577

Partnership Accounts for Individual Development nfp

115 North Neil • Suite 401 • Champaign Illinois 61820 • 217.239.4360 • 217.239.4340 fax

VIA FAX to 202-898-8788
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:

As a member of the Financial Links for Low-Income People (FLLIP) coalition, a statewide coalition of Illinois nonprofit organizations, community groups, Individual Development Account providers, adult educators, government agencies, financial institutions, and regulators, I urge you to withdraw the proposed changes to the Community Reinvestment Act (CRA) regulations. FLLIP is dedicated to expanding financial education and asset-building opportunities for low-income people.

I am also writing you as President of PAID nfp, a small non-profit administering the FLLIP curriculum locally as well as an Individual Development Account program. I am also involved in launching a Ways to Work program locally, which is a car financing program for workers with blemished credit. All of these activities rely heavily on cooperation and support from local financial institutions. Reviewing the list of effected institutions in my community, I identify 5 local banks that we work with. BankIllinois in particular is a major partner for the IDA program.

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. If approved, over 97 percent of all banks in Illinois would be subject to a watered-down CRA exam. The proposed change would affect 70 banks in Illinois, including several banks that have contributed to the FLLIP coalition's programs (Allstate Bank, Itasca Bank & Trust, and Lisle Savings Bank). Those banks provided grants ranging from $1000 to $25,000 and totaling almost $30,000. The grants were used for activities including: community-based free financial education classes; matching funds for Individual Development Accounts (IDAs) to help low-income workers buy a house, start a business, go to college, or buy a car; and scholarships for financial education train-the-trainer sessions for nonprofit staff.

With fewer government and foundation resources available, nonprofit financial education program providers and IDA program providers rely on our bank partners for grants, in-kind donations, marketing and training assistance, and access to convenient branches and affordable products and services. We believe that the proposed rule would result in Illinois nonprofits receiving fewer grants and resources for these needed programs.

Banks frequently cite both CRA and business opportunities as factors in their support financial education and asset-building programs. An evaluation of the FLLIP program by the University of Illinois documented that the program helped graduates increase financial literacy, budget better, save more, open bank accounts, make investments, and decrease use of check cashers and payday loans. Thus, a decrease in support for financial education and asset-building programs for low-income people would result in banks missing opportunities to gain new customers and deposits.

The elimination of the service test would also have harmful consequences for low- and moderate-income communities that lack mainstream banking centers and affordable financial services. CRA examiners would no longer expect mid-size banks to maintain or build branches in low- and moderate-income communities. Mid-size banks would have less incentive to offer low-income consumers affordable checking and savings accounts and other banking services, such as remittances used by immigrants to send money home.

In place of the investment and service parts of the CRA exam, the FDIC proposes to add a community development criterion under which mid-size banks would have to engage in only one of three activities: community development loans, investments, or services. In addition, you propose to allow banks to receive CRA credit for activities in rural areas that are not targeted to the low- and moderate-income populations that CRA was intended to help. These proposed changes, too, would result in fewer banks and fewer resources supporting financial education and asset-building programs for low-income people.

For these reasons, I oppose the proposed changes to CRA and ask that you withdraw the proposed rule.

Sincerely,

Valerie McWilliams

Valerie D. McWilliams
President, PAID nfp

Cc: Dory Rand, FLLIP Coordinator
Congressman Timothy Johnson