SL NEIGHBORHOOD
HOUSING SERVICES

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NeighborWorks
CHARTERED MEMBER

EQUAL HOUSING LENDER

COMMENTS: Industrial Loan companies and Industrial Banks
AGENCY: Federal Deposit Insurance Corporation

October 9, 2006

Mr. Robert E. Feldman
Executive Secretary
Federal Deposit Insurance Corporation
550 17th Street N.W.
Washington, D.C. 20429

Dear Mr. Feldman,

Salt Lake Neighborhood Housing Services, Inc. (NHS) was created in 1977 as a 501c3 to address urban blight in Salt Lake City, Utah via NeighborWorks America, known at that time as Urban Reinvestment Task Force and later Neighborhood Reinvestment. Twenty-nine years later NHS and our many partners has invested more than $30,000,000 and countless hours in building Salt Lake City's blighted communities. The impact has been significant. Crimes rates have dropped dramatically and neighborhoods that were once comprised of 60% rental properties have become neighborhoods of choice consisting of 70% home ownership. We have built hundreds of rental units and several subdivisions that have increased net housing in communities where for-profit builders would not build. We have counseled thousands of citizens on homebuyer education, financial literacy, and foreclosure prevention. We have trained hundreds of residents how to engage in civic participation and the importance of involvement in building communities. We are an organization that makes a difference because of the partners that sit at our table. Industrial loan companies (ILC) are some of our most important primary partners and I want to express in this letter my appreciation for the commitment the ILC industry has to community development and meeting credit needs for low and moderate-income communities.

In 1990, I was appointed executive director of SLNHS and within my first two weeks on the job, I learned the importance of the community reinvestment act in rebuilding our neighborhoods. More importantly, I established contact with the ILCs. Their participation in SLNHS has resulted in our growth from a five person staff and an operating budget of $300,000 to a twelve person staff with an organizational budget of $5,000,000. Senior management of many ILCs actively participate on the NHS board of directors and committees, and have guided and built the capacity of the organization to great success in serving low and moderate-income communities. They have trained and mentored the organization to national recognition and Community Development Financial Institution (CDFI) status. The majority of the 33 ILC's currently charted in Utah currently invest in our organization through annual grants, lines of credit, tax-credits, and volunteerism.

As larger institutions that are more traditional merge, this has reduced the net number of traditional banks that invest in SL NHS. While these numbers have decreased, the credit needs of low-income communities continue to grow, and the ILC industry has stepped to the plate to address this need by investing in loan pools to provide first mortgages, provided lines of credit to help with predevelopment costs and short term financing for the construction of affordable housing. NHS currently has a $6,000,000 loan portfolio and 50% of this portfolio is a direct result of ILC participation.

Above, I highlighted a few of the many activities that ILC's have engaged in specifically with SLNHS and could certainly grow the list by many more pages.

On July 28 2006, the FDIC imposed a six-month moratorium on FDIC action to accept and approve any application for deposit insurance submitted to the FDIC by an ILC. The purpose of the moratorium is to preserve the status quo while the FDIC evaluates a variety of issues spelled out in the federal register notice. I want to respond to the issues raised on whether ILCs pose any increased risk to the Deposit Insurance Fund, or whether there is emerging safety and soundness issues or policy issues involving ILCs, and whether statutory, regulatory, or policy changes should be made in the FDIC's oversight of ILCs in order to protect the Deposit Insurance Fund.

In the late 1990's I was appointed to serve as a public representative for the Saving Association Insurance Fund (SAIF) until the committee dissolved in early 2000. The committee was created as a result of the savings and loan bail out and I was appointed to represent the housing industry. I participated on the committee with several S&L and commercial bank CEOs, along with many other public representatives from various industries. My learning experience specific to the SAIF and Bank Insurance Fund (BIF), the merger of these funds and the many discussions specific to risk of the funds offered me insight to safety and soundness that most housing providers do not experience. In addition, I currently serve on the board of directors as an independent director for a local ILC and have served on CRA advisory committees for US Bank, Washington Mutual, Wells Fargo, and Zions Bank. I share this with you to offer insight to my depth of experience with various banking institutions.

In my sixteen years of working with ILCs, I am not aware of any FDIC insured ILC institution failing. As a direct result of Utah's Department Fee Increase bill, a bill supported by the ILCs, this bill will help maintain a strong regulatory presence in Utah. The FDIC and Utah Department of Financial Institutions work closely in regulating the ILC industry and while ILC asset growth has been great in the last few years, the FDIC and State of Utah have kept pace with the growth of these institutions and responded accordingly. I have heard ILC representatives' state that a strong and fair regulator leads to a strong industry. That is certainly the case from my experience.

ILC involvement, as I noted above, in community reinvestment has been tremendous. Again, I am not aware of any CRA loans that have defaulted and while CRA loans may not generate high returns, their impact is great in creating affordable housing, helping the homeless, senior citizens, and hundreds of other beneficiaries.

Based on the track record of the ILC industry, Congress should focus on the adequacy of the current regulatory processes conducted by the State of Utah and the FDIC. There has been no demonstrated regulatory failure; as a result, there is no reason for a public policy change specific to the ILCs.

I appreciate the opportunity to comment and am available to respond to additional questions you may have.

Sincerely,

Maria Garciaz

Maria Garciaz
Executive Director