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

May 2, 2005

RE: Docket No. R-1225

Dear Ms. Johnson:

The Federal Reserve, FDIC and the Comptroller have received many, many letters on the proposal for mid-size banks to not be required to continue most of their public interest obligations under the CRA. Much of the correspondence urges the regulators to drop the proposed changes to the current CRA requirements and covers the technical points. The CRA requirements have many benefits for communities and also for banks. This writer is a very strong supporter of the CRA program. It was a real thrill to be deeply involved in serving San Diego's disadvantaged areas long before the 1977 CRA legislation was passed by the Congress.

I decided to take early retirement in 1988 because of burn-out. For almost 20 years I served as Managing Officer of Great American Bank (name changed from San Diego Federal S & L), including 11 years as President, before the 1989 FIRREA legislation which has resulted in the elimination of all S & Ls in San Diego County. Twenty years ago there were about 200 S & Ls in California and now only about 15 are left. In San Diego, my institution and Home Federal S & L were the leading lenders in all of San Diego's low, moderate and disadvantaged areas. A few banks have become more involved to help fill in the loss of the S & Ls. If the CRA is changed, as proposed, it will mean that our disadvantaged areas will not have as many sources of home, home improvement, commercial and apartment loans including construction loans.

I was a strong advocate to pass the CRA in 1977 and was the California representative on the 15 member Executive Committee of the United States League of S & Ls. The League reviewed the proposed CRA legislation. At a meeting in Washington I made the motion to support the CRA and the vote was 14-1 to approve the CRA legislation. My big argument in favor of the CRA legislation was that it was an important public interest program for banks & S & Ls. Our State trade association, the California S & L League, was overwhelming in support of the CRA. I then personally discussed the bill with all 6 California members of the House Banking Committee and with our 2 Senators and they all agreed to support the legislation. California Senator Alan Cranston and Congressman Jerry Patterson of Orange County were both on the Banking Committees. They then took lead roles to help get the legislation passed by the Congress.

You may ask why was Jim Schmidt such an advocate for the CRA? The primary reason was what I learned while serving as Governor Reagan's appointee to 3 positions in State Gov't. I was Ass't Secretary/Chief Deputy of the Business & Transportation Agency and an alternate member of the Governor's 7 member Cabinet. Governor Reagan's philosophy included a key objective which was that "the business community is a key to solving social problems". I learned from Ronald Reagan just how a business can help our low and moderate income citizens. Upon being named as Managing Officer of San Diego Federal in 1969, 8 years before the CRA law was passed in congress, we immediately started to serve low and moderate income areas. We had

only 4 offices and a 5th application pending. We then filed for a branch in Logan Heights which is located in San Diego's primary African-American area. The next branch we opened was in San Ysidro, an area with almost 100 % Hispanic population next to the border at Tijuana, Mexico. I can't describe the thrill it was to start banking services in those low and moderate income areas. People in those areas were very appreciative, happy and enthusiastic. Our service included home, home improvement, apartment, commercial and also construction loans.

My key point is service to low and moderate income areas, such as San Ysidro and Logan Heights, is really appreciated. At San Diego Federal we got a sense of pride and it really felt good to serve those areas. It did a lot for our employees. They recognized how important it was to serve and went all out to help. The African American and Hispanic communities responded with gratitude and this made us feel even stronger on the need for financial institutions to get involved in areas that really need bank services. If the Federal Reserve, FDIC and Comptroller take away the requirement for mid-sized banks to have community lending and investment involvement in low and moderate income communities it will be terrible.

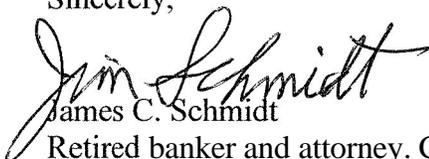
In San Diego it is very obvious, and the record shows, that the goal of most of our smaller local banks is to get in a position where there can be sold and then make big profits for management and the large stockholders. If they don't have to deal with the CRA they will be happy but it will hurt the communities that badly need service. You also will see some branch closures in low and moderate income areas of San Diego as banks continue to be sold.

I was very proud of my former institution. We were looked upon nationally as a leader in providing service to low and moderate income areas. Even though the records were not made public, I was personally told by the Federal Home Loan Bank Board in about 1985 that our institution, San Diego Federal, was considered to have the best CRA record in the United States! That was a real thrill. Another point is that CRA service to the public can give banks a good feeling to serve the public in disadvantaged areas. The CRA is good for banks!

Today I continue to serve the public. Because of my past service our local African-American City and County elected officials asked me in 1992 to serve as a public member on San Diego's public Task Force that helps to enforce the CRA. I continue to serve as a member today. I am most impressed with the CRA activity in San Diego of some of the large banks serving San Diego (all with home offices in other areas) and very disappointed that our smaller locally based banks do not seem to have a real desire to serve San Diego's disadvantaged areas.

Request to the Federal Reserve, FDIC and Comptroller – drop the proposal to exempt smaller banks from the CRA. Keep the CRA as is. Low and moderate income areas need more bank services and loans available and not less financial help.

Sincerely,


James C. Schmidt

Retired banker and attorney. Currently serving as a public appointee on 4 local public boards including , since 1992, the San Diego City-County Re-Investment Task Force which helps to enforce the CRA. My public service is as an unpaid volunteer and includes a great deal of time as an affordable housing advocate. Please let the Chairman and Board members see my letter.