

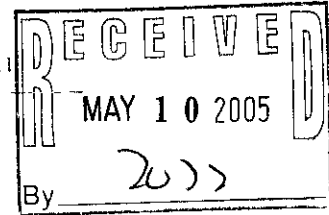


Chicago Appleseed
FUND FOR JUSTICE

Chicago Appleseed Fund For Justice

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April 26, 2005

Robert E. Feldman
Executive Secretary
Attention: Comments
Federal Deposit Insurance Corporation
550 17th St. NW, Washington DC 20429

Dear Mr. Feldman,

I am writing on behalf of the Chicago Appleseed Fund for Justice to comment on the proposed changes to your regulation of the Community Reinvestment Act (CRA)

The key component of your proposal would alter the way that financial institutions with assets between \$250 million and \$1 billion would have their CRA ratings assessed. It would classify these institutions as "intermediate small banks" and subject them to a two part CRA exam consisting of the small bank lending test and a new community development test.

We are happy to see that you did not adopt the Office of Thrift Supervision position to consider all institutions with less than \$1 billion in assets as "small" for CRA purposes. We believe that the current three part CRA exam for "large" institutions has been effective at improving access to lending, financial services, and community development resources for low- and moderate-income households and communities. We are pleased, however, to see that the current proposal will continue to assess an institution's levels of community development lending, services, and investments and will require an institution receive a "satisfactory" on both the lending and community development tests to get an overall "satisfactory" CRA rating. Each of these three elements are critical to successful community reinvestment and it is important that they are examined separately within the community development test.

However, we are concerned by several parts of the current proposal. First, the community development test does not consider the location of bank branches for intermediate small banks. Institutions between \$250 million and \$1 billion in assets play a critical role in the delivery of financial services in low- and moderate-income and minority communities, yet many of these areas remain seriously underserved by bank branches. We believe that intermediate small banks should continue to be examined for their branch locations and for their history of opening and closing branches in LMI communities.

Additionally, while we understand that an institution's capacity and opportunity for community development activity will be factors when assessing its performance on the community

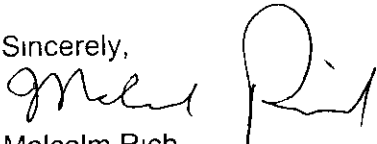
development test, we feel that an institution's responsiveness to community needs must be the primary consideration when evaluating an intermediate small bank's CRA performance

Under the new proposal, the reduced attention to community development grants and investments in the performance evaluations could result in fewer grants to community organizations or investments in CDFIs. In areas where there is a substantial need for this type of activity, we hope that financial institutions will be evaluated based on the level of investments previously made as well as by institutions within their peer group

We are also deeply concerned that intermediate small banks will no longer be required to report data on small business lending and small farm lending. These institutions are significant small business and farm lenders. It was estimated by the Federal Reserve that institutions between \$250 million and \$1 billion in assets made roughly 20 percent of the total dollar volume of all small business loans and 43 percent of the total dollar volume of all small farm loans in 2003. To lose data on these loans would be a devastating blow to the quality of that data set and make it increasingly difficult for both banking regulators and the public to accurately evaluate the small business and farm lending performance of both intermediate small banks and large institutions in the context of the overall small business lending market. We ask that you continue to require intermediate small banks to report this data.

Thank you for your consideration of these comments when formulating the final rule.

Sincerely,

A handwritten signature in black ink, appearing to read "Malcolm Rich". The signature is written in a cursive style with a large, prominent initial "M" and "R".

Malcolm Rich
Executive Director
Chicago Appleseed Fund for Justice