VERMONT SLAUSON ECONOMIC DEVELOPMENT CORPORATION

July 21, 2010

Jennifer J Johnson, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, D.C. 20551

RE: Docket ID OCC-2010-0011, R-1386, RIN 3064-AD60

Dear Ms. Johnson:

The following are the comments of the Vermont Slauson Economic Development Corporation (VSEDC) on the agencies' hearings to review aspects of Community Reinvestment Act (CRA) regulations and how the agencies should revise them to better serve the goals of CRA and the needs of under-served communities. These revisions are particularly important because of the current lack of bank responsiveness to low-income communities and communities of color. These comments focus particularly on small business lending evaluation and data.

The primary mission of VSEDC is to facilitate community development of the South Los Angeles area through providing programs structured to revitalize the physical, economic and social life of the community. In order to realize this objective, VSEDC has developed and implemented a comprehensive approach to community economic development that includes business development, housing, commercial and industrial development, business technical assistance and training.

California is experiencing a devastating and growing economic crisis. The state is seeing small businesses close, long-term workers lose their jobs, families lose their homes, and broad negative social impact. The difficult straits of California's small businesses are a critical piece of this economic crisis and high unemployment that is only now beginning to receive attention. CRA evaluation and data collection can make a difference in promoting lending by financial institutions to small, minority-owned and women-owned institutions, particularly those in low-income communities.

California's thousands of small businesses are suffocating because of their lack of access to bank credit. Conventional small business lending by California banks dropped by 502,481 loans and $39.7 billion just between 2007 and 2008. SBA 7(a) loans to California businesses dropped by 10,186 loans amounting to $1.2 billion between 2007 and 2009. This is shown in the charts below. In addition, while overall SBA 7(a) lending dropped by 70 percent in this period, lending to minority-owned businesses dropped even further. For example, lending to Latino-owned businesses sank 82 percent.

With the ongoing recession, estimating the reasonable demand for small business loans is not straightforward. However, it is clear that there is a much greater demand for credit than is being met by banks which are dramatically under-responding to small business credit need due to their own overreactions to the economy and those of their regulators. In addition, the economic crisis is placing a greater burden on Main Street creating a dramatic need for technical assistance in business operations.

The agencies need to revise the data collected on small businesses to reflect the current array of businesses and stimulate growth of small and micro businesses that employ more than half of all workers.

- It is positive that under the *Dodd-Frank Bill of 2010* lenders will be required to report race and gender of borrowers of small business loans, the census tract location of the business, action taken with respect to the application (approved or rejected), and revenue of the business. It would be more positive if the agencies immediately implemented these data collection requirements.

- Data now collected looks only at businesses by revenue for those with annual revenue of $1million or less annually. A huge portion of minority- and women-owned businesses have revenues of $500,000 or less annually.

- Data for size of loans is now collected for loans less than $100,000, between $100,000 and $250,000, and greater than $250,000. Loans between $250,000 and $500,000 should also be collected.

- CRA examinations should look at compare overall small business lending to the proportion of lending to small, women-owned and minority-owned businesses in low-income neighborhoods as well as the overall amount of lending.

- Data should also be collected that shows the annual percentage rate (APR) of loans made.

Thank you for holding these hearings. Vermont Slauson Economic Development Corporation looks forward to implementation of the above changes in CRA regulation.

Sincerely

Marva Smith Battle-Bey
President