

From: "Bridget Claridy" <bclaridy@wdclv.org> on 04/15/2005 02:51:15 PM

Subject: Community Reinvestment Act

Women's Development Center

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April 15, 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

Dear Ms Johnson:

Women's Development Center (WDC) is a non-profit housing agency that was started as a grassroots effort by a number of concerned women, in response to the rising number of women and children who were becoming homeless. WDC began by offering transitional housing to homeless single women and their children and has expanded to include permanent housing, senior housing, and home buying. We have purchased and constructed our own housing inventory and assist over 1,000 needy households a year. WDC provides help to needy families and individuals with Transitional Housing, assistance to move into permanent housing, permanent housing for people living with HIV/AIDS and senior citizens, Affordable Rental units, Financial Literacy and Homebuyer's Education, and Down-Payment assistance. Our services are often provided in low income areas where the proposed CRA changes will have the most impact. In addition, CRA regulations encourage local lending institutions to support non-profits such as WDC with grant funding that is instrumental in providing needed services.

I urge you to enhance your proposed changes to the Community Reinvestment Act (CRA) regulations so that banks do not reduce their levels of branches, and community development loans and investments to low- and moderate-income communities. Your proposal is an improvement from the one you issued in the fall, but serious issues remain.

I am pleased that you have dropped your proposal to allow mid-size banks with assets between \$250 million to \$1 billion to offer either community development loans, investments or services. Banks must be expected to engage in all three of these essential community development activities in order to pass their CRA exams as your current proposal requires. I still believe that the current exam structure of separate lending, investment, and service tests is the most effective structure for maximizing the level of community development financing. If you move to a new exam format, you must ensure that significant declines of community development financing do not occur. You could compare past levels of community development financing to future levels after any changes to the CRA exam structure so that

banks are penalized if they significantly decrease their level of community development activities.

The role of investments in communities cannot be belittled. Investments in affordable housing and economic development build wealth for families and communities and thus open up new markets for bank lending and services. The importance of investments is one reason why you must carefully develop any final proposal regarding the CRA exam structure.

I am also concerned that deleting a separate test for services will result in CRA exams no longer holding mid-size banks accountable for the provision of bank branches and low-cost accounts in low- and moderate-income communities. Payday lending and other high cost credit has increased in my community the last several years. The last thing we need are CRA exams that no longer look at the number of bank branches in traditionally underserved communities. Please add the provision of bank branches as a clear factor on your proposed CRA exams for mid-size banks.

I urge you to drop your proposed elimination of public data disclosure requirements regarding community development, and small business and small farm lending. Mid-size banks are vital in many communities, particularly in medium-sized cities and rural communities. The only way to hold them accountable for providing credit to small firms and for affordable housing and community development is if the CRA data remains publicly available. The public as well as regulatory agencies will have no way to systematically measure the responsiveness of these banks to critical credit needs if you eliminate this data.

You must not change the requirement that community development in rural areas must benefit low- and moderate-income areas and distressed communities. I also urge you to apply your revised test to only banks with assets between \$250 million to \$1 billion. If you use an inflation factor each year to increase the number of banks subject to the new and abbreviated CRA exam, you will reduce the range of bank financing and services flowing to communities that need them the most. Thank you for your consideration of my comments.

Sincerely,

Candace Ruisi
Executive Director

cc. National Community Reinvestment Coalition