September 15, 2004

Mr. Robert E. Feldman
Executive Secretary
Attention: Comments/Legal ESS
Federal Deposit Insurance Corporation
550 17th St. NW 20429

RE: RIN 3064-AC50

Dear Mr. Feldman:

The National Community Reinvestment Coalition, the nation's economic justice trade association of 600 community organizations, urges you to withdraw your proposed changes to the Community Reinvestment Act (CRA) regulations. 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. Your proposed changes are contrary to the CRA statute and Congress' intent because they will slow down, if not halt, the progress made in community reinvestment.

The proposed changes will thwart the Administration's goals of improving the economic status of immigrants and creating 5.5 million new minority homeowners by the end of the decade. Since FDIC Chairman Powell, a Bush Administration appointee, is proposing the changes, the sincerity of the Administration's commitment to expanding homeownership and economic development is called into question. How can an administration hope to promote community revitalization and wealth building when it proposes to dramatically diminish banks' obligation to reinvest in their communities?

Under the current CRA regulations, banks with assets of at least $250 million are rated by performance evaluations that scrutinize their level of lending, investing, and services to low- and moderate-income communities. The proposed changes will eliminate the investment and service parts of the CRA exam for state-charted banks with assets between $250 million and $1 billion. In place of the investment and service parts of the CRA exam, the FDIC proposes to add a community development criterion. The community development criterion would require banks to offer community development loans, investments, or services.

The community development criterion would be seriously deficient as a replacement for the investment and service tests. Mid-size banks with assets between $250 million and $1 billion would only have to engage in one of three activities: community development lending, investing or services. Currently, mid-size banks must engage in all three activities. Under your proposal, a mid-size bank can now choose a community development activity that is easiest for the bank instead of providing an array of comprehensive community development activities needed by low- and moderate-income

communities. A mid-size bank can demonstrate compliance with a community development criterion by spreading around a few grants or sponsoring a few homeownership fairs rather than engaging in a comprehensive effort to provide community development loans, investments, and services. In addition, the investment and service tests counts for 50 percent of a bank's rating while the community development criterion will count considerably less to a bank's rating. This means that banks will have less of an incentive to offer investments and services in low- and moderate-income communities. As a result, the proposed community development criterion will result in significantly fewer loans and investments in affordable rental housing, Low-Income Housing Tax Credits, community service facilities such as health clinics, and economic development projects.

The elimination of the service test will also have harmful consequences for low- and moderate-income communities. CRA examiners will no longer expect mid-size banks to maintain and/or build bank branches in low- and moderate-income communities. Mid-size banks will no longer make sustained efforts to provide affordable banking services, and checking and savings accounts to consumers with modest incomes. Mid-size banks will also not respond to the needs for the growing demand for services needed by immigrants such as low cost remittances overseas. By significantly reducing banks' obligations to provide services, the FDIC's proposal will only exacerbate the presence of the dual banking market; that is, the shortage of affordable bank products and the abundance of abusive payday lending, wire transfers, and other high cost financial services in traditionally underserved communities.

National Impacts of FDIC Proposal

Your proposal would make 879 state-chartered banks with over $392 billion in assets eligible for the streamlined and cursory exam. In total, 95.7 percent or more than 5,000 of the state-charted banks your agency regulates have less than $1 billion in assets. These 5,000 banks have combined assets of more than $754 billion. The combined assets of these banks rival that of the JP Morgan Chase, which is the third largest bank holding company in America. The combined assets of the mid-size banks are almost twice as much as Well Fargo, the fourth largest bank holding company in America. In addition, the combined assets of banks under $1 billion is 42 percent of the assets of all FDIC-regulated banks and 78 percent of the assets of FDIC-regulated banks in rural areas (see Table 1 in the appendix).[1] Your proposal will drastically reduce, by hundreds of billions of dollars, the bank assets available for community development lending, investing, and services.

If you proceed with your proposal, the great majority of depository institutions with assets under $1 billion will be exempt from comprehensive CRA exams. The FDIC supervises 59 percent of all depository institutions with assets under $1 billion and the

[1] The data is from the FDIC Statistics on Depository Institutions database, using call report data from 3/31/04.

OTS oversees an additional 9.5 percent. Adding the OTS and FDIC institutions together results in 68.8 percent of all depository institutions under $1 billion. Likewise, the FDIC and OTS oversee 64.9 percent of all depository institutions with assets between $250 million and $1 billion (See Table 2). Should you proceed with your proposal, the great majority of lenders with assets under $1 billion will not have comprehensive CRA exams despite the fact that the Federal Reserve Board and the Office of the Comptroller of the Currency disagreed with your proposal.

Banks eligible for the FDIC proposal with assets between $250 million and $1 billion have 7,860 branches. All banks regulated by the FDIC with assets under $1 billion have 18,811 branches. Banks under $1 billion in assets own 64 percent of the branches of all FDIC-regulated institutions and 87 percent of the branches of FDIC-regulated institutions located in rural, non-metropolitan areas (see Table 1). Your proposal leaves banks with thousands of branches "off the hook" for placing any branches in low- and moderate-income communities.

Impacts on a State Level

Using FDIC data, NCRC calculates that the great majority of states would have very few banks regulated by the FDIC that will be subjected to the comprehensive large bank CRA exam if the FDIC enacts its proposal. In 37 states, 90 percent or more of the banks regulated by the FDIC have assets of under $1 billion. In eight states (Alaska, Arizona, Idaho, Minnesota, Montana, New Mexico, West Virginia and Wyoming), all FDIC-regulated banks have assets under $1 billion and will thus be eligible for the cursory CRA exam. In an additional 36 states, five or fewer banks supervised by the FDIC will be subject to the comprehensive large bank exam (see Table 3).

In roughly half of the states, the impacts of your proposal will be sudden and dramatic. In twenty states, more than 25 percent of banks regulated by the FDIC have assets of $250 million to $1 billion. Since the banks will become eligible for the cursory exam, the level of community development loans, investments, and services is likely to drop quickly in these states. For example, in Massachusetts, 80 lenders or 46 percent of the banks regulated by the FDIC have assets between $250 and $1 billion. Likewise, 28 banks or 37 percent of the FDIC-regulated banks in New Jersey have assets in this range. For states like New Jersey and Massachusetts, the mid-size FDIC supervised banks are currently a major source of community development activity, but will not remain a major source of community development financing if you enact your proposal (see Table 3).

The impacts of your proposal are also highly significant when considering asset levels of banks eligible for the cursory evaluations. In 34 states, banks with assets of under $1 billion control 40 percent or more of the assets of all FDIC-supervised banks. In 30 states, banks with assets under $1 billion have a combined asset level of $10 billion or greater. In Illinois, for instance, FDIC-regulated banks under $1 billion control a combined $65 billion in assets. Banks with assets under $1 billion collectively own more than $30 billion in assets in Massachusetts, Georgia, Texas, Missouri, and Florida. In an

additional seven states, FDIC-supervised banks have more than $20 billion in assets. Finally, FDIC-supervised banks in thirteen states with assets between $250 million and $1 billion control more than $10 billion; in 30 states these banks control more than $5 billion in assets (see Table 4). An easier exam for banks with assets between $250 million and $1 billion would dramatically and suddenly shrink the asset base of institutions that now must comply with the comprehensive exam and devote resources towards community development lending, investments, and services.

Your proposal would impact rural areas the worst, but metropolitan areas would also suffer from significant cutbacks in community development financing. Using data provided by your agency, NCRC calculates that banks with assets under $1 billion constitute 100 percent of FDIC-supervised banks in non-metropolitan areas in 28 states and 90 percent or more of banks overseen by the FDIC in 43 states. In urban areas, banks with assets under $1 billion are 90 percent or more of the FDIC-supervised banks in 29 states. A particularly immediate impact would be experienced by rural areas in 16 states and by urban areas in 14 states in which banks with assets between $250 million to $1 billion constitute 30 percent or more of all FDIC-supervised banks (see Tables 5-8).

NCRC Survey of Impacts on Community Development Services, Lending and Investments

Impacts on Branches and Community Development Services

NCRC conducted a survey regarding the effects on the provision of services in Massachusetts due to the proposed change. We compared service test ratings of banks with assets between $250 million to $1 billion to determine if differences in service test ratings correlated to differences in the percent of branches in low- and moderate-income (LMI) census tracts. If such differences occur, then the elimination of the service test will likely result in the reduction of branches in LMI census tracts since the banks with higher ratings would tend to perform more like the banks with lower ratings on the service test.

Forty-one banks in Massachusetts with an asset size of $250 million to $1 billion that recently underwent the large bank exam were included in the study.[2] These banks would be directly affected by the change to the small bank definition. The study focused on Massachusetts because of the large impact the proposed change would have on the state. Massachusetts has one of the highest percentages of banks (46 percent) regulated by the FDIC with assets between $250 million and $1 billion in assets. Also, it has more banks (80) in this asset range than any other state.

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[2] Banks with no LMI census tracts in their assessment areas were not included in the survey, so that they would not be penalized or skew the data. Aside from excluding banks with no LMI census tracts in their assessment areas, we included all banks with assets between $250 million to $1 billion in assets whose most recent CRA exam was a large bank exam. Please contact NCRC on 202-628-8866 for more information about the banks in our sample.

None of the 41 banks surveyed received a service rating of non-compliance, 1 received a rating of needs-to-improve, 7 were rated low satisfactory, 22 were high satisfactory, while 11 achieved a rating of outstanding on the service test. A significant indicator of performance is the difference between the percentage of a bank's branches in LMI tracts and the percentage of tracts that are LMI in the assessment area.[3] If the difference is positive, the bank is serving the LMI community in greater proportion than the portion of neighborhoods that are LMI in the assessment area. However, if the difference is negative, the bank is not serving LMI neighborhoods in proportion to their presence in the assessment area.

The banks that received "needs-to-improve" and "low satisfactory" ratings were combined to make the **lower rating** group, while "high satisfactory" and "outstanding" banks made up the **higher rating** group. By grouping together banks with similar service ratings, significant differences emerged. For the combined lower rating group, the average percentage of branches in LMI tracts out of total branches was 7.67 percent (see table below). In contrast, the average percentage of LMI census tracts in the lower rating groups' assessment area was 21.94 percent (see Table 9).

The higher rating group had an average difference in percentages (average percentage branches in LMI tracts minus average percentage LMI tracts in the assessment area) of .59%, which goes a bit beyond the goal of 0%. In sharp contrast to the lower rating group, the banks with higher ratings were placing branches in LMI communities in proportion to the number of LMI neighborhoods in the assessment areas. The source of the improvement from the lower rating group to the higher rating group was not the percentage of LMI tracts in the assessment areas, but was the higher percentage of bank branches in LMI tracts. The average percentage of branches in LMI tracts for the higher rating group was 26.35 percent; for the lower rating group it was only 7.67 percent. The difference in the percent of branches in LMI tracts between the two groups is statistically significant, implying that the averages for each group are not a result of mere chance. Banks receiving a higher service rating exhibit significantly better performance in terms of the percentage of their branches that are built and maintained in low- and moderate-income communities.

It is likely that eliminating the service test for mid-size banks will decrease the portion of branches in LMI census tracts. The great majority of mid-size banks will likely have branching patterns resembling the poor performers on the service test if that test is eliminated. Mid-size banks are also more likely to close branches in LMI tracts during mergers and re-organizations. De novo banks are also less likely to place branches in LMI tracts as they exceed $250 million in assets.

[3] Only full service branches were taken into account as to insure we were measuring the distribution of equal services to all communities. The placement of ATMs in LMI tracts was not considered since ATMs and full service branches provide a different range of services. Also, CRA exams did not consistently describe the distribution of ATMs across census tracts of different income ranges.

The Loss of Innovative Service Products

The banks in Massachusetts with either the "high satisfactory" or "outstanding" service ratings also offer a wide array of innovative deposit products and community development services. For instance, the Fall River Five Cents Savings Bank provides a range of services from affordable deposit accounts to educational programs. Fall River offers basic checking at no minimum balance requirement for a charge of only $2.50 a month and a savings account earning interest for a charge of $10.00 a month. The bank also manages the day-to-day operation of a Money Management Program for low-income elders. During 2001, the bank became a participant in the Massachusetts Bankers Association Foreclosure Prevention Program. This program helps Massachusetts' families avoid the loss of their homes. In collaboration with community-based housing agencies, Fall River will provide financial counseling to homeowners and help them work towards a cooperative resolution when they fall behind on their mortgage payments.

Like Fall River Five Cents Savings Bank, Central Cooperative Bank offers low-cost checking and savings accounts. For customers under 19 and over 65 years of age, Central Cooperative waives fees on accounts. Central Cooperative co-hosted a first time homebuyers program with workshops designed to educate potential buyers about mortgages, down payments, establishing good credit histories, and how to find the best deal on a house. This bank also offers an innovative micro-enterprise educational program for IDA holders. As part of a two-year training program offered by Employee Resource, Inc., a commercial loan officer from the bank conducts several workshops.

Hyde Park Savings Bank participates in a voluntary government-check cashing program and a public assistance check direct deposit program, which benefits senior and low-income citizens. Hyde Park, like Fall River Five Cents Savings, is a participant in the Massachusetts Bankers Association Foreclosure Prevention Project. The bank is also involved in a statewide Basic Banking program designed to offer low cost checking and savings accounts to low- and moderate-income individuals much like the previously mentioned banks.

Woronoco Savings Bank provided a number of presentations at homebuyer workshops. The bank also distributed home buying resource guides that were in Spanish as well as English. The bank has three roaming loan originators who assist individuals in the mortgage loan process. Assistance provided by the loan originators includes meeting with the client after work hours or on weekends, explaining the mortgage process, helping complete the residential loan application, and clearing up credit report deficiencies. The Bank of Canton also has the ability to meet customers at home or in their place of employment. The roaming loan officers represent a major improvement in serving low- and moderate-income communities since a significant number of low- and moderate-income consumers do not have reliable transportation and cannot take time off work.

Danvers Savings Bank currently has 49 Interest on Lawyers Trust Accounts (IOLTA) accounts with a total balance of over $9 million bearing over $100,000 of interest since

the program's inception. The interest on IOLTA accounts helps pays for legal representation for poor people. Danvers also offers anti-predatory lending seminars for seniors to help them steer clear of fraud and abuse. In addition, the bank participates in "Teach Children to Save Day" where each branch manager of the bank makes a presentation at a local elementary school.

It is clear from these examples that eliminating the service test will reduce not only the number of branches in low- and moderate-income communities but also the breadth and depth of innovative banking products and community development services. It is also clear that mid-size banks have the capacity to provide a range of services. If the FDIC abolishes the service test, the agency will be reneging on its responsibility to ensure that banks continually and affirmatively meet credit and deposit needs.

Impacts on Community Development Lending and Investments

In our comment letter to the federal agencies responding to the Notice of Proposed Rulemaking in the spring of 2004, NCRC analyzed the CRA exams of 40 banks and thrifts with assets between $250 and $500 million to assess the impacts on the level of investments and community development lending if the small bank exam applied to these institutions. The analysis scrutinized exams in four states (Vermont, Maryland, Colorado, and Arkansas) in which the mid-size banks controlled the largest percentage of assets.

The analysis reinforces the devastating impact of the proposed streamlining.
For the 40 banks, the community development lending and investment combined equals more than $162 million. For the four states of Vermont, Maryland, Colorado and Arkansas, this level of investment represents a substantial source of revitalization financing.[4]

If these banks and thrifts are representative of all depository institutions with assets between $250 and $500 million, the total amount of community development lending and investing by the mid-size lenders equals more than $4.5 billion. This is the amount of lending and investment that occurs roughly every two to three years, or approximately the time period between CRA exams. Regardless of whether NCRC's sample is statistically representative, the order of magnitude in lost investments and loans is likely to be in the hundreds of millions, if not billions of dollars.

Scrutinizing the Investment Tests of the 40 banks and thrifts in the sample, NCRC found that the average investment amount of the 11 depository institutions receiving Outstanding ratings on the Investment Test was $3.7 million or 1.36 percent of their assets. The average investment of the 10 depository institutions with High Satisfactory ratings on the Investment Test was $1.6 million or .65 percent of their assets. In sharp contrast, investment dollars and percent of assets was less than half that level for banks with lower ratings. The 16 banks and thrifts with Low Satisfactory ratings made an

[4] Please contact NCRC on 202-628-8866 for more information about the banks in our sample.

average investment amount of just $734,000 or a mere .21 percent of their assets. The 3 banks and thrifts with Needs-to-Improve ratings made a measly $171,000 in qualified investments or .06 percent of their assets.

The decrease in community development lending is even greater for NCRC's sample of 40 banks with assets between $250 and $500 million. The five depository institutions with Outstanding ratings on the lending test had an average community development lending level of $4.7 million. Their ratio of community development lending to assets was 1.46 percent. The sixteen banks with High Satisfactory ratings on their lending test had an average of $3.2 million in community development loans and a community development lending to asset ratio of 1.03 percent. In sharp contrast, the nineteen banks with Low Satisfactory ratings on the lending test made an average of only $950,000 in community development loans and had a dismal .3 percent ratio of community development loans to assets.

In summary, NCRC found that banks receiving Outstanding or High Satisfactory on their Lending and Investment tests made more than twice as much community development loans and investments as banks with lower ratings. If the regulators eliminated the investment and community development lending tests, it is likely that the amount of community development loans and investments by the mid-sized banks would plummet by half as all the banks would perform as the lower rated banks currently perform. This is likely a conservative estimate since the differences among banks with the various ratings is even larger, particularly in the category of community development lending.

Concrete Examples of Community Development Loans and Investments Likely to Disappear

Quantifying the proposal's likely decreases in reinvestment is compelling, but concrete examples clearly and powerfully illustrate the looming harm of the proposals. Simply put, the streamlining would result in much less affordable rental housing, fewer homeless shelters, less economic development projects, and fewer community health centers and other facilities. On most of these projects, banks realize a profit. Projects that do not generate economic returns, such as homeless shelters, still benefit banks and their local communities by reducing poverty and deprivation.[5] If the FDIC believes that it is desirable to substantially decrease affordable housing and economic development activities, then you should proceed with your proposed streamlining. If, on the other hand, you come to believe that the societal and human costs of streamlining are too high, you should immediately abandon the proposal.

In Maryland, mid-size banks have been motivated by CRA exams to undertake a variety of critical community development loans and investments. For instance, Arundel Federal

[5] In terms of economic theory, CRA has encouraged banks to "internalize" the positive externalities of some social projects that otherwise would not be undertaken since no party realizes private profit from them.

Savings Bank invested $625,000 in Maryland Community Development Administration bonds and purchased $20,000 of tax credits from the Anne Arundel County Chapter of Habitat for Humanity. Bradford Bank originated a $2.5 million loan to refinance and renovate shopping centers in eastern Baltimore County. FDIC-supervised Carrollton Bank made available two lines-of-credit totaling $800,000 to a nonprofit organization that operates a Baltimore County residential treatment center for low-income adolescent females.

In Colorado, FDIC-supervised Pueblo Bank & Trust Company's overall level of community development lending has been extraordinary, according to the most recent CRA exam. In 2001 and 2002, Pueblo B&T originated 57 community development loans totaling approximately $24,422,000. Many of these loans went to providing affordable housing to low- and moderate- income individuals. In January 1997, FDIC-regulated First Bank of South Jeffco, Colorado purchased $800,000 in a Sheridan School District, Arapahoe County, Refunding and Improvement Bond. Proceeds of the bonds paid the cost of capital improvements at elementary, middle, and high schools, and an early education center that houses a head start program. In 1999, First Bank purchased a portion of a 99 percent limited partnership interest in the Littleton Creative Housing Limited Partnership for $2,800,000. The partnership owns and operates the Libby Bortz Low-Income Housing Assisted Living Center.

Also, in Colorado, FDIC-regulated First Bank of Boulder purchased a total of $3,700,000 in Colorado Housing and Finance Authority (CHFA) Single-Family Revenue Bonds since its last evaluation. The bond programs are specifically targeted for low- and moderate-income individuals/families in Colorado.

In Arkansas, Citizens Bank originated $3,100,000 in loans for White River Medical Center, according to the most recent CRA exam. The two loans provided financing for working capital and construction of nursing home and retirement facilities, all of which primarily served low- and moderate-income individuals and Medicaid patients. Finally, First National Bank of Springdale originated 54 community development loans totaling $4.3 million. FNB Springdale's community development loan portfolio consists of short-term affordable housing construction loans.

As these examples illustrate, elimination of the community development lending and investment test entails the elimination of critical affordable housing, economic development, and community facility projects. In many small and medium-sized metropolitan areas and rural counties, it is unlikely that banks still subject to the large bank exam would step in and fill the gap in community development lending and investing. Mid-size banks are most likely to have assessment areas that are confined to the smaller metropolitan areas and rural communities. In contrast, the larger banks are likely to have assessment areas that include more geographical areas, meaning that they are less focused on the credit and development needs of the areas served by mid-size banks. The loss of community development lending and investing is likely to be

permanent in parts of the country least able to withstand a withdrawal of capital and credit.

Bank Holding Company Must Remain a Consideration

Removing the bank holding company as a factor in differentiating between small and large banks will allow many institutions with sufficient resources to unfairly enjoy the streamlined test and abdicate their responsibilities for providing branches and community development investments and loans in low- and moderate-income communities. Using the FDIC database, NCRC calculates that 74 percent of FDIC-supervised mid-sized banks are part of bank holding companies. A significant number of these holding companies have considerable assets that are utilized by the mid-sized banks for their CRA compliance.

NCRC's sample of 40 CRA exams developed for our comment letter in response to the spring NPR issued by all the agencies revealed a substantial amount of holding company assets available to the mid-size institutions. In the sample, 37 of 40 banks in the states of Arkansas, Colorado, Maryland, and Vermont had holding companies. This is the great majority or 92 percent of the banks in the sample. While about three quarters of the mid-size banks and thrifts nationwide have holding companies, the portion is even greater in a number of states including those in the NCRC sample of CRA exams.

Some holding companies in NCRC's sample of CRA exams had considerable assets well above $1 billion. These holding companies include UMB Financial with $8 billion, Mercantile Bankshares with $9.9 billion, Fulton Financial with $6.9 billion, First Bank Holding Company of Colorado with $5.7 billion, First Tennessee National Corporation with $23 billion, and First Nations of Nebraska with $9.7 billion. In a couple of cases, one holding company owned a sizable number of banks in the NCRC sample. For example, in Colorado, First Bank Holding Company owned 11 FDIC-supervised banks of the total 15 banks in that state. Similarly, in Maryland, Mercantile Bankshares owned 6 of 17 banks. Moreover, in the Colorado exams of banks owned by First Bank Holding Company, the banks often claimed credit for community development loans and investments undertaken by affiliates.

In other words, the holding company made its resources available to their banks for CRA exam purposes. Eliminating the holding company as a factor in differentiating between small and large banks therefore results in major financial institutions abdicating their community reinvestment obligations and greatly diminishes the amount of holding company assets available to businesses and consumers in low- and moderate-income communities.

NATIONAL COMMUNITY REINVESTMENT COALITION NCRC

Small Business and Community Development Lending Data Critical but Facing Elimination

Another destructive element in your proposal is the elimination of the small business lending data reporting requirement for mid-size banks. Mid-size banks with assets between $250 million and $1 billion will no longer be required to report small business lending by census tracts or revenue size of the small business borrowers. Without data on lending to small businesses, it is impossible for the public at large to hold the mid-size banks accountable for responding to the credit needs of minority-owned, women-owned, and other small businesses. Although the small business lending data is not as detailed as the Home Mortgage Disclosure Act (HMDA) data, it is very useful for identifying banks that are adequately serving the needs of businesses in low- and moderate-income census tracts and banks that are not responding to the credit needs of these businesses. The data on the number of loans to businesses with revenues under $1 million and the number of loans under $100,000 is also very useful in measuring responsiveness of banks to the credit needs of the smallest businesses. The major complaint of advocates is that the data needs to be more detailed, and include critical items such as the gender and race of the small business owner, and the exact revenue size of the business as opposed to broad categories of revenue size.

Data disclosure has been responsible for increasing access to credit precisely because disclosure holds banks accountable. Your proposal will decrease access to credit for small businesses because it will eliminate data reporting for a segment of banks that are critical for extending credit to small businesses in rural areas as well as medium-sized and smaller cities.

Your proposal would also eliminate data on community development lending for mid-sized banks. Currently, banks with assets above $250 million must report on their level of community development lending in terms of dollars and numbers of loans. Again, it will become much more difficult for the public at large to determine how well mid-sized banks are responding to the needs of community development if no publicly available data exists so that community groups can compare the community development lending levels of mid-sized banks against each other. Data disclosure is indispensable for holding lenders accountable for their CRA obligations to meet credit needs. Eliminating publicly available data thwarts CRA's mandate of meeting credit needs.

Definition of Rural Community Development Will Direct Development Away from Low- and Moderate-Income Areas

To make matters worse, you propose that community development activities in rural areas can benefit any group of individuals instead of only low- and moderate-income individuals. Since banks will be able to focus on affluent residents of rural areas, your proposal threatens to divert community development activities away from the low- and moderate-income communities and consumers that CRA targets. The effect of diverting financing away from low- and moderate-income communities is magnified by your

proposal's application of the new definition of community development to all FDIC-supervised banks, not just mid-sized banks with assets between $250 million and $1 billion dollars.

Using CRA Wiz software produced by PCI Services, Inc., NCRC calculates that 7.6 million households or about 40 percent of all households are low- and moderate-income in non-metropolitan counties (2000 Census data and 2004 metropolitan area boundaries are used by CRA Wiz). Instead of the sole beneficiaries of CRA-related community development activities, these households will now have to compete with the much larger group of 11.1 million middle- and upper-income households to receive community development activities.

Fifteen percent or 1,802 census tracts in non-metropolitan counties are low- and moderate-income. Instead of targeting their community development activities to these tracts, FDIC-supervised banks can now engage in community development in any tract in rural America. Consequently, low- and moderate-income tracts will no longer benefit from targeted community development activities that are most likely to revitalize neighborhoods. Instead low- and moderate-income tracts in rural areas will be lucky to receive any community development financing as they are greatly outnumbered by middle- and upper-income tracts.

The intent and spirit of the Community Reinvestment Act will be violated since low- and moderate-income tracts most in need of reinvestment financing will go starving and will likely face a new round of disinvestment. Moreover, the statute requires banks to serve low- and moderate-income communities, and does not refer to all rural communities as low- and moderate-income. NCRC agrees with several members of the House Financial Services Committee that your proposed changes are contrary to the CRA statute and will decrease reinvestment in low- and moderate-income areas in rural parts of states.

It is disingenuous for the FDIC to suggest in the NPR that your proposal for defining rural community development responds to community group concerns.[6] Community groups were concerned about cursory exams applying to the great majority of banks located in rural areas. We were not expressing a desire to further dilute the meaning of community development in rural areas.

Your proposal for rural America merely exacerbates the harm of your proposed streamlined exam for mid-size banks. Your streamlined exam will result in much less community development activity. In rural America, that reduced amount of community development activity can now earn CRA points if it benefits affluent consumers and communities. What's left over for low- and moderate-income rural residents are the crumbs of a shrinking CRA pie of community development activity.

[6] Federal Register, Vol. 69, No. 161, Friday, August 20, 2004, p.51614.

NATIONAL COMMUNITY REINVESTMENT COALITION NCRC

Regulatory Burden Arguments Are Rhetorical and Not Substantive

The benefits of large bank CRA exams are substantial and are likely still underestimated by NCRC's analysis. The application of the large bank CRA exam to banks and thrifts with assets between $250 million and $1 billion has made thousands of branches and billions of dollars in community development loans and investments available to low- and moderate-income communities. Consequently, the proposed elimination of the large bank exam for mid-size banks poses the threat of withdrawing access to a substantial number of branches and financial resources for reinvestment.

A common refrain by bank trade associations is that it is unfair to apply the same comprehensive CRA exam to mid-size banks as to the largest banks in the country. Perceptions of unfair comparisons to larger banks on CRA exams are readily put to ease by appropriate CRA examination procedures. The CRA exams scrutinized by NCRC compared mid-sized banks against other mid-sized banks. CRA examiners do not expect mid-size banks to make community development loans and investments at the same level as the largest banks. Instead the expectation is that mid-sized banks should do as well or better than their mid-size peers at making community development loans, investments, and services. This is well-established CRA exam procedure. Moreover, the examiners also remark that they take into account, when appropriate, how the presence of large banks can impact mid-sized bank performance on any part of the exam. This procedure is referred to in CRA jargon as the CRA performance context.

The time spent by CRA examiners suggests that the CRA examination process for banks with assets between $250 million and $1 billion is considerably less time consuming than for banks with greater assets. According to a CRA examiner NCRC interviewed, a CRA exam for a bank with half a billion dollars in assets consumes 10 to 15 days of examiner staff time. In contrast, a CRA exam of a bank with $5 to $10 billion in assets consumes about 20 to 50 days of staff time. Finally, a CRA exam of a bank with more than $40 billion in assets consumes about 100 days of staff time. It is reasonable to assume that CRA examiner time serves as a proxy for bank staff time in compiling data and preparing for a CRA exam. Therefore, a CRA exam for a bank with more than $5 billion in assets probably entails between 2.5 to 5 times the staff time as a CRA exam of a bank with half a billion in assets. Compared to the larger banks, CRA exams are already streamlined for mid-sized institutions with assets between $250 million and $1 billion.

Proponents of reducing the rigor of CRA exams claim that changes in the banking industry compel regulators to reduce regulatory burden for mid-size banks. Your proposal, for example, states that 10.6 percent of the banks supervised by the FDIC were large banks in 1995 and that they held 66.7 percent of the assets of FDIC-regulated banks. As of March 2004, 20.9 percent of the FDIC-supervised banks are large banks and they control 79.8 percent of the assets of FDIC banks. Your proposal implies that it is somehow bad that the percent of banks and assets that are subject to the large bank exam has grown. Therefore, according to your proposal, you would drop the percent of FDIC-supervised banks and assets subject to the comprehensive exam to 4.3 percent and

57.9 percent, respectively.[7]

It would only be undesirable for the number and percent of banks subject to the comprehensive exam to have grown if the "burden" of the large bank exam has grown. The FDIC, however, does not convincingly document any increase in burden. On the contrary, technological changes should make it easier and less burdensome for banks to comply with fair lending regulations. The growing sophistication of computers, the widespread use of the internet, and the advances in loan underwriting since 1995 have increased bank efficiencies in approving a wide variety of loans and in collecting data on their loans. If anything, technological advances and other industrial changes such as the growth in secondary markets since 1995 should compel regulators to propose more rigorous CRA requirements, instead of unjustified reductions in CRA requirements.

Commenting on your proposed change, one "small" bank, Southwest Bank states, "This information (data on lending and community development investments) is available because most small banks can track their loans internally by some easy coding method, without having to do excessive record keeping, financial information tracking, etc." While the bank goes on to claim that CRA data reporting requirements are onerous, it appears that the bank undercuts this assertion by stating that coding loans for CRA exams is straightforward. Instead of proving burden, this small banker actually reinforces the point that technological advances have facilitated CRA data collection and reporting for institutions of all sizes.

Of course, regulations impose some costs on banks. NCRC believes, however, that an objective cost-benefit analysis would reveal that the benefits massively outweigh the costs of large bank CRA exams for both banks and the public at large. NCRC believes that the regulatory agencies, themselves, must conduct a comprehensive cost-benefit analysis in considering their streamlined proposals. NCRC contacted senior officials of the federal banking agencies, who told NCRC that the agencies have not conducted cost-benefit analyses. Neither your Notice of Proposed Rulemaking nor the Office of Thrift Supervision's final rule applying the small institution exam to thrifts with up to $1 billion in assets indicates any careful analysis.

Mid-size banks themselves complain much less frequently about CRA exams than they did a number of years ago. Their lingering concern about unfair comparisons does not appear to be a reality in most CRA exams. In the final analysis, burdens associated with large bank CRA exams have more to do with perception than reality. In contrast, the benefits of large bank exams are real, easily documented, and profound. Low- and moderate-income communities have access to billions of dollars in capital and credit, which would likely disappear as the NCRC analysis above suggests. Banks themselves have realized substantial amounts of profits as CRA exams have motivated them to find safe and sound lending, investing, and branching opportunities in low- and moderate-income communities.

[7] Notice of Proposed Rulemaking, Federal Register, Vol. 69, No. 161, Friday, August 20, 2004, p.51612.

Finally, it is strange that the federal agencies are proposing to considerably streamline CRA exams for a large segment of banks when the banks themselves do not place CRA at the top of their list of "burdens." According to the federal agency web site regarding the Economic Growth and Regulatory Paperwork Reduction Act, banks regard the Bank Secrecy Act (BSA) and Currency Transaction Reports as the "most burdensome regulations for the banking community." Banker "outreach" meetings suggest that the "cost of compliance is high…(the BSA regulations) are ineffective…and overly complex." Also, high on the list for burden was the "Know Your Customer" requirements of the USA Patriot Act.[8] In contrast to the BSA regulations, the CRA regulations are quite effective and not overly complex. The CRA regulations are the wrong regulations to savage by a proposed streamlining.

A Middle Ground?

In presentations on this NPR, FDIC staff has encouraged community organizations to recommend ways in which the FDIC proposal can be improved upon. The FDIC staff appears to be groping for a compromise in which they reduce "regulatory burden" but preserve important elements of the large bank exam as applied to banks with assets of between $250 million to $1 billion. As stated above, NCRC believes that the existence of significant regulatory burden has not been demonstrated by either the FDIC's NPR or the bank trade groups. In order to propose a sensible change to critical fair lending law, the FDIC first has to demonstrate a real reason for the change, and then propose a change that avoids any decrease in community reinvestment. The FDIC's proposal fails on these grounds. Given that, it is not possible to propose improvements to a fundamentally flawed proposal.

NCRC agrees with the Federal Reserve Board's statement in July that "While community banks strongly favor raising the threshold, it is uncertain that the cost savings to the average community bank of being "small" rather than "large" under the proposal would be significant. On the other side, the proposal's cost in the form of a potential reduction in community development capital in a significant number of rural communities is also uncertain, but potentially large in at least some communities. On balance, the Board does not believe that the cost savings of the proposal clearly justify the potential adverse effects on certain rural communities."

A proposal to eliminate two of the three tests of the large bank exam and to eliminate data reporting requirements will result in far more damage than any benefits accruing to banks as a result of any reductions in burden. If the FDIC wished to avoid harm, it would preserve the data reporting requirements and the three tests. The loudest complaints from banks are not overall concerns with the three tests and the data reporting. The banks seem to complain most vigorously about difficulties with the investment test. Yet, NCRC's random sample above showed that a majority (21 out 40) of the banks had

[8] See http://www.EGRPRA.Gov and go to Banker Outreach Meetings.

"High Satisfactory" and "Outstanding" ratings on the investment test. Only 3 banks had "needs-to-improve" ratings on their investment test and none of the banks failed their overall CRA exam.

NCRC believes that if the FDIC conducted its own sample, it would find that the rhetorical heat about the burden of the investment test (or any of the other tests) would not be justified by the evidence. But if after careful study, the FDIC still thought that the investment test was presenting problems, why not propose changes in how investments are evaluated and considered, instead of eliminating the test outright? Community groups have long proposed that the regulators award more points for the difficult investments that require patient capital and/or earn below market rates of interest. Yet the regulatory agencies still weigh investments in mortgage-backed securities or other readily available investments the same as scarce equity investments in vehicles that finance small businesses in low- and moderate-income communities. Moreover, given the paucity of small businesses in low- and moderate-income communities and the dire shortage of housing, NCRC believes that ample opportunities exist for banks to invest in small business equity vehicles and Low Income Housing Tax credit deals, respectively. The need for the investment test remains greater than ever. It can be altered to be both more rigorous and efficient, from both the community and banker point of view, but it must be preserved.

A new study sponsored by the Federal Reserve Bank of San Francisco finds that CRA exams do not mechanistically rate banks on the investment test by only considering the quantity of their investments. Contrary to the bank trade association rhetoric, examiners do not expect mid-size banks to "out-bid" larger banks just to secure investments for their CRA exams. Instead, the study shows that mid-size banks can do well on the investment test if their investments respond to pressing community needs. Responsiveness to community needs and flexibility of the investments contributed more to the overall rating than the dollar amount of the investments according to the study. This study suggests that the investment test is not punitive or burdensome, but leverages needed investments by a sizable number of mid-size banks as well as the big banks.[9]

The bottom line is that the FDIC is responding to vague notions and highly charged rhetoric about burden instead of specific complaints. The FDIC is proposing a massive change that does not alleviate any particular difficulty with precision while leaving the three tests intact. Instead of proposing well thought out solutions to specific problems, the FDIC is dramatically diminishing the three tests and lessening the effectiveness of CRA exams in leveraging increases in credit and banking services.

The only way for the FDIC to proceed cautiously and preserve the effectiveness of CRA is to withdraw its proposal and work in tandem with the other regulatory agencies. Any

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[9] Ryan Trammell, *Understanding the Relationship Between Investment Test Examination Criteria and Investment Test Ratings*, published by the Federal Reserve Bank of San Francisco, August 2004.

changes to CRA of this magnitude must involve 90-day public comment periods and public hearings in several locations across the country.

Starting with the 1995 changes to the CRA regulations, the agencies have worked together to carefully and deliberately develop uniform regulations for the banking industry. The regulations have been far from perfect from a community point of view; significant gaps remain such as inadequate procedures regarding assessment areas. Yet, the deliberate process of uniform rule proposals and sufficient public comment periods has worked in that it avoided any significant damage or weakening of the CRA regulations.

Now, however, the process is unraveling. Agencies are rushing to offer half-baked and competing proposals. The Office of Thrift Supervision (OTS) unilaterally enacted a proposal far worse than the spring NPR. The FDIC responds by holding an unjustifiably short 30-day comment period that started in a traditional summer vacation month. The only result of this haphazard process will be significant damage to CRA.

Conclusion

In sum, your proposal is directly the opposite of CRA's statutory mandate of imposing a continuing and affirmative obligation to meet community needs. Your proposal will drastically reduce community development lending, investing, and services. You compound the damage of your proposal in rural areas, which are least able to afford reductions in credit and capital. You also eliminate critical data on small business and community development lending. As payday and predatory lending has exploded in the last few years, a proposal that will significantly decrease the provision of affordable loans and deposit accounts by prime lenders will only exacerbate the scarcity of reasonably priced credit in minority and low- and moderate-income communities.

Two other regulatory agencies, the Federal Reserve Board and the Office of the Comptroller of the Currency, did not embark upon the path you are taking because they recognized the harm it would cause. While you claim that the "proposed changes would not diminish in any way the obligations of all insured depository institutions subject to CRA to help meet the credit needs of their communities,"[10] two of your counterpart agencies felt otherwise. Moreover, Congress rejected similar changes when it enacted the Gramm-Leach-Bliley Act in 1999. In this law, Congress kept the small bank definition at $250 million in assets.

If your agency was serious about CRA's continuing and affirmative obligation to meet credit needs, you would be proposing additional community development and data reporting requirements for more banks instead of reducing existing obligations. A mandate of affirmative and continuing obligations implies expanding and enlarging community reinvestment, not significantly reducing the level of community reinvestment.

[10] Notice of Proposed Rulemaking, Federal Register, Vol. 69, No. 161, Friday, August 2004, p.51614.

CRA is too vital to be gutted by regulatory fiat and neglect. If you do not reverse your proposed course of action, we will ask that Congress halt your efforts before the damage is done.

Please feel free to contact myself or Josh Silver, Vice President of Research and Policy, on 202-628-8866 if you have any questions. Thank you.

Sincerely,

John Taylor
President and CEO

Cc:

President George W. Bush
Senators John Kerry and John Edwards

NATIONAL COMMUNITY REINVESTMENT COALITION NCRC

Appendix: Tables Showing Impacts of FDIC Proposal

NCRC Analysis of Proposed FDIC CRA Ruling

Table 1: Impact of Streamlined CRA Exams on FDIC Institutions

Number of Lenders

	Institutions Assets up to $1B		Institutions Assets $250M to $1B		Institutions Total
	#	%	#	%	#
United States	5,064	95.67%	879	16.61%	5,293
Rural United States	2,807	98.87%	262	9.23%	2,839
Urban United States	2,257	91.97%	617	25.14%	2,454

Number of Branches

	Branches Institutions up to $1B		Branches Institutions $250M to $1B		Branches Total
	#	%	#	%	#
United States	18,811	64.39%	7,860	26.90%	29,216
Rural United States	9,252	86.64%	2,743	25.69%	10,679
Urban United States	9,559	51.57%	5,117	27.60%	18,537

Dollar Amount of Assets (in Thousands)

	Assets Institutions up to $1B		Assets Institutions $250M to $1B		Assets Total
	$ (000's)	%	$ (000's)	%	$ (000's)
United States	$ 754,372,383	42.04%	$ 392,776,762	21.89%	$ 1,794,383,385
Rural United States	$ 298,463,691	78.59%	$ 107,001,642	28.18%	$ 379,754,180
Urban United States	$ 455,908,692	32.23%	$ 285,775,120	20.20%	$ 1,414,629,205

Source: FDIC Statistics on Depository Institutions database, 3/31/04

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NCRC Analysis of Proposed FDIC CRA Ruling

Table 2: Impact of Streamlined CRA Exams on All Institutions

Number of Lenders

	Institutions Assets up to $1B		Institutions Assets $250M to $1B		Institutions Total	
	#	%	#	%	#	%
Total	8,540	93.66%	1,663	18.24%	9,118	100.00%
FDIC	5,064	59.30%	879	52.86%	5,293	58.05%
OTS	814	9.53%	201	12.09%	923	10.12%
FDIC + OTS	5,878	68.83%	1,080	64.94%	6,216	68.17%
FRB	854	10.00%	212	12.75%	933	10.23%
OCC	1,808	21.17%	371	22.31%	1,969	21.59%
FRB + OCC	2,662	31.17%	583	35.06%	2,902	31.83%

Number of Branches

	Branches Institutions up to $1B		Branches Institutions $250M to $1B		Branches Total	
	#	%	#	%	#	%
Total	33,204	37.34%	14,929	16.79%	88,931	100.00%
FDIC	18,811	56.65%	7,860	52.65%	29,216	32.85%
OTS	2,890	8.70%	1,470	9.85%	9,214	10.36%
FDIC + OTS	21,701	65.36%	9,330	62.50%	38,430	43.21%
FRB	3,773	11.36%	1,969	13.19%	14,082	15.83%
OCC	7,730	23.28%	3,630	24.32%	36,419	40.95%
FRB + OCC	11,503	34.64%	5,599	37.50%	50,501	56.79%

Dollar Amount of Assets (in Thousands)

	Assets Institutions up to $1B		Assets Institutions $250M to $1B		Assets Total	
	$ (000's)	%	$ (000's)	%	$ (000's)	%
Total	$ 1,391,368,309	15.54%	$ 762,119,911	8.47%	$ 9,377,238,000	100.00%
FDIC	$ 754,372,383	54.22%	$ 392,776,762	51.54%	$ 1,794,383,385	19.14%
OTS	$ 157,558,922	11.32%	$ 97,226,727	12.76%	$ 1,194,618,172	12.74%
FDIC + OTS	$ 911,931,305	65.54%	$ 490,003,489	64.29%	$ 2,989,001,557	31.88%
FRB	$ 160,642,173	11.55%	$ 97,519,112	12.80%	$ 1,952,194,863	20.82%
OCC	$ 318,794,831	22.91%	$ 174,597,310	22.91%	$ 4,436,041,580	47.31%
FRB + OCC	$ 479,437,004	34.46%	$ 272,116,422	35.71%	$ 6,388,236,443	68.12%

Source: FDIC Statistics on Depository Institutions database

NCRC Analysis of Proposed FDIC CRA Ruling

Table 3: Impact on FDIC Institutions by State

	Institutions Assets up to $1B		Institutions Assets $250M to $1B		Total	Institutions Rural	Urban
	#	%	#	%	#	%	%
United States	5,064	95.67%	879	16.61%	5,293	53.64%	46.36%
Alabama	106	99.07%	18	16.82%	107	65.42%	34.58%
Alaska	4	100.00%	2	50.00%	4	75.00%	25.00%
American Samoa	1	100.00%	0	0.00%	1	100.00%	0.00%
Arizona	28	100.00%	2	7.14%	28	7.14%	92.86%
Arkansas	98	98.00%	14	14.00%	100	79.00%	21.00%
California	130	83.87%	40	25.81%	155	5.81%	94.19%
Colorado	89	96.74%	22	23.91%	92	34.78%	65.22%
Connecticut	37	84.09%	18	40.91%	44	22.73%	77.27%
Delaware	13	68.42%	7	36.84%	19	21.05%	78.95%
Federated States of Micronesia	1	100.00%	0	0.00%	1	100.00%	0.00%
Florida	163	98.19%	30	18.07%	166	19.28%	80.72%
Georgia	246	97.62%	50	19.84%	252	62.70%	37.30%
Guam	2	100.00%	1	50.00%	2	100.00%	0.00%
Hawaii	1	25.00%	1	25.00%	4	0.00%	100.00%
Idaho	13	100.00%	6	46.15%	13	76.92%	23.08%
Illinois	455	97.22%	70	14.96%	468	46.79%	53.21%
Indiana	89	96.74%	18	19.57%	92	55.43%	44.57%
Iowa	296	99.66%	11	3.70%	297	80.47%	19.53%
Kansas	225	99.56%	13	5.75%	226	78.32%	21.68%
Kentucky	159	98.15%	18	11.11%	162	73.46%	26.54%
Louisiana	121	99.18%	19	15.57%	122	62.30%	37.70%
Maine	21	95.45%	14	63.64%	22	72.73%	27.27%
Maryland	37	86.05%	15	34.88%	43	30.23%	69.77%
Massachusetts	156	90.70%	80	46.51%	172	9.30%	90.70%
Michigan	100	93.46%	23	21.50%	107	40.19%	59.81%
Minnesota	318	100.00%	15	4.72%	318	63.21%	36.79%
Mississippi	70	93.33%	15	20.00%	75	89.33%	10.67%
Missouri	254	98.45%	36	13.95%	258	63.18%	36.82%
Montana	30	100.00%	3	10.00%	30	86.67%	13.33%
Nebraska	167	99.40%	4	2.38%	168	82.74%	17.26%
Nevada	20	83.33%	1	4.17%	24	12.50%	87.50%
New Hampshire	18	90.00%	10	50.00%	20	75.00%	25.00%
New Jersey	64	84.21%	28	36.84%	76	0.00%	100.00%
New Mexico	32	100.00%	3	9.38%	32	71.88%	28.13%
New York	60	74.07%	26	32.10%	81	17.28%	82.72%
North Carolina	70	94.59%	24	32.43%	74	35.14%	64.86%
North Dakota	81	98.78%	3	3.66%	82	85.37%	14.63%
Ohio	90	97.83%	15	16.30%	92	48.91%	51.09%
Oklahoma	128	98.46%	8	6.15%	130	68.46%	31.54%
Oregon	27	93.10%	8	27.59%	29	31.03%	68.97%
Pennsylvania	102	87.18%	43	36.75%	117	23.93%	76.07%
Puerto Rico	1	10.00%	1	10.00%	10	0.00%	100.00%
Rhode Island	3	50.00%	2	33.33%	6	16.67%	83.33%
South Carolina	44	93.62%	10	21.28%	47	55.32%	44.68%
South Dakota	57	98.28%	4	6.90%	58	89.66%	10.34%
Tennessee	142	98.61%	21	14.58%	144	65.97%	34.03%
Texas	304	97.12%	33	10.54%	313	53.35%	46.65%
Utah	40	85.11%	12	25.53%	47	10.64%	89.36%
Vermont	8	88.89%	4	44.44%	9	66.67%	33.33%
Virgin Islands	2	100.00%	0	0.00%	2	100.00%	0.00%
Virginia	14	82.35%	5	29.41%	17	41.18%	58.82%
Washington	67	90.54%	25	33.78%	74	29.73%	70.27%
West Virginia	36	100.00%	1	2.78%	36	69.44%	30.56%
Wisconsin	215	99.54%	27	12.50%	216	58.33%	41.67%
Wyoming	9	100.00%	0	0.00%	9	55.56%	44.44%

Source: FDIC Statistics on Depository Institutions database, 03/31/04

NCRC Analysis of Proposed FDIC CRA Ruling

Table 4: Impact on Assets of FDIC Institutions by State

	Assets Institutions up to $1B		Assets Institutions $250M to $1B		Assets		
	$ (000's)	%	$ (000's)	%	Total $ (000's)	Rural %	Urban %
United States	$ 754,372,383	42.04%	$ 392,776,762	21.89%	$ 1,794,383,385	21.16%	78.84%
Alabama	$ 16,254,408	91.30%	$ 7,566,405	42.50%	$ 17,802,374	47.81%	52.19%
Alaska	$ 1,405,570	100.00%	$ 1,030,144	73.29%	$ 1,405,570	47.30%	52.70%
American Samoa	$ 79,308	100.00%	$ -	0.00%	$ 79,308	100.00%	0.00%
Arizona	$ 3,242,384	100.00%	$ 1,064,832	32.84%	$ 3,242,384	2.62%	97.38%
Arkansas	$ 14,115,397	84.79%	$ 5,519,421	33.16%	$ 16,647,284	62.41%	37.59%
California	$ 26,977,635	21.88%	$ 17,555,139	14.24%	$ 123,281,811	2.69%	97.31%
Colorado	$ 13,371,425	76.49%	$ 8,024,619	45.90%	$ 17,481,014	19.92%	80.08%
Connecticut	$ 11,777,609	31.51%	$ 9,358,186	25.04%	$ 37,371,747	13.12%	86.88%
Delaware	$ 3,634,270	9.39%	$ 3,143,030	8.12%	$ 38,709,147	43.24%	56.76%
Federated States of Micronesia	$ 85,057	100.00%	$ -	0.00%	$ 85,057	100.00%	0.00%
Florida	$ 30,223,471	75.72%	$ 14,923,024	37.39%	$ 39,916,641	12.58%	87.42%
Georgia	$ 38,790,838	70.43%	$ 19,078,454	34.64%	$ 55,075,606	43.46%	56.54%
Guam	$ 876,782	100.00%	$ 749,014	85.43%	$ 876,782	100.00%	0.00%
Hawaii	$ 489,693	3.38%	$ 489,693	3.38%	$ 14,482,374	0.00%	100.00%
Idaho	$ 3,365,996	100.00%	$ 2,673,030	79.41%	$ 3,365,996	81.75%	18.25%
Illinois	$ 64,712,673	77.00%	$ 33,140,124	39.43%	$ 84,044,516	19.12%	80.88%
Indiana	$ 15,336,833	79.38%	$ 7,213,504	37.33%	$ 19,321,766	45.70%	54.30%
Iowa	$ 25,768,888	95.53%	$ 5,037,940	18.68%	$ 26,974,165	67.76%	32.24%
Kansas	$ 17,816,963	94.18%	$ 5,906,616	31.22%	$ 18,918,023	51.27%	48.73%
Kentucky	$ 22,437,197	83.64%	$ 7,428,894	27.69%	$ 26,825,535	54.96%	45.04%
Louisiana	$ 16,786,837	90.43%	$ 7,111,309	38.31%	$ 18,563,836	47.17%	52.83%
Maine	$ 7,332,610	81.61%	$ 6,423,463	71.49%	$ 8,985,185	59.68%	40.32%
Maryland	$ 10,370,548	41.64%	$ 7,305,827	29.33%	$ 24,906,085	16.77%	83.23%
Massachusetts	$ 48,521,024	41.89%	$ 39,009,733	33.68%	$ 115,833,408	4.21%	95.79%
Michigan	$ 17,844,459	57.43%	$ 9,304,549	29.94%	$ 31,073,568	21.75%	78.25%
Minnesota	$ 24,356,535	100.00%	$ 5,021,141	20.62%	$ 24,356,535	49.56%	50.44%
Mississippi	$ 11,207,516	39.72%	$ 5,823,135	20.64%	$ 28,218,326	85.43%	14.57%
Missouri	$ 32,009,139	83.06%	$ 14,452,290	37.50%	$ 38,535,118	51.07%	48.93%
Montana	$ 3,537,561	100.00%	$ 1,609,407	45.49%	$ 3,537,561	81.90%	18.10%
Nebraska	$ 11,379,949	89.95%	$ 2,257,088	17.84%	$ 12,651,241	61.96%	38.04%
Nevada	$ 2,997,796	15.29%	$ 599,583	3.06%	$ 19,600,693	1.26%	98.74%
New Hampshire	$ 5,118,375	36.65%	$ 3,970,162	28.43%	$ 13,965,773	36.06%	63.94%
New Jersey	$ 16,426,545	25.69%	$ 11,989,268	18.75%	$ 63,938,592	0.00%	100.00%
New Mexico	$ 3,806,802	100.00%	$ 1,066,583	28.02%	$ 3,806,802	71.30%	28.70%
New York	$ 16,608,322	10.30%	$ 13,026,084	8.08%	$ 161,311,386	4.44%	95.56%
North Carolina	$ 18,645,514	18.02%	$ 13,406,791	12.96%	$ 103,444,829	7.34%	92.66%
North Dakota	$ 5,755,557	84.97%	$ 1,261,736	18.63%	$ 6,773,822	68.15%	31.85%
Ohio	$ 12,837,274	80.70%	$ 6,499,112	40.86%	$ 15,907,483	45.15%	54.85%
Oklahoma	$ 10,554,489	72.42%	$ 3,464,987	23.78%	$ 14,573,214	42.30%	57.70%
Oregon	$ 5,840,006	55.60%	$ 4,077,359	38.82%	$ 10,504,035	51.30%	48.70%
Pennsylvania	$ 25,369,560	29.06%	$ 18,855,985	21.60%	$ 87,289,289	25.05%	74.95%
Puerto Rico	$ 550,624	0.93%	$ 550,624	0.93%	$ 59,142,941	0.00%	100.00%
Rhode Island	$ 1,721,028	10.77%	$ 1,682,642	10.53%	$ 15,983,804	5.65%	94.35%
South Carolina	$ 7,146,065	27.48%	$ 3,475,797	13.36%	$ 26,007,571	15.30%	84.70%
South Dakota	$ 4,997,309	74.83%	$ 1,989,227	29.79%	$ 6,677,873	67.91%	32.09%
Tennessee	$ 21,250,197	90.53%	$ 8,840,841	37.66%	$ 23,472,867	57.99%	42.01%
Texas	$ 36,567,211	54.86%	$ 15,056,385	22.59%	$ 66,655,726	26.07%	73.93%
Utah	$ 7,236,178	6.18%	$ 5,491,907	4.69%	$ 117,026,530	0.61%	99.39%
Vermont	$ 2,664,252	47.54%	$ 2,135,510	38.11%	$ 5,603,722	26.67%	73.33%
Virgin Islands	$ 160,294	100.00%	$ -	0.00%	$ 160,294	100.00%	0.00%
Virginia	$ 3,424,194	12.79%	$ 2,460,942	9.19%	$ 26,768,787	5.62%	94.38%
Washington	$ 18,083,415	30.40%	$ 13,932,099	23.42%	$ 59,484,770	12.29%	87.71%
West Virginia	$ 4,227,119	100.00%	$ 374,336	8.86%	$ 4,227,119	67.14%	32.86%
Wisconsin	$ 27,633,687	95.80%	$ 10,348,791	35.88%	$ 28,845,505	41.37%	58.63%
Wyoming	$ 641,995	100.00%	$ -	0.00%	$ 641,995	66.94%	33.06%

Source: FDIC Statistics on Depository Institutions database, 03/31/04

NCRC Analysis of Proposed FDIC CRA Ruling

Table 5: Impact on Rural FDIC Institutions by State

	Institutions Assets up to $1B		Institutions Assets $250M to $1B		Institutions Total
	#	%	#	%	#
United States	2,807	98.87%	262	9.23%	2,839
Alabama	70	100.00%	7	10.00%	70
Alaska	3	100.00%	1	33.33%	3
American Samoa	1	100.00%	0	0.00%	1
Arizona	2	100.00%	0	0.00%	2
Arkansas	78	98.73%	8	10.13%	79
California	8	88.89%	3	33.33%	9
Colorado	31	96.88%	2	6.25%	32
Connecticut	9	90.00%	5	50.00%	10
Delaware	3	75.00%	2	50.00%	4
Federated States of Micronesia	1	100.00%	0	0.00%	1
Florida	32	100.00%	5	15.63%	32
Georgia	157	99.37%	23	14.56%	158
Guam	2	100.00%	1	50.00%	2
Idaho	10	100.00%	5	50.00%	10
Illinois	219	100.00%	6	2.74%	219
Indiana	50	98.04%	8	15.69%	51
Iowa	239	100.00%	4	1.67%	239
Kansas	177	100.00%	3	1.69%	177
Kentucky	119	100.00%	12	10.08%	119
Louisiana	76	100.00%	8	10.53%	76
Maine	16	100.00%	10	62.50%	16
Maryland	12	92.31%	4	30.77%	13
Massachusetts	16	100.00%	8	50.00%	16
Michigan	43	100.00%	6	13.95%	43
Minnesota	201	100.00%	4	1.99%	201
Mississippi	63	94.03%	13	19.40%	67
Missouri	160	98.16%	13	7.98%	163
Montana	26	100.00%	2	7.69%	26
Nebraska	139	100.00%	3	2.16%	139
Nevada	3	100.00%	0	0.00%	3
New Hampshire	14	93.33%	8	53.33%	15
New Mexico	23	100.00%	2	8.70%	23
New York	12	85.71%	6	42.86%	14
North Carolina	25	96.15%	6	23.08%	26
North Dakota	70	100.00%	2	2.86%	70
Ohio	44	97.78%	7	15.56%	45
Oklahoma	88	98.88%	3	3.37%	89
Oregon	8	88.89%	4	44.44%	9
Pennsylvania	22	78.57%	9	32.14%	28
Rhode Island	1	100.00%	1	100.00%	1
South Carolina	26	100.00%	5	19.23%	26
South Dakota	52	100.00%	3	5.77%	52
Tennessee	93	97.89%	8	8.42%	95
Texas	166	99.40%	10	5.99%	167
Utah	5	100.00%	1	20.00%	5
Vermont	6	100.00%	3	50.00%	6
Virgin Islands	2	100.00%	0	0.00%	2
Virginia	7	100.00%	3	42.86%	7
Washington	21	95.45%	9	40.91%	22
West Virginia	25	100.00%	1	4.00%	25
Wisconsin	126	100.00%	5	3.97%	126
Wyoming	5	100.00%	0	0.00%	5

Source: FDIC Statistics on Depository Institutions database, 3/31/04

NCRC Analysis of Proposed FDIC CRA Ruling

Table 6: Impact on Assets of Rural FDIC Institutions by State

	Assets Institutions up to $1B		Assets Institutions $250M to $1B		Assets Total
	$ (000's)	%	$ (000's)	%	$ (000's)
United States	$ 298,463,691	78.59%	$ 107,001,642	28.18%	$ 379,754,180
Alabama	$ 8,511,389	100.00%	$ 2,653,667	31.18%	$ 8,511,389
Alaska	$ 664,884	100.00%	$ 289,458	43.54%	$ 664,884
American Samoa	$ 79,308	100.00%	$ -	0.00%	$ 79,308
Arizona	$ 84,804	100.00%	$ -	0.00%	$ 84,804
Arkansas	$ 9,279,501	89.31%	$ 2,986,455	28.74%	$ 10,390,282
California	$ 1,876,344	56.59%	$ 1,337,194	40.33%	$ 3,315,969
Colorado	$ 2,262,255	64.96%	$ 559,723	16.07%	$ 3,482,553
Connecticut	$ 2,777,113	56.62%	$ 1,996,873	40.71%	$ 4,904,560
Delaware	$ 886,191	5.29%	$ 655,142	3.91%	$ 16,736,782
Federated States of Micronesia	$ 85,057	100.00%	$ -	0.00%	$ 85,057
Florida	$ 5,019,841	100.00%	$ 2,222,374	44.27%	$ 5,019,841
Georgia	$ 20,833,382	87.03%	$ 8,362,170	34.93%	$ 23,937,132
Guam	$ 876,782	100.00%	$ 749,014	85.43%	$ 876,782
Idaho	$ 2,751,730	100.00%	$ 2,271,150	82.54%	$ 2,751,730
Illinois	$ 16,070,696	100.00%	$ 2,694,023	16.76%	$ 16,070,696
Indiana	$ 7,547,044	85.47%	$ 3,147,184	35.64%	$ 8,830,479
Iowa	$ 18,279,020	100.00%	$ 1,195,200	6.54%	$ 18,279,020
Kansas	$ 9,699,094	100.00%	$ 946,181	9.76%	$ 9,699,094
Kentucky	$ 14,742,559	100.00%	$ 4,583,457	31.09%	$ 14,742,559
Louisiana	$ 8,756,434	100.00%	$ 2,944,767	33.63%	$ 8,756,434
Maine	$ 5,362,511	100.00%	$ 4,662,396	86.94%	$ 5,362,511
Maryland	$ 3,035,345	72.67%	$ 1,916,071	45.87%	$ 4,177,024
Massachusetts	$ 4,878,588	100.00%	$ 3,560,062	72.97%	$ 4,878,588
Michigan	$ 6,759,225	100.00%	$ 2,218,950	32.83%	$ 6,759,225
Minnesota	$ 12,071,991	100.00%	$ 1,315,781	10.90%	$ 12,071,991
Mississippi	$ 9,767,292	40.52%	$ 4,913,126	20.38%	$ 24,106,864
Missouri	$ 15,625,221	79.39%	$ 4,693,135	23.85%	$ 19,681,226
Montana	$ 2,897,252	100.00%	$ 1,297,231	44.77%	$ 2,897,252
Nebraska	$ 7,839,220	100.00%	$ 1,388,204	17.71%	$ 7,839,220
Nevada	$ 247,460	100.00%	$ -	0.00%	$ 247,460
New Hampshire	$ 3,997,052	79.38%	$ 3,188,638	63.32%	$ 5,035,526
New Mexico	$ 2,714,236	100.00%	$ 682,009	25.13%	$ 2,714,236
New York	$ 3,453,881	48.27%	$ 2,694,319	37.65%	$ 7,155,338
North Carolina	$ 6,100,360	80.32%	$ 4,014,102	52.85%	$ 7,594,895
North Dakota	$ 4,616,532	100.00%	$ 872,907	18.91%	$ 4,616,532
Ohio	$ 6,140,112	85.48%	$ 3,240,797	45.12%	$ 7,182,919
Oklahoma	$ 5,161,799	83.73%	$ 928,833	15.07%	$ 6,165,109
Oregon	$ 2,405,875	44.64%	$ 2,038,548	37.83%	$ 5,388,949
Pennsylvania	$ 4,890,772	22.36%	$ 3,154,470	14.42%	$ 21,869,597
Rhode Island	$ 902,710	100.00%	$ 902,710	100.00%	$ 902,710
South Carolina	$ 3,979,293	100.00%	$ 2,110,641	53.04%	$ 3,979,293
South Dakota	$ 4,535,192	100.00%	$ 1,683,268	37.12%	$ 4,535,192
Tennessee	$ 11,388,261	83.67%	$ 3,248,586	23.87%	$ 13,610,931
Texas	$ 14,932,269	85.93%	$ 4,166,643	23.98%	$ 17,376,263
Utah	$ 716,422	100.00%	$ 355,836	49.67%	$ 716,422
Vermont	$ 1,494,731	100.00%	$ 1,172,630	78.45%	$ 1,494,731
Virgin Islands	$ 160,294	100.00%	$ -	0.00%	$ 160,294
Virginia	$ 1,504,004	100.00%	$ 1,203,970	80.05%	$ 1,504,004
Washington	$ 4,602,359	62.96%	$ 3,945,418	53.97%	$ 7,310,519
West Virginia	$ 2,837,902	100.00%	$ 374,336	13.19%	$ 2,837,902
Wisconsin	$ 11,932,334	100.00%	$ 1,463,993	12.27%	$ 11,932,334
Wyoming	$ 429,768	100.00%	$ -	0.00%	$ 429,768

Source: FDIC Statistics on Depository Institutions database, 3/31/04

NCRC Analysis of Proposed FDIC CRA Ruling

Table 7: Impact on Urban FDIC Institutions by State

	Institutions Assets up to $1B		Institutions Assets $250M to $1B		Institutions Total
	#	%	#	%	#
United States	2,257	91.97%	617	25.14%	2,454
Alabama	36	97.30%	11	29.73%	37
Alaska	1	100.00%	1	100.00%	1
Arizona	26	100.00%	2	7.69%	26
Arkansas	20	95.24%	6	28.57%	21
California	122	83.56%	37	25.34%	146
Colorado	58	96.67%	20	33.33%	60
Connecticut	28	82.35%	13	38.24%	34
Delaware	10	66.67%	5	33.33%	15
Florida	131	97.76%	25	18.66%	134
Georgia	89	94.68%	27	28.72%	94
Hawaii	1	25.00%	1	25.00%	4
Idaho	3	100.00%	1	33.33%	3
Illinois	236	94.78%	64	25.70%	249
Indiana	39	95.12%	10	24.39%	41
Iowa	57	98.28%	7	12.07%	58
Kansas	48	97.96%	10	20.41%	49
Kentucky	40	93.02%	6	13.95%	43
Louisiana	45	97.83%	11	23.91%	46
Maine	5	83.33%	4	66.67%	6
Maryland	25	83.33%	11	36.67%	30
Massachusetts	140	89.74%	72	46.15%	156
Michigan	57	89.06%	17	26.56%	64
Minnesota	117	100.00%	11	9.40%	117
Mississippi	7	87.50%	2	25.00%	8
Missouri	94	98.95%	23	24.21%	95
Montana	4	100.00%	1	25.00%	4
Nebraska	28	96.55%	1	3.45%	29
Nevada	17	80.95%	1	4.76%	21
New Hampshire	4	80.00%	2	40.00%	5
New Jersey	64	84.21%	28	36.84%	76
New Mexico	9	100.00%	1	11.11%	9
New York	48	71.64%	20	29.85%	67
North Carolina	45	93.75%	18	37.50%	48
North Dakota	11	91.67%	1	8.33%	12
Ohio	46	97.87%	8	17.02%	47
Oklahoma	40	97.56%	5	12.20%	41
Oregon	19	95.00%	4	20.00%	20
Pennsylvania	80	89.89%	34	38.20%	89
Puerto Rico	1	10.00%	1	10.00%	10
Rhode Island	2	40.00%	1	20.00%	5
South Carolina	18	85.71%	5	23.81%	21
South Dakota	5	83.33%	1	16.67%	6
Tennessee	49	100.00%	13	26.53%	49
Texas	138	94.52%	23	15.75%	146
Utah	35	83.33%	11	26.19%	42
Vermont	2	66.67%	1	33.33%	3
Virginia	7	70.00%	2	20.00%	10
Washington	46	88.46%	16	30.77%	52
West Virginia	11	100.00%	0	0.00%	11
Wisconsin	89	98.89%	22	24.44%	90
Wyoming	4	100.00%	0	0.00%	4

Source: FDIC Statistics on Depository Institutions database, 3/31/04

NCRC Analysis of Proposed FDIC CRA Ruling

Table 8: Impact on Assets of Urban FDIC Institutions by State

	Assets Institutions up to $1B		Assets Institutions $250M to $1B		Assets Total
	$ (000's)	%	$ (000's)	%	$ (000's)
United States	$ 455,908,692	32.23%	$ 285,775,120	20.20%	$ 1,414,629,205
Alabama	$ 7,743,019	83.34%	$ 4,912,738	52.88%	$ 9,290,985
Alaska	$ 740,686	100.00%	$ 740,686	100.00%	$ 740,686
Arizona	$ 3,157,580	100.00%	$ 1,064,832	33.72%	$ 3,157,580
Arkansas	$ 4,835,896	77.29%	$ 2,532,966	40.48%	$ 6,257,002
California	$ 25,101,291	20.92%	$ 16,217,945	13.52%	$ 119,965,842
Colorado	$ 11,109,170	79.36%	$ 7,464,896	53.33%	$ 13,998,461
Connecticut	$ 9,000,496	27.72%	$ 7,361,313	22.67%	$ 32,467,187
Delaware	$ 2,748,079	12.51%	$ 2,487,888	11.32%	$ 21,972,365
Florida	$ 25,203,630	72.22%	$ 12,700,650	36.39%	$ 34,896,800
Georgia	$ 17,957,456	57.67%	$ 10,716,284	34.41%	$ 31,138,474
Hawaii	$ 489,693	3.38%	$ 489,693	3.38%	$ 14,482,374
Idaho	$ 614,266	100.00%	$ 401,880	65.42%	$ 614,266
Illinois	$ 48,641,977	71.56%	$ 30,446,101	44.79%	$ 67,973,820
Indiana	$ 7,789,789	74.25%	$ 4,066,320	38.76%	$ 10,491,287
Iowa	$ 7,489,868	86.14%	$ 3,842,740	44.19%	$ 8,695,145
Kansas	$ 8,117,869	88.06%	$ 4,960,435	53.81%	$ 9,218,929
Kentucky	$ 7,694,638	63.68%	$ 2,845,437	23.55%	$ 12,082,976
Louisiana	$ 8,030,403	81.88%	$ 4,166,542	42.48%	$ 9,807,402
Maine	$ 1,970,099	54.38%	$ 1,761,067	48.61%	$ 3,622,674
Maryland	$ 7,335,203	35.39%	$ 5,389,756	26.00%	$ 20,729,061
Massachusetts	$ 43,642,436	39.33%	$ 35,449,671	31.95%	$ 110,954,820
Michigan	$ 11,085,234	45.59%	$ 7,085,599	29.14%	$ 24,314,343
Minnesota	$ 12,284,544	100.00%	$ 3,705,360	30.16%	$ 12,284,544
Mississippi	$ 1,440,224	35.03%	$ 910,009	22.13%	$ 4,111,462
Missouri	$ 16,383,918	86.90%	$ 9,759,155	51.76%	$ 18,853,892
Montana	$ 640,309	100.00%	$ 312,176	48.75%	$ 640,309
Nebraska	$ 3,540,729	73.58%	$ 868,884	18.06%	$ 4,812,021
Nevada	$ 2,750,336	14.21%	$ 599,583	3.10%	$ 19,353,233
New Hampshire	$ 1,121,323	12.56%	$ 781,524	8.75%	$ 8,930,247
New Jersey	$ 16,426,545	25.69%	$ 11,989,268	18.75%	$ 63,938,592
New Mexico	$ 1,092,566	100.00%	$ 384,574	35.20%	$ 1,092,566
New York	$ 13,154,441	8.53%	$ 10,331,765	6.70%	$ 154,156,048
North Carolina	$ 12,545,154	13.09%	$ 9,392,689	9.80%	$ 95,849,934
North Dakota	$ 1,139,025	52.80%	$ 388,829	18.02%	$ 2,157,290
Ohio	$ 6,697,162	76.76%	$ 3,258,315	37.35%	$ 8,724,564
Oklahoma	$ 5,392,690	64.14%	$ 2,536,154	30.16%	$ 8,408,105
Oregon	$ 3,434,131	67.14%	$ 2,038,811	39.86%	$ 5,115,086
Pennsylvania	$ 20,478,788	31.30%	$ 15,701,515	24.00%	$ 65,419,692
Puerto Rico	$ 550,624	0.93%	$ 550,624	0.93%	$ 59,142,941
Rhode Island	$ 818,318	5.43%	$ 779,932	5.17%	$ 15,081,094
South Carolina	$ 3,166,772	14.38%	$ 1,365,156	6.20%	$ 22,028,278
South Dakota	$ 462,117	21.57%	$ 305,959	14.28%	$ 2,142,681
Tennessee	$ 9,861,936	100.00%	$ 5,592,255	56.71%	$ 9,861,936
Texas	$ 21,634,942	43.90%	$ 10,889,742	22.10%	$ 49,279,463
Utah	$ 6,519,756	5.61%	$ 5,136,071	4.42%	$ 116,310,108
Vermont	$ 1,169,521	28.46%	$ 962,880	23.43%	$ 4,108,991
Virginia	$ 1,920,190	7.60%	$ 1,256,972	4.98%	$ 25,264,783
Washington	$ 13,481,056	25.84%	$ 9,986,681	19.14%	$ 52,174,251
West Virginia	$ 1,389,217	100.00%	$ -	0.00%	$ 1,389,217
Wisconsin	$ 15,701,353	92.84%	$ 8,884,798	52.53%	$ 16,913,171
Wyoming	$ 212,227	100.00%	$ -	0.00%	$ 212,227

Source: FDIC Statistics on Depository Institutions database, 3/31/04

NCRC Analysis of Proposed FDIC CRA Ruling

Table 9: Performance of Midsized Banks on Service Test in Massachusetts

	Institutions #	Branches #	Branches in LMI Census Tracts #	Average Percent of LMI Branches	Average Percent of LMI Tracts	Average Difference
Needs To Improve	1	1	0	0.00%	38.20%	-38.20%
Low Satisfactory	7	42	6	8.77%	19.62%	-10.85%
Combined Low	8	43	6	7.67%	21.94%	-14.27%
High Satisfactory	22	163	35	20.30%	24.58%	-4.28%
Outstanding	11	93	29	33.74%	32.06%	1.68%
Combined High	33	256	64	26.35%	25.77%	0.59%