund on favorable rates and terms. In turn, RCAC serves as a lender to local non profit organizations and rural communities for affordable housing, water and wastewater projects, and for community facilities. CRA offers opportunities for private financial institutions to invest in organizations and rural communities.

RCAC does support adding rural areas to the definition of 'community development' with safeguards to ensure benefit to low-income and minority individuals. Rural areas generally have relatively limited access to community development investments and services because few if any banks have rural headquarters. Furthermore, rural communities tend to have lower median incomes and their economies

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are subject to the vagaries of economies often based on agriculture and natural resource extraction. These factors greatly complicate community development activities and make rural areas challenging for lending.

"Rural" should also include areas whose economies are dependent on traditional rural activities such as agriculture and natural resource extraction. Communities included in Metropolitan and Micropolitan Statistical Areas (MSA's) should not be categorically excluded from any definition of rural. MSA's are designated on the county level and often include small communities, based on population and economy. These communities may be at a disadvantage as a market for lenders and can benefit from the current CRA. RCAC strongly opposes changes to CRA which would affect incentives for investing in Rural America.

Thank you for the opportunity to comment.

Sincerely,

William French,
Chief Executive Officer (CEO)