From: Joby Thoyalil
Sent: Tuesday, May 10, 2005 4:54 PM
To: Comments
Subject: RE: RIN 3064-AC89

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 current proposal to change the Community Reinvestment Act should not be adopted as is, because it would diminish the impact the Act would have on low- and moderate-income communities. There is a general consensus among industry and non-industry parties that since its enactment in 1977, the CRA has positively affected many communities throughout the United States. Its continued success is dependent on the quality of agency compliance examinations. The current joint proposal, if not changed, would significantly weaken exams for many banks and would thus stymie the continued success of the Act.

The joint proposal states that:

"The federal regulatory agencies continue to believe that it is both worthwhile and possible to improve the CRA rules in ways that reduce unnecessary burden while at the same time maintaining and improving the effective implementation of the CRA."

The proposal clearly lays out how the agencies propose to reduce regulatory ‘burden,’ but remains unclear on how the proposed changes would maintain, let alone improve, the effective implementation of the CRA.

I am glad that you have dropped your proposal to allow banks with assets between $250 million to $1 billion to offer either community development loans, investments or services. I also appreciate the careful consideration with which the newly proposed rules have been constructed. However, I strongly feel that banks must be expected to engage in all three of these essential community development activities in order to pass their CRA exams. I still believe that the current exam structure is the most effective for maintaining the effectiveness of the CRA.

The proposal would eliminate the evaluation of retail banking services under a separate service test. Without a separate test rating, there would be less inducement for intermediate-small banks to maintain and open new branches and ATM facilities in underserved areas. Check cashers and money wirers can be found all over my community as well as advertisements for payday lenders. The loss of retail banking services in low- and moderate-income communities would result in the further proliferation of such high-cost fringe banking services.

Investing in neighborhood-based economic development builds wealth for families and communities and thus opens up new markets for bank lending and services. The elimination of the separate investment test is bound to result in fewer such investments. In addition, it would likely result in the decrease of mid-size bank support for community development financial institutions (CDFIs), which frequently partner with larger financial institutions in providing financing for lower income community needs, thus, multiplying the intended effects of the CRA.

If you move to a new exam format, you must ensure that significant declines of community development financing do not occur.

Finally, I strongly oppose the proposal to use the Consumer Price Index in order to take inflation into account. Over time, this provision would likely decrease the share of financial institutions subject to the large bank exam. Any decrease of CRA activity that would result from this provision would further disadvantage working people as they are faced with the ever-increasing cost of living.

Thank you for considering my comments.

Sincerely,

Joby Thoyalil

Brooklyn, NY 11213