



May 9, 2005

SUBMITTED VIA ELECTRONIC MAIL

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

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

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

To Whom it May Concern:

The Lawyers' Committee for Civil Rights Under Law ("the Lawyers' Committee") is a nonpartisan, nonprofit organization, formed in 1963 at the request of President John F. Kennedy to address racial discrimination. The Lawyers' Committee is committed to improving lending opportunities for minorities and holding lending institutions accountable for discriminatory practices. As such, the Lawyers' Committee is very concerned about predatory lending practices, which strip minority and low-income communities of wealth and leave those who have been victimized by such abusive practices in dire financial straits. We are concerned about the increase in predatory lending over the past several years, and the disproportionate burden it has placed on minority borrowers and minority communities. Predatory high cost loans carry numerous penalties and increase the cost of credit, creating a disparity between African-American and white borrowers that is exacerbated by racial and income targeting practices by predatory lenders.

The Lawyers' Committee urges the Federal Reserve, the Federal Deposit Insurance Corporation, and the Comptroller of the Currency (hereafter, the "Agencies") to enhance the proposed changes to the Community Reinvestment Act ("CRA") regulations so that banks do not reduce their numbers of branches or their level of financial investment in community development loans to low-

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and moderate-income communities. The proposal is an improvement from that issued in the fall, but serious problems remain.

The Lawyers' Committee is pleased that the Agencies have dropped the proposal to allow mid-size banks with assets between \$250 million to \$1 billion to offer their choice of either community development loans, investments, or services. Rather, banks must be expected to engage in all three of these essential community development activities in order to pass their CRA exams, as the current proposal requires. The Lawyers' Committee still believes that the current exam structure of separate lending, investment, and service tests is the most effective arrangement for maximizing the level of community development financing. If the Agencies move to a new exam format, they must ensure that significant declines of community development financing do not occur. The Agencies could monitor levels of bank activity after any alteration to CRA, and penalize those institutions that reduce their community commitments.

The role of investments in community development must not be underestimated. Investments in affordable housing and economic development build wealth for families and communities and thus open up new markets for bank lending and services. Revisions to CRA offer a unique opportunity to combat predatory and abusive loan practices by strengthening the presence of legitimate financial institutions in low income and minority-dominated neighborhoods, since the absence of such lenders creates opportunities for predatory lenders. The importance of investments is one reason why the Agencies must carefully develop any final proposal regarding the CRA exam structure.

The Lawyers' Committee is also concerned that deleting a separate test for services will result in CRA exams which no longer hold mid-size banks accountable for the provision of bank branches and low-cost accounts in low- and moderate-income communities. Accountability in these key neighborhoods is crucial to protecting those most vulnerable to predatory lenders and other forms of financial abuse. The Agencies should make the provision of bank branches a clear factor on the proposed CRA exams for mid-size banks.

The Lawyers' Committee urges the Agencies to drop their 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 businesses 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 this data disclosure is eliminated.

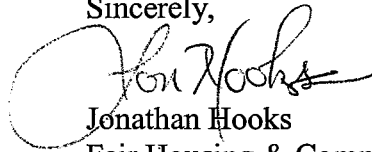
The Agencies must not change the requirement that community development in rural areas benefit low- and moderate-income areas and distressed communities. We also urge the Agencies to apply the revised test to only banks with assets between \$250 million to \$1 billion. If the Agencies use an inflation factor each year to increase the

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number of banks subject to the new and abbreviated CRA exam, it will reduce the range of bank financing and services flowing to communities that need them the most.

Thank you for your attention to this critical matter. If you have questions regarding our comments, please contact us at (202) 662-8326.

Sincerely,

A handwritten signature in black ink, appearing to read "Jonathan Hooks". The signature is written in a cursive style with a large initial "J".

Jonathan Hooks

Fair Housing & Community Development Project

cc: National Community Reinvestment Coalition