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May 6, 2005

Jennifer J Johnson
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington DC 20551
RE Docket No. R-1225

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Robert E Feldman, Executive Secretary
Attention. Comments
Federal Deposit Insurance Corporation
550 17th St. NW
Washington DC 20429
RE. RIN 3064-AC89

Office of the Comptroller of the Currency
250 E St SW, Mail Stop 1-5
Washington DC 20219
RE Docket Number 05-04

Dear Regulators:

I am writing on behalf of the Metropolitan Milwaukee Fair Housing Council (MMFHC), a private, nonprofit organization dedicated to promoting fair housing throughout the State of Wisconsin by guaranteeing all people equal access to housing opportunities and creating and maintaining racially and economically integrated housing patterns. We urge you to enhance your proposed changes to the Community Reinvestment Act (CRA) regulations so that banks do not reduce their levels of branches, and community development loans and investments to low and moderate income communities. CRA has been instrumental in our fair lending work and in the work of our community and economic development colleagues, but it can be even more effective It is a tool that needs to be strengthened, not watered down

It is our understanding that the intention of the proposed regulations is to relieve regulatory burdens. However, we recently heard a banker remark about how all of their community development (CD) loans and investments have to carefully document why they fit the CD criteria and fill a need, and each piece of paper has to be precisely filed and tracked, yet he has seen no empirical evidence that CRA regulations really do impose a burden on financial institutions Indeed, when bankers are surveyed regarding regulatory burdens, CRA compliance is far down the list of their list of regulatory concerns

We believe that your proposal is an improvement from the one issued in the fall, but serious issues remain We are pleased that the proposal allowing mid-size banks with assets between $250 million to $1 billion to choose between offering community development loans, investments or services has been dropped 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

Mid-sized banks are often more responsive to local needs because their CRA assessment areas tend to be one or two cities or counties In contrast, large lenders can have 10 to 20 states as their assessment areas. This is one reason why CRA exams for mid-size banks must be kept as comprehensive as possible.

We 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 But if you move to a new exam format, it is imperative that you ensure that significant declines of community development financing do not occur To monitor this, you could compare past levels of community development financing to future levels after any changes to the CRA exam structure, and penalize banks if they significantly decrease their level of community development activities.

Banks' investments in communities play a crucial role for banks, as well as for individuals and organizations undertaking community and economic development activities Investments in affordable housing and economic development are important to our goals of increasing housing choice and building wealth for families and communities, which serves the banks well by opening 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.

We are also extremely concerned that deleting a separate test for services will result in CRA exams no longer holding mid-sized banks accountable for the provision of bank branches and low-cost accounts in low and moderate income communities The number of payday lending businesses, check cashing stores and other high cost credit outlets has skyrocketed in Milwaukee, and indeed across the state of Wisconsin during the last several years. Low income and central city communities deserted by mainstream banks are particularly hard-hit. Changing the CRA exams so that regulators no longer look at the number of bank branches in traditionally underserved communities would be a cruel blow to the residents of these neighborhoods.

In addition to urging that you add the provision of bank branches as a clear factor on your proposed CRA exams for mid-size banks, MMFHC also proposes that the service test provide penalties for banks that own or finance fringe lending establishments that charge more than an established threshold Fringe lenders claim that their services expand credit opportunities for the communities in which they are located. While this may be true, the real question is, "What is the real cost to the community and the economy?" The cost to access their "services" is routinely excessive, their failure to provide savings products undermines incentive and ability to build assets, and for the majority of the fringe lenders' customers, having these "services" is worse for the community than having none at all, because of the cycle of debt that they create

Adding this language would be a wonderful compliment to the small, but significant step that was made in the new proposal by moving from guidance to regulation regulators' intention to penalize banks' ratings if they find discriminatory and/or illegal credit practices, such as violations of ECOA, the Fair Housing Act, HOEPA, Section 5 of the FTC Act, Section 8 of RESPA and violations of TILA's right of rescission. While predatory mortgage lending is obviously a direct threat to increasing homeownership and housing choice, the other fringe financial services also prey on low and moderate income communities

Another area of great concern is the proposed elimination of public data disclosure requirements regarding community development, and small business and small farm lending Mid-sized banks are vital in many communities, particularly in Wisconsin's 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

Another rural concern regarding the proposal is the elimination of the requirement that banks' community development activities in rural areas must benefit low and moderate income areas and distressed communities. If there are truly no low and moderate income areas within banks' assessment areas, it may make sense for banks to be relieved of the requirement, but most rural areas have legitimate needs for community development loans and investments.

We 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.

MMFHC, a member of the National Community Reinvestment Coalition, stands with nonprofit community groups across the country, willing and able to help banks understand consumer and institutional barriers, and methodically address each impediment to mainstreaming lower income consumers with financial services appropriate for their needs. This will require improved data on financial services transactions, enforcement of fair lending, equal credit opportunity, and consumer protection laws and regulations, enhanced products and services for lower income and lower wealth customers, and offering consumer financial education and outreach programs. CRA goes a long way toward assisting with these efforts. Please do not reduce its requirements

Thank you for your consideration of our comments.

Sincerely,

William R. Tisdale

William R Tisdale
President and CEO

cc. National Community Reinvestment Coalition