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Regulation Comments
Chief Counsel's Office
Office of Thrift Supervision
1700 G Street NW
Washington, DC 20552

Attention: No. 2006-44

To Whom It May Concern:

I am writing from Woodstock Institute to support the Office of Thrift Supervision (OTS) proposal to make its Community Reinvestment Act (CRA) examination procedures consistent with the other federal bank regulatory agencies. Woodstock Institute believes it is critical that all four regulatory agencies implement the same policies when examining their institutions for CRA compliance. We also feel that the proposed changes will benefit low- and moderate-income (LMI) households and communities by holding mid-sized and large thrifts to higher and more consistent standards when examined for their provision of community development lending, investments, and services.

Currently, thrifts with between $250 million and $1 billion in assets are examined for CRA compliance using much weaker standards than those required for similarly sized commercial banks. These mid-sized thrifts are examined using small institution CRA examination procedures which only consider an institution's lending performance and does not look at an institutions performance in providing community development lending, investments, and services to low- and moderate-income households and communities. Mid-sized, or "intermediate small," commercial banks, in addition to a lending test, also are subject to a community development test that assesses the level of community development lending, investments, and services. This community development test is worth 50 percent of the institutions final CRA rating. We believe mid-sized thrifts should be examined using the same standards as mid-sized commercial banks.

Thrifts with over $1 billion in assets are also currently examined using much weaker standards that similarly sized, large commercial banks. Large commercial banks are subject to the large institution CRA examination that requires regulators consider an institution's provision of lending, investments, and services to low- and moderate-income households and communities. The lending test counts for 50 percent of an institution's CRA final score, while services and investments are each given 25 percent weight in the final grade. Large thrifts are subject to a much less rigorous and concrete CRA examination that allows institutions to essentially opt out of consideration of their services and investments to LMI markets by letting institutions choose how much weight to place on each part of the examination. These thrifts could choose to have lending count for between 50 and 100 percent of their final CRA rating thus minimizing or completely excluding consideration of community development investments and services. Woodstock Institute opposed the OTS weakening of the their CRA examination for large thrifts when it was up for comment in 2005, and we support the current OTS proposal to bring the agency's large institution examination in line with that of other bank regulatory agencies.

Woodstock Institute supports strong, effective, and consistent CRA regulations. The Community Reinvestment Act has had a substantial impact on low- and moderate-income markets by encouraging depository financial institutions to provide mortgage loans, small business loans, retail deposit accounts, financing for affordable rental housing, and financial literacy training to LMI households and communities. It has also encouraged financial institutions to provide grants and investment to organizations that develop affordable housing, provide home ownership training, and promote economic development in LMI communities.

We support the OTS's proposed changes to its regulation of the Community Reinvestment Act because it brings the agency in line with other bank regulators and will hold thrifts to consistent and higher standards than under the OTS's current CRA regulation.

Sincerely,

Geoff Smith
Research Director

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