NATIONAL RURAL HOUSING COALITION

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Federal Deposit Insurance Corporation
550 17th Street NW
Washington, DC 20429-9990
RIN 3064-AC89

To Whom It May Concern:

I am writing on behalf of the National Rural Housing Coalition (the Coalition) to voice our concern about the changes proposed to the Community Reinvestment Act (CRA) by the OCC, the Fed, and FDIC. In particular, we are opposed to raising the asset threshold from $250 million to $1 billion, believe safeguards must be taken through the new community development test to protect investment in low- and moderate-income communities, specifically through an enforceable three-part test, and feel that the new definition of a CRA qualifying rural area should mirror Section 520 of the Housing Act of 1949.

The National Rural Housing Coalition was formed in 1969 by a group of concerned rural community activists, public officials, and non-profit developers to fight for better housing and community facilities for low-income rural people. Today, NRHC is still promoting and defending the principle that rural people have the right, regardless of income, to a decent place to live, clean drinking water, and basic community services.

The 1990 U.S. Census found that more than 2.5 million rural Americans live in substandard housing. This number includes 1 million people who live in housing without kitchen or bathroom facilities and 1.5 million who live in overcrowded conditions. In the Lower Mississippi Delta, for example, 81 percent or almost 50,000 rural people live in homes without complete plumbing; 80,000 live in crowded conditions which in many rural areas is a form of homelessness.

Additionally, rural renters are more than twice as likely to live in substandard housing as people who own their homes. Rural renters are also more likely than homeowners to suffer from cost overburden, paying between 30 and sometimes more than 50 percent of their incomes just for housing.

Therefore, our members have a powerful interest in seeing the spirit and effectiveness of the CRA preserved so that the areas that really need investment, particularly rural communities, are not neglected by financial institutions.

We are opposed to any increase in the asset threshold for banks to qualify for the streamlined community development test and the indexing of the threshold to inflation. Nevertheless, we are pleased that you have dropped the proposal to allow intermediate-small banks with assets between $250 million to $1 billion to choose between loans, investments and services, and have recommended that this new class of banks be subject to a separate evaluation and rating process.

We strongly urge you to utilize the three-part CRA test for intermediate-small banks. Although the two-part test, including a separate community development test, is a significant improvement from the FDIC's prior proposal to make community development merely a criterion of the current streamlined small bank test, we firmly believe that <u>all three activities</u> are vital and banks should be required to engage in these activities throughout their service area. Moreover, the NNA is troubled by the new language granting banks the flexibility to determine whether loans, investments, or services are most needed in their communities and to respond as they see fit. Without the incentive of the full CRA test, many banks would discontinue or drastically reduce the level of investment and services they provide to low- and moderate-income individuals and communities.

Under the new regulations, 95 percent of the state chartered banks regulated by the FDIC would be able to flexibly determine the needs of their communities. The proposed rule would have an even deeper impact in rural communities where 99 percent of the FDIC regulated banks have assets of less than $1 billion. This could have a devastating impact on investment in the communities we serve and on the community development industry as a whole. Any new criteria must ensure that significant declines of community development financing do not occur.

Particular attention should be paid to protecting investment in low and moderate income communities. Investments in affordable housing and economic development open up new markets for bank lending and services by building wealth for families and communities. Bank investment is essential to the ability of members of the Coalition to impact their communities and would most certainly decline under a weakened CRA community development test.

Finally, we wish to weigh in on the debate over the future definition of eligible rural areas under the CRA. We believe that Section 520 of the Housing Act of 1949 should be instructive for any debate about the definition of a rural area. In short, Section 520 posits that an area (any open country, place, town, village or city) is considered rural if it:

- It is not part of or associated with an urban area – is a "remote rural" area;
- Has a population less than 2,500 or;
- Has a population between 2,500 and 10,000 if the area is rural in character; or
- Has a population between 10,000 and 20,000, is not contained within a standard metropolitan statistical area, and has a serious lack of mortgage credit for lower and moderate income families

These areas that are smaller, more remote, and more rural in character have suffered the loss of small and medium locally-controlled banks as the banking industry has consolidated through bank mergers. This trend has had a significant impact on low and moderate income communities and has resulted in the loss of community lending programs and local loan officers and a reduction in community development resources. Grant-making and lending decisions are made more and more at bank headquarters in urban centers which are far removed from their rural customers and remote rural areas are increasingly neglected. Please take these stipulations from Section 520 into consideration when deciding which areas will be classified as CRA eligible.

I appreciate the opportunity to submit comments on the proposed rule on behalf of the Coalition. This letter was drafted using the collaborative efforts of the Coalition membership, a listing of which is attached.

Sincerely,

Robert A. Rapoza

Executive Secretary
National Rural Housing Coalition