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April 6, 2004

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Docket No. 04-06
Communications Division
Public Information Room, Mailstop 1-5
Office of the Comptroller of the Currency
250 E St. SW,
Washington 20219

Docket No. R-1181
Jennifer J. Johnson
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington DC 20551

Robert E. Feldman
Executive Secretary
Attention: Comments
Federal Deposit Insurance Corporation
550 17th St NW
Washington DC 20429

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

Dear Officials of Federal Bank and Thrift Agencies:

Thank you for the opportunity to comment on the proposed changes to the Community Reinvestment Act (CRA). We previously submitted a letter raising our concerns with the exemption of banks with assets between \$250 million and \$500 million. This second letter raises our concerns with requests from the banking industry that the threshold for CRA investment and service tests be increased from \$250 million to \$1 billion in assets. As a member of the National Community Reinvestment Coalition, CEI believes the exemption of banks with assets below \$1 billion will substantially damage the ability of many community groups to raise investment capital from community banks.

As previously mentioned in our letter dated March 27, 2004, Coastal Enterprises, Inc. (CEI) is a nonprofit community development corporation (CDC) and community development financial institution (CDFI) serving Maine. In addition, our venture capital and new markets tax credit (NMTC) programs serve parts of Northern New England and upstate New York. For over 26 years we have sought out ways to improve access to capital for marginalized populations to provide affordable housing and access to decent



A private, nonprofit community development corporation founded in 1977
to provide financial and technical assistance to the people, businesses and communities of Maine.
CEI is an equal opportunity provider.

employment for the people and places left out of the economic mainstream, and to align private capital markets with social investments benefiting communities, residents and the environment. We have loaned over \$121 million to 1,400 businesses and helped leverage another \$350 million of additional investment. This investment has helped create 13,000 full-time hires and retained over 15,000 full time positions.

CEI's success has depended in part on its ability to partner with banks in targeting capital to low-income communities. The Community Reinvestment Act has been important in helping leverage private capital for the community development field and low-income communities. CRA has been instrumental in increasing access to homeownership, boosting economic development, and expanding small businesses in the nation's minority, immigrant, and low- and moderate-income communities.

Changes to the CRA proposed by the banking industry would eliminate the investment and service tests for banks with assets between \$250 and \$1 billion. This could potentially devastate investments in community groups by medium sized banks 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 by the banking industry to the CRA exams would eliminate the investment and service tests for banks with assets between \$250 and \$1 billion.

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 22 have assets between \$250 and \$1 billion. Under the proposed changes to the CRA exam, these 22 banks would be exempt from tests in areas of investing and services to low- and moderate- income communities. This would exempt a total of nearly \$12 billion in bank's net assets from the investment and service tests in Maine.

Bank Assets	No of Banks ME	No ME Banks partner with CEI Venture Funds	% ME Banks by assets, partnering with CEI Venture Funds
< \$250 million	16	2	12.5%
\$250 - \$500 million	13	7	54%
\$500 million - \$1 billion	9	5	55%
> \$1 billion	2	2	100%

We believe the regulatory function of CRA has opened up many opportunities and has had positive rather than negative effects for both small and large banks. We are very concerned that the motivation for some of these banks to invest in community groups will be reduced.

Of the 16 banks invested in CEI's venture funds, 14 are subject to the CRA investment test. Of the two not subject to the CRA investment test, one 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 22 banks with assets between \$250 and \$1 billion, 12 work and invest with CEI venture funds.

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.

Once again, thank you for the opportunity to comment on the proposed changes to the Community Reinvestment Act. If you have any questions, please do not hesitate to contact either Hannah Thomas (hlt@ceimaine.org) or me (rlp@ceimaine.org) at the address above.

Yours sincerely,



PP. Ronald L. Phillips
President

Cc:
Coastal Enterprises, Inc. Board of Directors
Maine Attorney General Steven Rowe
National Community Reinvestment Coalition
President George W. Bush
Treasury Secretary John W. Snow
Senator Olympia Snowe
Senator Susan Collins
Congressman Thomas Allen
Congressman Michael Michaud