

RE: Docket Number 05-04
Communications Division
Public Information Room, Mailstop 1-5
Office of the Comptroller of the Currency
250 E. St. SW,
Washington 20219
regs.comments@occ.treas.gov
Fax to 202-874-4448

Docket No. R-1225
Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington DC 20551
regs.comments@federalreserve.gov
Fax to 202-452-3819

Robert E. Feldman, Executive Secretary
Attention: Comments
RE: RIN 3064-AC89
Federal Deposit Insurance Corporation
550 17th St NW
Washington DC 20429
comments@fdic.gov
Fax to 202-898-3838

May 10, 2005

Dear Federal Officials:

I am writing on behalf of the Sargent Shriver National Center on Poverty Law (Shriver Center) to comment on the proposed changes to the regulation of the Community Reinvestment Act (CRA). The Shriver Center is a 37-year-old Chicago-based nonprofit legal and advocacy group that represents low-income people on state and federal policy issues, including community reinvestment policy. The Shriver Center has been actively involved in financial education and asset building programs in collaboration with financial institutions, regulators, nonprofit organizations, and others through the Financial Links for Low-Income People (FLLIP) coalition for several years. We believe that the proposed small bank and lending changes to the CRA regulation will significantly limit opportunities for unbanked, underserved, asset poor, and vulnerable low-income consumers in Illinois and throughout the country. We are members of the Chicago Community Reinvestment Coalition and the National Community Reinvestment Coalition and support their comments as well.

I urge you to enhance your proposed changes to the Community Reinvestment Act regulations so that banks do not reduce their levels of branches, and community development loans and investments to low- and moderate-income communities. Your proposal is an improvement from the one you issued in the fall, but serious issues remain.

I am pleased that you have dropped your proposal to allow mid-size banks with assets between \$250 million to \$1 billion to offer either community development loans, investments or services. Banks must be expected to engage in all three of these essential community development activities in order to pass their CRA exams, as your current proposal requires. I still believe that the current exam structure of separate lending, investment, and service tests is the most effective structure for maximizing the level of community development financing. The proposed "Community Development" test, even with the requirement of a "Satisfactory" rating on both tests to get a "Satisfactory" CRA rating, is not adequate to ensure investment dollars and retail financial services reach low-income communities.

If you move to a new exam format, you must ensure that significant declines of community development financing do not occur. You could compare past levels of community development financing to future levels after any changes to the CRA exam structure so that banks are penalized if they significantly decrease their level of community development activities.

The role of investments in communities cannot be belittled. Investments in affordable housing and economic development build wealth for families and communities and thus open up new markets for bank lending and services. The importance of investments is one reason why you must carefully develop any final proposal regarding the CRA exam structure.

I am also concerned that deleting a separate test for services will result in CRA exams no longer holding mid-size banks accountable for the provision of bank branches and low-cost accounts in low- and moderate-income communities. Payday lending and other high cost credit has increased in my community the last several years. The last thing we need is CRA exams that no longer look at the number of bank branches in traditionally underserved communities. Please add the provision of bank branches as a clear factor on your proposed CRA exams for mid-size banks.

I urge you to drop your proposed elimination of public data disclosure requirements regarding community development, and small business and small farm lending. Mid-size banks are vital in many communities, particularly in medium-sized cities and rural communities. The only way to hold them accountable for providing credit to small firms and for affordable housing and community development is if the CRA data remains publicly available. The public as well as regulatory agencies will have no way to systematically measure the responsiveness of these banks to critical credit needs if you eliminate this data. Please keep the requirement that "intermediate small banks" report on originations and purchases of small business, farm, and community development loans.

You must not change the requirement that community development in rural areas must benefit low- and moderate-income areas and distressed communities. Define "underserved rural areas" as areas below 90 percent of Area Median Income. In cases where that criterion is inappropriate, permit the CDFI Fund's definition, incorporating out-migration and population loss as well as poverty and income statistics to be used. I do not support adding the "designated disaster areas" to the definition of community development. The standard CRA designation should qualify. I also urge you to apply your revised test to only banks with assets between \$250 million to \$1 billion. If you use an inflation factor each year to increase the number of banks subject to the new and abbreviated CRA exam, you will reduce the range of bank financing and services flowing to communities that need them the most.

Thank you for the opportunity to submit these comments. Please contact me with any questions at 312.368.2007 or doryrand@povertylaw.org.

Sincerely,

Dory Rand
Supervising Attorney, Community Investment
Sargent Shriver National Center on Poverty Law
50 East Washington, Suite 500
Chicago, IL 60602
www.povertylaw.org