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September 28, 2004

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

RE: RIN 3064-AC50

Dear Mr. Feldman:

PLEASE WITHDRAW PROPOSED CRA REGULATIONS ON MIDSIZE BANKS

Edgemont Neighborhood Coalition urges you to withdraw the proposed changes to the Community Reinvestment Act (CRA) regulations. These changes will drastically reduce CRA requirements for "mid-sized banks" with under $1 billion in assets by treating them like "small banks" are treated. In particular, they would only need to choose one of three presently required community development activities. This will result in significantly fewer loans and investments in affordable rental housing, health clinics, community centers, and economic development projects.

CRA is vital for increasing homeownership and economic development and small business activity in lower-income communities. If you allow mid-sized banks to disinvest with impunity, many will do so. This will result in an enormous setback for our community.

EDGEMONT NEIGHBORHOOD COALITION, INC.

Edgemont Neighborhood Coalition, Inc. is a nonprofit community organization located at 919 Miami Chapel Road, in Dayton, Montgomery County, Ohio. The group consists of residents of the Edgemont neighborhood, a low-income African American neighborhood in Dayton, who have associated in order to foster pride in their neighborhood and address the issues of crime, youth and adult joblessness, inadequacy of educational opportunities, affordability of utilities, and business and community development.

One issue of importance of the Edgemont Neighborhood Coalition, Inc. has been the availability of affordable financial services in the community. Edgemont has been active in Community Reinvestment Act activities in order that residents have access to mainstream financial services at mainstream prices, and not be relegated to high-cost "fringe bankers" such as payday lenders, "subprime" mortgage lenders, rent-to-own vendors and pawnshops.

In furtherance of these goals, Edgemont has commented on proposed regulations by federal agencies and has appeared as amicus curiae in court cases involving payday lending and predatory mortgage lending. Edgemont has been a party in proceedings in the Public Utilities Commission of Ohio, and has also cosponsored conferences concerning payday lenders and their effects on the community. Edgemont supports the work of the National Community Reinvestment Coalition and of the Community Reinvestment Institute Alumni Association here in Dayton.

In addition to being a community organization, Edgemont Neighborhood Coalition, Inc. functions as a small business, operating an office, community garden and community computer center.

LOCAL CONCERNS

Montgomery County, Ohio, where we are located, is experiencing an explosion of mortgage foreclosures. There were more than 4,300 foreclosures in Montgomery County in 2003, and over 2600 filed through August 2004, up 250% in six years. The study report Predation in the Sub-Prime Lending marker: Montgomery County - 2001, examined of a random sample of mortgages associated with foreclosure filings and found that a significant minority of sub-prime loans involved with foreclosures exhibit interest rates or other features that are predatory in nature.

Subprime mortgage lending is more prevalent in minority neighborhoods. Minority homeowners, particularly women, have frequently been the targets of predatory lenders. Foreclosed homes add to the problem of abandoned properties which blight the neighborhood and contribute to crime.

A recent study by ACORN found that 23% of all refinance loans to African-Americans in the Dayton/Springfield area were made by higher cost subprime lenders, as opposed to 6% to whites. A study by the National Community Reinvestment Coalition found that African-Americans are more likely to get a subprime loan than whites even if the borrowers' credit scores are the same.

The Federal Reserve Board has found that the median value of financial assets for non-whites is only 1/5 of that of whites. The equity in a family home is the most common financial asset for African Americans. Unreasonably high cost mortgage loans attack the equity in the home, prevent upward mobility and ultimately can result in losing the home and what the home means to the American dream.

Our neighborhoods also suffer from the proliferation of payday lenders who charge high interest rates for short term loans.

The community is also in severe need of business development and jobs which businesses provide. Dayton has suffered job losses in the manufacturing and particular automotive areas. Business lending is an important part of neighborhood revitalization.

OBJECTIONS TO THE PROPOSED CHANGES

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 expanding "small bank regulatory relief" to mid-sized banks are contrary to the CRA statute, requiring evaluations of banks with assets over $250 million. They are also contrary to 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.

LOW- AND MODERATE-INCOME COMMUNITIES NEED LENDING, INVESTING, AND SERVICES

In particular, FDIC oversees 92 institutions in Ohio, controlling $16B in assets. Overall, 98% have under $1B in assets. 16% have between $250M and $1B in assets, and would be affected by the proposed regulation change. 81% of all assets in OH are controlled by institutions with less than $1B, and would therefore fall by the wayside as a result of streamlined CRA exams.

Particularly hard-hit would be the state's urban areas, such as Dayton. 55% of the state's total assets are controlled by institutions in urban areas. 98% of the institutions in urban areas have less than $1B in assets. 17% of the institutions in urban areas have between $250M and $1B and would be affected by the proposed regulation change. If the FDIC's proposal is adopted, 77% of the assets in urban Ohio would not be subject to the current level of scrutiny under CRA.

Your proposal will therefore drastically reduce, by hundreds of billions of dollars, the bank assets available for community development lending, investing, and services.

LOW- AND MODERATE-INCOME COMMUNITIES NEED COMMUNITY BRANCHES

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.

Your proposal leaves banks with thousands of branches "off the hook" for placing any branches in low- and moderate-income communities. 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.

Another destructive element in your proposal is the elimination of the small business lending data reporting