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IFF

April 14, 2004

Regulation Comments, Attention: No. 2004-04
Chief Counsel's Office
Office of Thrift Supervision
1700 G Street NW
Washington DC 20552

Dear Chief Counsel's Office:

The Illinois Facilities Fund (IFF) supports the current structure of the Community Reinvestment Act (CRA) because of the positive impact it has had on the Community Development Financial Institution (CDFI) industry. The proposed changes to CRA may adversely impact CDFIs by discouraging private sector investment in the industry. Such unintended consequences are particularly untimely in the face of economic contraction and the vital role that CDFIs can play in bringing capital to stimulate the economy in particularly distressed market sectors.

For the IFF, which offers lending, facilities planning and development, research and related education and advocacy to Illinois nonprofits serving low-income and special needs populations, the proposed changes to CRA may negatively affect the continued ability to expand our below-market financing services and products to additional communities and organizations throughout the state, at a time when our market research indicates a growing need for our services. Since 1989, the IFF has made 287 loans totaling more than $70 million to help over 190 Illinois nonprofits serving low-income and special needs populations buy, expand or renovate their facilities. The IFF has also provided real estate services, including real estate consulting, development, and project management services to over 90 nonprofit organizations.

The Community Reinvestment Act (CRA) has promoted investments by traditional financial institutions in CDFIs. For instance, since the inception of the IFF, 10 banks have invested in our loan program, lending over $29 million at below market rates. This financing is essential to the IFF's track record of helping to create or maintain 7,500 of jobs and developing almost 3.7 million square footage of new real estate in traditionally financially underserved markets. Like the IFF, other CDFIs throughout the country, have benefited from similar bank investments and have the resources to specialize in providing financial services and capital to individuals, small businesses, religious or nonprofit community-based organizations in low-income or economically under-invested markets.

A significant number of financial institutions in Illinois' smaller municipalities and rural areas have less than $500 million in assets and therefore fall within the regulatory category currently facing proposed oversight changes. These institutions are a potent source of partnership, deal flow and investment for the IFF, as it implements its strategic plan to increase market penetration in Illinois' municipalities. There will be less incentive for financial institutions to partner with CDFIs and others engaged in community development work if financial institutions with between $250 and $500 million in assets are to be excluded from the three-part CRA test as proposed. In Illinois alone, this change will affect 93 banks, including many outside of the Chicago metropolitan area. The IFF encourages the strengthening and modernizing of CRA to provide increased rather than decreased opportunities for community development organizations, such as CDFIs, to partner with financial institutions.

A bank with assets of $250 million or more has the resources to offer the range of lending, investment, and service products evaluated on the larger bank exam. Past studies have shown that complying with CRA data collection requirements require less than ten hours a year in work for these smaller banks. CRA should encourage small banks to invest and partner with CDFIs by awarding those banks investing in CDFIs with a higher rating. This would allow for the continued expansion and support of the CDFI Industry and ensure individuals, communities, human service organizations and businesses have access to capital to reach their financial goals.

The IFF applauds the federal regulators for increasing the data available on financial institutions. This information will provide the public with additional information on the lending practices of financial institutions and potentially increase partnership opportunities for CDFIs.

Robust implementation of CRA has been vital not only for the IFF, but to the growth and sustainability to the Community Development Finance industry and its ability to provide financial services and products to traditionally underserved communities throughout the county. The proposed changes for banks with assets under $500 million should be reconsidered and withdrawn in order to ensure the continued growth of this important industry.

Sincerely,

Elizabeth A. Evans
Director of Government and Community Affairs