

May 9, 2005

Robert E. Feldman Executive Secretary  
Attn: Comments  
Federal Deposit Insurance Corporation  
550 17<sup>th</sup> Street NW  
Washington, DC 20429

RE: RIN 3064-AC89

Dear Mr. Feldman,

On behalf of the Laguna Housing Development and Management Enterprise, I am pleased to provide these comments on proposed changes to the Community Reinvestment Act.

CRA has been instrumental in increasing homeownership, boosting economic development, and expanding small businesses in the nation's minority, immigrant, and low- and moderate-income communities, including **Indian country**. We are concerned about how the proposed changes affect **Native Americans living on reservations, the most unbanked population of any group**. For these reasons, I urge you to enhance your proposed changes to CRA regulations so that banks do not reduce their levels of branches, and community development loans and investments to low and moderate income communities. Your proposal is an improvement from the one you issued in the fall, but serious issues remain.

I am pleased that you have dropped your proposal to allow mid-size banks with assets between \$250 million to \$1 billion to offer community development loans, investments, or services. 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. I still believe that the current exam structure of separate lending, investment, and service tests is the most effective structure for maximizing the level of community development financing. If you move to a new exam format, you must ensure that significant declines of community development financing do not occur. You could compare past levels of community development financing to future levels after any changes to the CRA exam structure so that banks are penalized if they significantly decrease their level of community development activities. **This is especially important in Indian country, where community development loans can mean the difference between poverty and unemployment as high as 78 percent on some reservations to jobs and tribal success on other reservations.**

The role of investments in communities cannot be underestimated. Investments in affordable housing and economic development build wealth for families and communities and thus open up new markets for bank lending and services. The importance of investments is one reason why you must carefully develop any final proposal regarding the CRA exam structure.

**A recent bank loan from Washington Mutual for the construction of a manufacturing facility for “flexcrete” construction bricks for the Navajo Nation in Arizona is illustrative. This plant, while fully automated, projects 15 new full-time jobs for the Nation, but will also lead to hundreds of jobs in construction as the state-of the-art building material cuts down costs overall, creating more efficiency, and leading to expanded housing production for the tribe. Thus just one community development loan means employment for hundreds of families, previously without such opportunities.**

I am also concerned that deleting a separate test for services will result in CRA exams no longer holding mid-size banks accountable for the provision of bank branches and low-cost accounts in low- and moderate-income communities. Payday lending and other high cost credit has increased in my tribal area over the last several years. The last thing we need are CRA exams that no longer look at the number of bank branches in traditionally underserved communities. Please add the provision of bank branches as a clear factor on your proposed CRA exams for mid-size banks.

I urge you to drop your proposed elimination of public data disclosure requirements regarding community development, and small business and small farm lending. Mid-size banks are vital in many communities, particularly in medium-sized cities and rural communities. The only way to hold them accountable for providing credit to small firms and for affordable housing and community development is if the CRA data remains publicly available. The public as well as regulatory agencies will have no way to systematically measure the responsiveness of these banks to critical credit needs if you eliminate this data collection.

Finally, you must not change the requirement that community development in rural areas must benefit low- and moderate-income areas and distressed communities. **Indian country would disproportionately be affected by this change, while high cost beach and lake resorts could end up getting CRA credit, something unintended by this law.** I also urge you to apply your revised test to only banks with assets between \$250 million to \$1 billion. If you use an inflation factor each year to increase the number of banks subject to the new and abbreviated CRA exam, you will reduce the range of bank financing and services flowing to communities that need them the most. Thank you for your consideration of my comments.

Sincerely,

Jeffrey C. Jeffers

Executive Director  
Laguna Housing Development and Management Enterprise

cc. National American Indian Housing Council  
cc: National Community Reinvestment Coalition