From: Dan Immergluck [mailto:immergld@gvsu.edu]
Sent: Monday, May 02, 2005 2:43 PM
To: Comments; regs.comments@federalreserve.gov; regs.comments@occ.treas.gov
Subject: COMMENTS ON PROPOSED CHANGES TO THE IMPLEMENTATION OF THECOMMUNITY REINVESTMENT ACT

May 1, 2005

Jennifer J. Johnson
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington DC 20551

RE: Docket No. R-1225

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

RE: RIN 3064-AC89

Office of the Comptroller of the Currency
250 E St. SW, Mail Stop 1-5
Washington 20219
RE: Docket Number 05-04

To Whom It May Concern:

I am writing to comment on the proposed changes to your implementation of the Community Reinvestment Act (CRA). For over a dozen years, I have researched and written widely on this topic and have witnessed, first-hand, the importance of access to credit for small business development and revitalization in lower-income neighborhoods. I have also conducted valuable research using the CRA small business lending data that has been widely cited in policy debates and published in scholarly, peer-reviewed venues (See note).

Your proposal is an improvement over the one issued by the FDIC in the summer of 2004, and a major step up compared to the changes the OTS has made in its regulation, which I believe are a thinly disguised attempt to circumvent the intent of the original CRA statute.

However, I am deeply concerned that intermediate small banks would no longer be required to report data on small business lending and small farm lending. These institutions are significant small business and farm lenders. It was estimated by the Federal Reserve that institutions between $250 million and $1 billion in assets made roughly 20 percent of the total dollar volume of all small business loans and 43 percent of the total dollar volume of all small farm loans in 2003. In communities with a disproportionate number of intermediate small banks, these percentages are substantially higher. Also, if large, credit-card lenders are removed from the data-set, the proportion of traditional non-credit-card bank loans made by these banks would almost certainly be substantially larger.

These intermediate small banks are precisely they types of institutions that are big enough to handle the more sophisticated needs of small businesses (versus homeowners, e.g.) yet small enough to remain committed to the sort of relationship lending that small firms in lower-income areas depend on.

To lose data on these loans would severely harm the quality of that data set and make it increasingly difficult for banking regulators, researchers, and the public to accurately evaluate the small business and farm lending performance of both intermediate small banks and large institutions in the context of the overall small business lending market. I ask that you continue to require intermediate small banks to report this data.

Moreover, to argue for reducing the quality of a dataset because it is not as widely used as it might be constitutes a form of intellectual hypocrisy. It is precisely because the small business data are not collected in as complete and detailed form as HMDA data that their utility is diminished. Your agencies decided in the 1995 regulatory reform to limit these data to "large banks." Moreover, without ample public process, your agencies * particularly the Federal Reserve*yielded to the interests of banks in making the original CRA data difficult to analyze (e.g., not producing it in a machine readable format) by community groups.

Making the data more limited will of course create the self-fulfilling prophecy of less data usage. The 1989 changes to HMDA, and the recent improvements, clearly show that improving data sets results in increased utilization and restricting them results in less utilization. As regulatory agencies that are supposed to be working on behalf of the public interest, there is no reasonable argument to reduce the quality of these data. The argument that they impose a significant burden on institutions * in the days of ubiquitous and inexpensive data processing technology * is laughable. These very minor costs are spread across millions of transactions. Moreover, to the degree that any such burden does exist, why should different institutions be treated differently? All lenders*large and small*should be subject to the same requirements.

Please do not reduce the number of lenders required to report these data. If you do so, you will be culpable for tying your own hands, and those of the public, in attempting to ensure that access to small business credit is being provided to lower-income communities throughout the U.S.

Sincerely,

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Note: Examples include: Dan Immergluck and Geoff Smith, "Big Changes in Small Business Lending: Implications for Firms in Low- and Moderate-Income Neighborhoods," Journal of Developmental Entrepreneurship, 8 (2003): 153-175; Dan Immergluck, "Redlining Redux: Black Neighborhoods, Black-owned Firms, and the Regulatory Cold Shoulder," Urban Affairs Review 38(2002): 22 * 41; Dan Immergluck and Geoff Smith, "Bigger, Faster* But Better? How Changes in the Financial Services Industry Affect Small Business Lending in Urban Areas," Brookings Institution Center on Urban and Metropolitan Policy, September, 2001; Dan Immergluck, "Intrametropolitan Patterns of Small Business Lending: What Do the New Community Reinvestment Act Data Reveal?" Urban Affairs Review 34 (1999): 787-804.