

From: Abbie McBride [amcbride@liifund.org]  
Sent: Wednesday, January 19, 2005 1:55 PM  
To: Comments, Regs  
Cc: Nancy O. Andrews; Mark Pinsky (E-mail); Judith Kennedy (E-mail)  
Subject: RIN No. 2004-53

\*\*\*\*\*SENT VIA E-MAIL\*\*\*\*\*

January 19, 2005

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

RE: No. 2004-53

To Whom It May Concern:

The Low Income Investment Fund (LIIF) appreciates the opportunity to submit our comments and critiques of the Office of Thrift Supervision's (OTS') proposed changes to the Community Reinvestment Act (CRA). Because of CRA, groups across the nation have been able to access the support of traditional financial institutions to improve their neighborhoods. However, the proposed changes to the CRA rules would create a watered-down, ineffective CRA exam for the nation's savings associations, thereby undercutting much of this progress. As such, we urge you to withdraw immediately your proposed changes to CRA regulations.

In a letter signed by 30 U.S. Senators to the four regulatory agencies regarding last year's proposal to change the CRA definition of "small bank" from \$250 million in assets to \$500 million in assets, the Senators wrote, "This proposal dramatically weakens the effectiveness of CRA...We are concerned that the proposed regulation would eliminate the responsibility of many banks to invest in the communities they serve through programs such as the Low Income Housing Tax Credit or provide critically needed services such as low-cost bank accounts for low- and moderate-income consumers." The current OTS proposal would go even further in weakening CRA than the proposal to expand the definition of "small bank" and, as such, is in direct opposition of Congressional intent of the law.

Under current regulations, large thrifts with assets of more than \$1 billion have performance evaluations that include a review of lending, investing, and services to low- and moderate-income communities. OTS proposes that all thrifts be governed by a community development criterion that allows them to eliminate the investment and service tests. Instead of demonstrating a full range of services to their communities, thrifts would be able to select their own examination criteria, without regard for the demand in their markets. This change would significantly reduce the amount of community development financing and services in low-income communities -- the very communities that CRA was enacted to serve.

The OTS proposal would prove especially harmful to rural communities by allowing community development activities in rural areas to be counted for

CRA regardless of the income level of those served. There would be no CRA penalty if thrifts chose to not provide community development finance to low- and moderate- income communities in rural areas, diverting services from these communities where the needs are particularly great. We can see no justification for this change.

CRA encourages federally insured financial institutions to meet the credit and banking needs of all the communities they serve, and especially low- and moderate-income communities. This is a duty that goes hand in hand with the security afforded by the federal government's backing of these financial institutions. OTS' current proposal undermines the intent of CRA, and threatens to undo the years of effort to bring un-banked consumers into the financial mainstream. Without a comprehensive standard to preserve the wealth created by community development finance, CRA becomes nearly meaningless. We urge you to remove immediately this proposal from consideration.

Sincerely,

Abigail McBride  
Director of Planning, Policy and Development

cc: Judith Kennedy, President, National Association of Affordable  
Housing Lenders  
Mark Pinsky, President & CEO, National Community Capital Association  
Nancy O. Andrews, President & CEO, Low Income Investment Fund

This year the Low Income Investment Fund (LIIF) is proud to celebrate 20 years of service to low income neighborhoods across the nation. Since 1984, LIIF has provided nearly \$500 million in capital and leveraged \$3.4 billion for low income families and communities. LIIF's programs have served 200,000 people by supporting affordable housing, quality child care, and high performing community schools in hundreds of neighborhoods.