WORLD SAVINGS

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Re: **OTS** - No. 2004-04; **FDIC** - 12 CFR Part 345; **FRB** - Docket No. R-1181; **OCC** - Docket No. 04-06; Proposed Revisions to the Community Reinvestment Act Regulations; 69 Federal Register 5729; February 6, 2004

Ladies and Gentlemen:

We appreciate this opportunity to comment on the proposed changes to the CRA regulations.

Existing CRA regulations allow the lending activity of an affiliate to be considered in the context of the financial institution's lending performance, and we agree with the proposed change that would require that any predatory lending of the affiliate also be taken into account.

The provisions for considering affiliate lending, however, only extend to affiliates that are not themselves depository institutions, even where one institution is wholly-owned by another. Today, many companies conduct their lending and related banking services from two or more affiliated depository institutions. In those instances where two institutions have the same type of charter and one of the institutions is wholly-owned by the other, the supervisory agency for these institutions conducts consolidated examinations for all regulatory purposes, and thus sees the whole picture with respect to the company's safety and soundness and regulatory compliance. The only exception is for the CRA.

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This anomaly in the CRA regulations forces parent and subsidiary institutions to draw artificial circles around their activities. Instead of getting a single, complete picture of how a company is serving its community through combined tests for the parent and subsidiary institutions, each institution is treated as if it were operating without regard to the activities of its affiliated depository institution, and even when the products and operations themselves may be related (for example, a credit card from one institution that is linked to credit or deposit products at the affiliated institution).

We surmise one possible reason for not consolidating CRA examinations of two affiliated institutions is the statutory language of the CRA, which says "each" institution must be examined for its CRA performance. We suggest, however, that it would be proper and well within the existing statutory framework to permit the examiners to consider the performance of parent and subsidiary institutions on a consolidated basis when conducting the various CRA evaluations.

Consolidating the performance tests for parent and subsidiary institutions will reduce regulatory burdens without lessening the effectiveness of the CRA. For example, often one institution is relatively more proficient than the other in making certain types of loans. These institutions might then balance their lending by buying and selling particular loans from each other (this is often said to be the "cost" of having separate charters). By consolidating the tests for the two institutions and only counting each loan once, both the perceived need for balancing will be eliminated and the company's true performance will be the focus for review.

We propose that the agencies add the following provision to the regulations:

New subsection (e) to Section .21 *(this language conforms to the OTS' regulation at 12 CFR Part 563e).*

> (e) *Consolidated examinations for parent and subsidiary financial institutions.* At the request of both a savings association and its subsidiary savings association, OTS may perform the lending, investment, and service tests on a consolidated basis subject to the following constraints:
>
> (1) The parent and its subsidiary may not claim any loan origination or loan purchase more than once; and
>
> (2) No other affiliate of the parent and subsidiary may claim a loan origination or loan purchase claimed by the parent/subsidiary.

A similar change also could be made in the existing Q&A for the CRA regulations.

Preserving the effectiveness of the CRA obviously should be considered with respect to any regulatory changes. We believe our proposal would not detract in any way from a company's overall performance within its relevant community, but in fact would give a more accurate measure of overall performance, including where products and/or operations overlap.

Thank you for considering our proposal, and please do not hesitate to contact the undersigned should you have any questions.

Very truly yours,

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