

From: Southern Research & Development [mailto:srdc@southernmutualhelp.org]
Sent: Tuesday, May 10, 2005 3:51 PM
To: Comments
Subject: RIN 3064-AC89

May 6th, 2005

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

Re: RIN 3064-AC89

To whom it may concern:

The current joint proposal from the Federal Deposit Insurance Corporation, Federal Reserve Board and the Office of the Comptroller of the Currency to create a new Community Reinvestment Act (CRA) test for banks with assets between 250 million and 1 billion dollars is an improvement over early proposals to eliminate any CRA exam for banks within that asset range. However, we urge you to strengthen this new proposed CRA exam for intermediate banks so as to preserve the standard set by the original CRA act for banks to provide a level of responsibility and accountability to the local communities they serve.

We encourage you to:

- Maintain three separate tests for lending, service, and investment. Your current proposal greatly weakens incentives to banks to provide high levels of investment and service. A bank partner who invests \$200,000 in a local, rural CDFI because of CRA's incentives enables that CDFI to reach much farther into under served parts of a local community than otherwise possible.
- Include special penalties for banks who drastically reduce their level of investment and service if a separate "community development" test is created.
- Keep public data disclosure requirements in place. Public access to this information helps communities hold local banks accountable for their lending practices.

- ☐ Banks should not receive CRA credit for investment in disaster areas, unless those investment activities directly benefit low or moderate income individuals.
- ☐ Reward banks who create alternative products for their communities to use instead of payday lenders.
- ☐ In order for rural areas to benefit more significantly from CRA, the definition of rural low and moderate income census tracts should expand from current criteria (80% of non-metropolitan area median income in the state) to two possible criteria: 1) Community Development Financial Institution (CDFI) Fund criteria for distressed areas or 2) 90% of non-metropolitan area median income in the state. Making these two options available would provide greater parity in how rural areas benefit from CRA regulations and incentives.
- ☐ Maintain current regulations stating that affordable housing activities by banks *must* continue to benefit individuals based on income, and not just individuals living in “under served” rural areas if the banks are to receive CRA credit. Switching affordable housing activities from low and moderate income individuals to under served rural areas could have the unintended negative consequence of creating poverty “ghettos.” 40 years of experience has taught us that mixed income neighborhoods and housing creates lasting positive change.
- ☐ Provide banks with extra points when affordable housing activities reach low and moderate income individuals who *also* live in an under served rural area. The deeper banks reach out to isolated rural communities facing pervasive poverty, the more the bank should be rewarded and the better it is for America.

Maintaining CRA regulations that protect communities and provide incentives to banks to invest in local communities is extremely important. Your current proposal requires strengthening in order to insure an adequate level of protection and incentive. Because CRA is especially important for rural communities, affordable housing should remain tied to income and not be available for anyone living in an “under served” rural area. The goal of CRA regulations should be to help poor families access affordable capital, get out of poverty, and enter into our mainstream economy.

Sincerely,

Helen Vinton
President