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Sent: Wednesday, October 17, 2001 10:36 AM
To: regs.comments@occ.treas.gov; regs.comments@federalreserve.gov; comments@fdic.gov;
 regs.comments@ots.treas.gov
Subject: CRA Comments

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October 17, 2001

Dear Regulators:

Greater North Pulaski Development Corp. (GNPDC) believes that the Community Reinvestment Act (CRA) has been instrumental in increasing lending and investing to our members' communities and many others around the country. The regulatory changes to CRA during 1995 strengthened the law by emphasizing a bank's performance in providing services and in making loans and investments. The results of the positive changes to the CRA regulation in 1995 have been significant.

Here in our neighborhood of Humboldt Park and Austin in Chicago's west side, we have seen significant improvement in lending to businesses in low and moderate income communities, as well as to minority and women owned businesses. But there is still room for improvement.

As a member of the Chicago Association of Neighborhood Development Organizations (CANDO), and from our extensive experience, we offer the following recommendations to improve CRA:

1. **Small business data** must include information on the race, gender, and specific revenue size of the borrower and the specific census tract location of the business. Small business renewals are important, but should be separated from new originations.
2. The current **definition of "community development"** is too broad. Business development activities should meet the following criteria to be considered as "community development":
 - affected firms are women- or minority-owned or small businesses located in low- or moderate-income areas; and
 - the activity of the firm is not deleterious to the community (e.g., payday loan stores, liquor stores).

3) The CRA procedures for **delineating assessment areas** need to be changed if CRA is to adequately capture the activities of banks in the rapidly evolving financial marketplace. CRA regulations must specify that a bank's CRA exam will include communities in which a significant portion of a bank's loans are made. Out-of-state small business lenders are creaming loan applicants, without being examined on their failure to address business financing needs in low- and moderate-income areas of Chicago.

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4) GNPDC opposes the elimination of the **investment test** since low and moderate income communities continue to experience a shortage of equity investments for small business and other pressing economic development needs. The investment test has been instrumental in the growth of *Community Development Financial Institutions [CDFIs]*, including CANDO's *Self Employment Loan Fund* and ACCION Chicago's *Microloan fund*. Its existence will enhance the possibility of getting investment for GNPDC's *Business Expansion Loan Fund* which has lend close to \$500,000 to businesses to help create more than 25 new jobs and retain over 200. Grants from banks have provided critical operating support for our organization.

Updating the CRA regulation must produce CRA exams that are rigorous, performance-based, more consistent, and that are able to better capture the lending, investment and service activity of rapidly changing banks. These recommendations will lead to enhanced enforcement of CRA.

This review of the CRA regulations is so vital that we urge the regulatory agencies to hold hearings around the country when they propose specific changes to the CRA regulation. It is vital that the federal banking agencies hear the diverse voices of America's communities as they consider a regulation that ensures that community credit needs are being met. GNPDC supports the other recommendations made by CANDO in its letter to the regulators.

Thank you for your consideration.

Sincerely,

Kaushik Shah

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