From: Hubert Van Tol
Sent: Tuesday, May 10, 2005 5:07 PM
To: Comments
Cc: jsilver@ncrc.org; mgonzales@ncrc.org
Subject: RE: RIN 3064-AC89

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

May 10, 2005

Dear Mr. Feldman:

I am writing on behalf of Fairness In Rural Lending, a non-profit organization that is seeking to make the Community Reinvestment Act more relevant for the rural communities of our nation. Fairness In Rural Lending is a member of the National Community Reinvestment Coalition and we fully support the recommendations and concerns contained in NCRC's comment letter.

In addition we would like to emphasize a few specific issues.

The rural Midwest is awash in community banks. Within the great rural swatch down the center of the country that we broadly refer to as the Midwest, you won't find many counties in which there is not some banking competition. Unfortunately you will also find relatively few counties that have a branch of a bank with assets greater than $1 billion dollars

Within an hour's drive of my house there are 26 banks, with assets of $250 million or less, located in towns with fewer than 5,000 people. All of these 26 small banks were profitable in 2004. So at a time when most small rural retail institutions are having a hard time standing up against the Wal-Marting of rural America, the small community banks remain relatively strong.

At the same time the number of check cashers, payday lenders and car title loan companies within those rural communities is also growing. Eliminating the independent service test for the intermediate size banks will reduce even further the likelihood that rural banks will creatively seek to provide services that meet the needs of those who are now being lured into these fringe lender offices. If you do make this broad change we urge you to be very explicit in insuring that these issues will be addressed as part of the community development test.

We also urge you to think carefully before eliminating the need for these newly defined intermediate sized institutions to submit CRA data. While a reasonable argument can be made that the farm loan data from this size institution has been less than useful, because so much farm lending is already being done by institutions smaller than $250 million; we do not believe that this is true for small business loans. The intermediate sized institutions are a significant part of the small business loan market in urban as well as rural areas and eliminating this requirement will seriously damage the quality of the CRA data.

While we appreciate your proposal to reduce an institution's CRA rating when a bank has violated federal anti-predatory and consumer protection laws, we urge you to insist that this requirement apply to all the lending by all of the affiliates of a financial institution.

We also believe that limiting this proposal to violations of the law is also a mistake. The new pricing data will offer regulators new opportunities to judge the fairness of racial disparities in the pricing of mortgage loans. We hope that the regulators will rigorously review the loan files of institutions with large racial disparities in pricing and will use this tool of reducing CRA ratings in cases of unexplained pricing disparities even when they do not exhibit clear violations of the law.

We also believe this tool should be used to discourage large financial institutions from providing the financing for the fringe lenders in our communities, when those financial institutions are not providing competitive services and products for the low and moderate income customers that the fringe lenders are attracting.

Finally we urge you to address the problem of lack of CRA investment in rural communities in the simplest way possible, by changing the baseline for determining the definition of low and moderate income geographies, and by more rigorous use of the CRA exam. We believe that changing the LMI baseline so that any census tract in which the median income is less than 80% of the state median income (rather than 80% of the non-Metro median income) would go a long way in many rural areas to add geographies that could usefully be targeted for CRA investments. Additionally using the CDFI definitions could also provide a useful way of expanding the geographies eligible for CRA investments without making the definition so broad that virtually any rural investment would count for CRA purposes.

We congratulate you because we believe that your proposal is a significant improvement from the one issued in the fall, but we believe that 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.

Thank you for your consideration of our comments.

Sincerely,

Hubert Van Tol
Executive Director