

From: Ruth Susswein [ruth.susswein@consumer-action.org]
Sent: Thursday, December 07, 2006 3:10 PM
To: Comments, Regs
Subject: CRA comments

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Attention: No. 2006-44

To Whom it May Concern:

Consumer Action believes that the proposed changes to Community Reinvestment Act (CRA) exams must be implemented immediately. These changes will increase lending, investing and bank services in low- and moderate-income communities. Consumer Action is a non-profit, membership-based organization that serves consumers nationwide by advancing consumer rights, referring consumers to complaint-handling agencies through our free hotline, publishing educational materials in Chinese, English, Korean, Spanish, Vietnamese and other languages, and advocating for consumers in the media and before lawmakers.

Holding thrifts accountable for responding to community needs is extremely difficult under the weaker CRA standards. We believe that the federal agencies must establish the same CRA exams so that consumers can effectively compare the CRA performance of banks and thrifts. Currently, banks and thrifts with similar assets in many areas have very different CRA exams.

While mid-size banks have CRA exams that consist of a lending test and a community development test, mid-size thrifts with assets between \$250 million to \$1 billion in assets currently only have one lending test. The community development test rates a mid-size bank on the number of investments, bank services, and loans for affordable housing and economic development in low- and moderate-income communities. Mid-size banks will likely offer a greater range of loans, investments, and services than mid-size thrifts in many communities. Consumers' opportunities for banking and credit services would increase if mid-size thrifts were held to the same standards and had the same CRA exam as mid-size banks.

Likewise, consistent and strengthened standards must be set for large thrifts. By current standards, large thrifts with assets greater than \$1 billion must undergo a lending test, but they can choose not to have an investment test and a service test. In contrast, large banks always have a CRA exam in which the lending test counts for 50% of the rating, the investment test counts for 25%, and the service test counts for 25% of the rating. The large bank test has worked well for increasing bank lending, investing, and services in low- and moderate-income communities. New standards should do the same for large thrifts.

Consumer Action also urges the OTS to implement its proposal to add an anti-predatory lending screen to its CRA regulation. Savings and loans must be held to the same standard as banks, including facing CRA penalties if they issue abusive loans that drain equity from communities instead of meeting credit needs.

As they stand now, CRA standards increase the possibilities of some lending institutions shirking their community reinvestment obligations.

We ask the OTS to enact its proposal to align their CRA exams with those of the other agencies as fast as possible. Thank you for your consideration of this important matter. If you have any questions, please contact Linda Sherry, Consumer Action's director of national priorities, at (202) 544-3088.

Sincerely,

Consumer Action

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