

From: Sharon Lee [mailto:sharonl@LIHI.ORG]
Sent: Tuesday, May 10, 2005 1:06 PM
To: Comments
Subject: CRA Changes RIN 3064-AC89

May 10, 2005

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

Dear Mr. Feldman:

The Low Income Housing Institute and the low- and moderate-income residents we serve have benefited tremendously from consumer credit programs, affordable housing investments, and other programs offered by financial institutions in Washington State under the Community Reinvestment Act.

We are concerned with any "new and improved" CRA that will weaken what we have now.

We strongly oppose the attempt at creating another tier of commercial banking for CRA purposes. We recommend that ALL CRA rules and regulations be consistent across the ENTIRE financial services industries, their respective regulators and must include Credit Unions, money service businesses (MSBs) and non-bank financial institutions (NBFIs). Otherwise, banks and others that are now regulated will migrate their charters to paths of less resistance and regulation.

For once, we think the OTS got it right, with one adjustment. The \$1 billion threshold should be indexed every five years, for the next five years. A financial institution under the OTS guidelines is not subject to any form of CRA data collection, reporting and is examined under the small bank guidelines. The \$1 billion threshold makes market sense and should be applied universally.

Adding a third category called "intermediate small bank" complicates an already difficult task as you have proposed somewhat different guidance and rules. This new category effectively takes away the relief for all those banks in the \$250 million to \$1 billion asset range.

Very few community banks in the proposed range are multi-state and many are single-county and by law must invest their locally gathered deposits locally. A third category also means these size banks would have to get a satisfactory grade on both the old small bank lending test plus the new community development test, which appears quite obtuse. This is hardly a means to regulatory simplification and relief.

The total federal, state and local regulatory burden is hurting all community banks and many small businesses. At \$314 million in assets, the cost of complying, although neither the time or dollar costs are undetermined, is not justifiable and does nothing to benefit our institution. It is difficult enough having to compete with untaxed credit unions, let alone CRA-unburdened competitors.

We support the true version of CRA regulation relief. Until a bank reaches the \$1 billion threshold, it is a "small bank" and should only have to meet the small bank CRA guidelines.

Sincerely,

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