

February 17, 2004

Docket No. 04-06
Communications Division
Public Information Room, Mailstop 1-5
Office of the Comptroller of the Currency
250 E St. SW,
Washington 20219

Docket No. R-1181
Jennifer J. Johnson
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington DC 20551

Robert E. Feldman
Executive Secretary
Attention: Comments
Federal Deposit Insurance Corporation
550 17th St NW
Washington DC 20429

Regulation Comments, Attention: No. 2004-04
Chief Counsel's Office
Office of Thrift Supervision
1700 G Street NW
Washington DC 20552

To Whom It May Concern:

I am writing to urge you and your colleagues to withdraw proposed changes in the Community Reinvestment Act (CRA) regulations. As research by a number of scholars, community groups, and media organizations has demonstrated, the CRA has been critical to increasing access to home mortgage and small business loans for residents of traditionally credit-starved communities. Older urban neighborhoods and racial minorities throughout metropolitan areas have benefited substantially by enforcement of the CRA. Such progress has been made despite ongoing efforts to weaken the law and its implementing regulations, virtually since its passage in 1977. The proposed changes would weaken what has proven to be a most valuable tool for increasing homeownership and community development in the nation's most distressed communities.

Most problematic is the proposal to provide streamlined exams for banks with assets between \$250 million and \$500 million. While perhaps representing a relatively small share of all bank assets and loans, such institutions are often virtually the only source of credit in many communities. Weakening the rigor of CRA exams for such institutions will undercut the progress that has been made in many of those neighborhoods. The more than 1,100 banks accounting for over \$375 billion in assets that would be affected remain a significant part of the nation's financial services industry. Eliminating the investment and service tests directly threatens access to low-income housing tax credits, affordable checking accounts, individual development accounts, and other services in neighborhoods where such services have been most difficult to obtain.

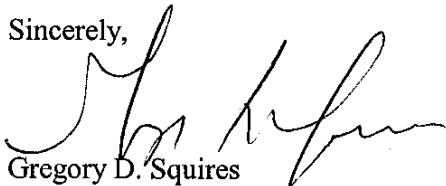
Also problematic are the predatory lending standards that are proposed. While discouraging some prevalent practices, several others would be permitted with no sanctions for the offending institutions. No doubt, such rules would also send an inaccurate message that the federal financial regulatory agencies were taking aggressive action against predatory lending, thus possibly discouraging more effective actions that might otherwise take place. A far more comprehensive approach is necessary and should be incorporated in any revisions of the CRA or its implementing regulations.

The increased disclosure of small business lending is long overdue. Hopefully, these changes could be readily incorporated without the problematic revisions that are also proposed at this time.

The CRA has proven to be a valuable tool for increasing access to credit. In addition, in my own research I have found that the CRA has had a positive impact on neighborhood crime rates and has facilitated access to traditionally inaccessible neighborhoods (e.g. predominantly white neighborhoods) for African American and Hispanic homebuyers. Included in this package are selected papers from our research.

Obviously, changes in banking regulation must keep up with changes in banking practices. But this is no justification for weakening consumer protections for the most vulnerable markets. This is not a time to weaken the CRA.

Sincerely,



Gregory D. Squires
Chair, Department of Sociology