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CONGRESS OF THE UNITED STATES

LOUISE M. SLAUGHTER
28TH DISTRICT, NEW YORK

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COMMISSION ON SECURITY AND
COOPERATION IN EUROPE

April 5, 2004

5-97

Regulation Comments
Chief Counsel
Office of Thrift Supervision
1700 G Street, NW
Washington, DC 20552
Attention: No. 2004-04
via e-mail: regs.comments@ots.treas.gov

Dear James E. Gilleran,

In 1977, Congress enacted the Community Reinvestment Act (CRA) (12 USC 2901 *et seq.*) to encourage banks and thrifts to meet the credit needs of the entire community, especially low- and moderate-income neighborhoods and individuals. As you know, the Office of the Comptroller of the Currency (OCC), the Federal Reserve System (FRS), the Federal Deposit Insurance Company (FDIC), and the Office of Thrift Supervision (OTS) are the federal banking agencies charged with evaluating CRA implementation by the nation's banks and thrifts. These agencies announced their intension of reviewing the regulations adopted in 1995. After reviewing the regulations and about 400 comments on the advanced notice of proposed rulemaking, on February 6, 2004, the OCC, FRS, FDIC, and OTS published their joint comments concerning changes to CRA regulations.

Having reviewed the proposed changes to the regulations and the general comment summaries, I am concerned over several of the proposed changes to the CRA regulations. The agencies have proposed redefining "small institution" to mean an institution with total assests of less than \$500 million, without consideration of the assets of its holding company. This definition doubles the asset threshold for an institution to be classified as a small institution, reclassifying over 1,100 banks and thrifts from large institutions to small institutions.

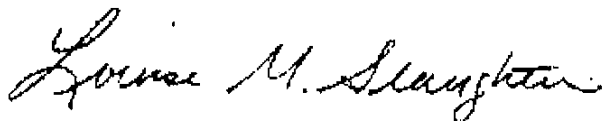
This is troublesome because these 1,100 banks and thrifts would no longer be subject to the more stringent performance evaluation standards and would instead be assessed by the less demanding performance evaluation standards applied to small

institutions. Importantly, this means that over 1,100 institutions are no longer subject to evaluation of their investment in the community. The CRA evaluation of approximately 13% of the nation's banks and thrifts would no longer be based in part on their financial investments in community development in low- and moderate-income areas and individuals. I fear that this will negatively impact community reinvestment and frustrate the policies behind CRA.

I am also concerned over proposed changes to the standards of evaluating the credit terms and practices of banks and thrifts. Under the proposed regulations, predatory lending will be counted against an institution only if collateral is foreclosed or liquidated. This narrow definition of predatory lending excludes many other disturbing lending practices that prey on people in low- and moderate-income areas. For example, the packing of fees into mortgage loans, high repayment penalties, loan flipping, and mandatory arbitration will not be counted against any bank or thrift that engages in these unfair practices.

For these reasons I feel compelled to bring forward my concerns over the joint notice of proposed rulemaking. I urge the OCC, FRS, FDIC, and OTS to consider seriously the impact of the proposed regulations on the obligations of banks and thrifts to reinvest in the community.

Sincerely,

A handwritten signature in cursive script that reads "Louise M. Slaughter".

Louise M. Slaughter
Member of Congress