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164

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Dear Officials of Federal Bank and Thrift Agencies:

CEI Ventures, Inc. manages two community development venture capital funds: Coastal Ventures Limited Partnership and Coastal Ventures II, LLC. These are both Community Development Financial Institutions and invest in companies which commit to hire people with low-incomes. The service area for the venture funds is largely based in Maine, but extends to northern New England.

The investment test of the CRA and the Bank Enterprise Award program have been vital to raising the \$25 million we have under management and the 32 companies we have invested in to date.

**The proposed changes to the CRA exams will eliminate the investment and service tests for banks with assets between \$250 and \$500 million. This could potentially devastate medium sized bank community group investments in rural areas such as Maine.**

Under the current CRA regulations, large banks with assets of at least \$250 million are rated by performance evaluations that scrutinize their level of lending, investing, and services to low- and moderate-income communities (NCRC, 2004). Proposed changes to the CRA exams will eliminate the investment and service tests for banks with assets between \$250 and \$500 million.

**Thirteen Maine banks with assets of between \$250 and \$500 million are affected. There are currently a total of 40 banks chartered and based in Maine. Of these, 16 currently have fewer than \$250 million in assets and fall under the current streamlined CRA exam where they are subject to evaluation of their lending, but not investments or services. There are 24 banks that have assets in excess of \$250 million and of these 13 have assets between \$250 and \$500 million. Under the proposed changes to the CRA exam, these 13 banks would be exempt from being held accountable in areas of investing and services to low and moderate income communities.**

Bank Assets	No of Banks ME	No. ME Banks partner with CEI	% ME Banks partner with CEI
< \$250 million	16	2	12.5%
\$250 - \$500 million	13	7	54%
> \$500 million	11	7	64%

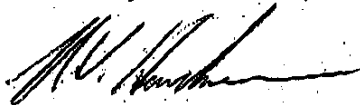
**CRA is a major motivation for community banks to invest in CEI's venture funds.** An analysis of CEI's involvement with these banks demonstrates that **currently CEI's venture funds alone work with 14 banks that are subject to the CRA investment test** and only two or 12.5% that are subject to *only the lending test*. Of these two, one is Fleet Bank that is part of a larger corporation that is subject to CRA investment tests elsewhere. A breakdown of the banks currently subject to investment tests under CRA shows that of those with assets between \$250 and \$500 million, 7 of 13 banks or 54%, work and invest with CEI venture funds. Similarly in the group with assets over \$500 million, 7 of 11 banks work and invest with CEI, or 64% of that group.

CEI-venture fund managers have noted that as banks assets have grown, and a bank has moved into the group where they will be subject to investment tests under CRA, banks have looked to invest in CEI's venture funds where previously they had not been interested<sup>1</sup>. With seven of the banks that have made substantial investments in CEI venture funds removed from the investment test under the proposed changes to the CRA, **CEI is very concerned that these seven banks will no longer have the motivation to make continued investments in our venture funds and other financing activities**, since the additional benefits accruing from such activity under current CRA regulations will no longer apply.

Furthermore, with the proposed reduction in the Bank Enterprise Awards, which offer an important financial incentive to smaller banks to invest in Community Development Financial Institutions, the CRA becomes even more important in ensuring small to medium sized banks are providing important capital and services for low and moderate income communities.

Thank you for your interest in our comments.

Sincerely,



Nathaniel V. Henshaw  
President  
CEI Ventures, Inc.

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<sup>1</sup> We are pretty sure that the reason for this is the introduction of the investment test under the CRA exam in the \$250 million + assets group and not the growth in bank assets. Indeed bank assets at the top of the <\$250 million group and at the bottom of the >\$250 group do not differ substantially to suggest asset growth was important in deciding to invest in CEI venture funds.