

DUPLICATE



City of Chicago
Richard M. Daley, Mayor

Department of Housing

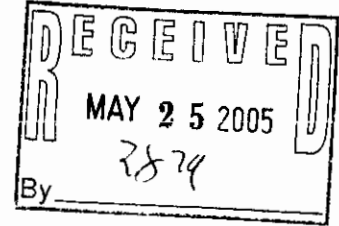
John G. Markowski
Commissioner

33 North LaSalle Street
Chicago, Illinois 60602
(312) 747-9000
(312) 742-1249 (FAX)
(312) 742-1564 (TTY)
<http://www.cityofchicago.org>

May 6, 2005

Robert E. Feldman
Executive Secretary
Attention Comments
Federal Deposit Insurance Corporation
550 17th St NW 20429

RE: RIN 3064-AC89



Dear Executive Secretary Feldman

On behalf of the City of Chicago, I am writing to urge you to enhance your proposed changes to the Community Reinvestment Act (CRA) regulations so that banks do not reduce their investments in low- and moderate-income communities, nor reduce the retail services offered to them. CRA has been instrumental in increasing access to homeownership and boosting economic development in Chicago. Although this proposal is an improvement from the one issued by the FDIC in August 2004, I am concerned that the proposed changes may impede our progress in efforts to develop and revitalize Chicago's communities.

I am pleased that the FDIC dropped its original proposal to allow mid-sized banks with assets between \$250 million and \$1 billion to have a choice between community development loans, investments or services. As the current proposal requires, banks must be expected to engage in *all three* of these essential community development activities to pass their CRA exams. I was also pleased to see that in your joint proposal, CRA ratings will be adversely affected by discriminatory and illegal credit practices. This is a positive and important step in the CRA rating system.

Although the new joint proposal is more positive, I remain concerned that collapsing investment and services exams into one will adversely affect investment in affordable housing development and mean that banks are not scrutinized for retail banking services in low- and moderate-income areas. I still believe that the current exam structure of separate but equally weighed lending, investment, and service tests is the most effective structure for maximizing community development financing. Furthermore, I do not think that the regulatory burden for mid-sized financial institutions is sufficient to justify the potential loss of essential development resources for low and moderate income communities nationwide.

The role of investments in communities cannot be underestimated. Investments in affordable housing and economic development build wealth for families and open up new markets for bank lending and services. The importance of investments to local economies is one reason why any proposal regarding the CRA exam structure must be carefully and strategically evaluated so that communities are not adversely affected.

I am also concerned that eliminating a separate test for services will mean that mid-size banks will no longer be held accountable for providing bank branches and low-cost accounts in low- and moderate-income communities. These communities continue to be adversely affected by payday lending and other fringe banking businesses. To that end, I would like to see that providing bank branches and low-cost services in traditionally underserved communities remains a part of the CRA exam for mid-size banks.



I also urge you to drop the proposed elimination of public data disclosure requirements regarding community development and small business lending. The only way to hold mid-sized banks accountable for affordable housing and community development is if the data remains available to the public. Without this requirement, we will not be able to systematically measure the responsiveness of these banks to critical credit needs.

Finally, I ask that you not ignore the asset size of the holding company when determining whether to consider a bank "small" for the purpose of CRA. By eliminating this consideration, small banks owned by a holding company of more than \$1 billion in assets will be exempt from the comprehensive CRA exam, even though they have access to their holding company's expertise and financial resources. Furthermore, banks that are part of holding companies already face lower regulatory burden than their nonaffiliated counterparts, which does create a justified need for additional regulatory relief. The holding company consideration should not be eliminated for the purpose of CRA.

I thank you for considering our comments and urge the FDIC, Federal Reserve Board, and the OCC to enhance the proposed changes to its CRA regulation.

Sincerely,



John G. Markowski
Commissioner