



Neighborhood Economic Development Advocacy Project

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October 20, 2004

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

Re: RIN 3064-AC50

Dear Mr. Feldman:

I write on behalf of the Neighborhood Economic Development Advocacy Project (NEDAP), a not-for-profit organization based in New York City that works with community groups to promote access to fair and affordable financial services in low income neighborhoods and communities of color. NEDAP joins with citizens and groups from around the country in opposing the FDIC's harmful proposal to change the definition of small banks for Community Reinvestment Act (CRA) purposes.

NEDAP staff members have years of experience working with the CRA and our organizational leadership includes several CRA experts. We have worked with dozens of community groups to press mainstream financial institutions, including numerous non-member banks, for access to fair and affordable loans, services and investments in New York City's low income neighborhoods and communities of color.

As quoted in an article in today's *New York Times*, FDIC Chairman Donald E. Powell stated in a speech just last month:

I do not want to do anything that will hurt our nation's communities by impairing the flow of credit to the underserved or otherwise undermining C.R.A. objectives.

If adopted, the FDIC's proposed CRA amendments, which would raise the small bank definition to \$1 billion among other changes, would achieve precisely what Chairman

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Powell professes to want to avoid. That is, the FDIC's proposal would impair the flow of credit and blatantly undermine CRA's objectives.

NEDAP strenuously opposes the FDIC's proposal and calls on the agency to withdraw it in its entirety. The FDIC's proposed changes would have serious community reinvestment and community development implications for low and moderate income communities, and require public policy justifications that are simply absent from the proposal. The FDIC, however, fails to make a convincing case for *quadrupling* the asset size for defining small banks under CRA. (The FDIC, for example, cites the number of comment letters it received from banking institutions in April 2004, stating they would like to see the small bank definition set above the \$500 million proposed earlier this year. The process of amending the CRA should not be treated as a referendum, in which the FDIC makes decisions based on votes pro and con!)

In New York State alone, the proposal would recategorize 27 large FDIC-regulated depository institutions as "small banks." This change would effectively remove \$14.2 billion in institutional assets from the more comprehensive CRA standards set forth for large banks. In some states the impact is considerably greater.

Also, the CRA requirements the FDIC proposes for banks with assets between \$250 million and \$1 billion are simply inadequate. This proposal is bound to result in many fewer home mortgage and small business loans made to low and moderate income borrowers, and fewer community development loans and investments in low and moderate income communities. We are greatly concerned that the resulting diminution in CRA lending will fuel fringe and predatory financial services and lending practices in communities that already face an ever-proliferating array of high cost and abusive financial services and products.

The addition of CRA "credit" for community development projects that benefit rural communities is further unwarranted, and inconsistent with the spirit and letter of the CRA. Has the FDIC determined, for example, that all rural communities are low and moderate income? The FDIC is moving in the wrong direction with this proposal. We urge the FDIC to withdraw the proposal and develop its policies based on the public interest, not just the interests of non-member banks that seek to dilute the CRA.

Sincerely,

Sarah Ludwig
Executive Director