Community Development Venture Capital Alliance

September 20, 2004

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

RE: RIN 3064-AC50

Dear Mr. Feldman:

The Community Development Venture Capital Alliance (CDVCA) is the national trade association for community development venture capital (CDVC) funds. The CDVC industry manages $550 million of capital, much of it provided by small and large bank investors who are motivated, in part, by the Community Reinvestment Act, and specifically by the regulations covering Large Institutions. CDVCA and its members strongly oppose your proposal to raise the definition of "small institution" from its current $250 million in assets to the proposed $1 billion. We are also concerned that your proposal to modify the definition of "community development" to include *any* investing or service activities in rural areas runs counter the goals of the Act.

The FDIC defends the proposed changes to the definition of Small Institution on the grounds that the percentage of assets covered by the Large Institutions exam would remain around 85 percent of all the industry's assets, comparable to the percentage of assets covered in 1995 when the new, performance-based CRA regulations became effective. But, as we argued in our comments to the Proposed Joint Rulemaking issued in the spring of this year, the relevant public policy question is how the proposed changes would affect local banking markets. By this measure the proposal could have very negative effects on many local communities. Analysis by the Woodstock Institute shows that with the FDIC's proposed changes the number of Large Institutions in Illinois would decline by 86 percent; in fact, more than 97 percent of all banks in the state would be considered a Small Institution. Research by the National Community Reinvestment Coalition found that the FDIC's proposed changes would mean that only 4 percent of all FDIC-regulated institutions would be covered by the more rigorous Large Institutions exam.

Nor can we support your proposed change in the definition of "community development," which would append "rural areas" to the current definition of community development. We strongly believe that the current definition, which clearly and rightly emphasizes low-or-moderate income individuals and geographies, is the proper definition. CDVCA encourages the FDIC and all of the federal regulators to continue their focus on improving access to credit and capital in rural

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parts of the US. However, redefining CRA is not the proper way to address the financial challenges facing rural people and communities .

We strongly encourage the FDIC to recognize that the proposed changes, which appear inconsequential at the national scale, would have substantial adverse consequences in thousands of communities and disproportionately affect rural communities. Additionally, the proposed change in “community development,” which is intended to offset these negative effects, would result in a more confusing regulatory environment and run the risk of worsening access to credit and capital for low-and-moderate income persons and low-and-moderate income communities in both rural and urban areas.

Thank you very much for the opportunity to comment on your proposed changes to the FDIC’s CRA regulations. If you have any questions about these comments please do not hesitate to contact us.

Sincerely,

Kerwin Tesdell
President

Brian T. Schmitt, Ph.D.
Director of Research