

December 17, 2004

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

Subject: Opposition to OTS Proposed Changes to CRA - No. 2004-53 & 54

Dear Sir or Madam:

Thank you for this opportunity to respond to the Office of Thrift Supervision's (OTS) recent proposal to change provisions under the Community Reinvestment Act (CRA). The Community Reinvestment Act (CRA) has been successful in its goal of involving the lending community in developing community-based solutions to housing needs. Since 1977, banks and community groups have successfully partnered together to implement these solutions to meet affordable housing needs. The CRA represents a cornerstone of our nation's private investment in low-income multifamily construction and affordable single-family lending.

The City of San José Housing Department writes to express its opposition to your proposal because it undermines the purpose of the Community Reinvestment Act (CRA) and will significantly reduce the amount of community development financing and thrift services in low- and moderate-income communities.

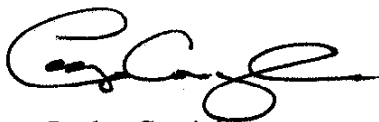
By allowing large thrifts to design their own CRA exams and serve affluent neighborhoods, the intended purpose of CRA will be undermined. With the elimination of investment tests, thrifts have an incentive to finance affordable rental housing via Low Income Housing Tax Credits. At the same time, thrifts can abolish their service tests and not be required to place or maintain branches in low- and moderate-income communities.

In addition, your proposals related to rural areas and areas struck by natural disasters lack any justification. San José is the 11th largest city in the United States. Tailoring CRA for rural areas and those struck by natural disasters, regardless of income, will essentially allow urban, low-income communities to be ignored because savings and thrifts will no longer feel the need to serve neglected low- and moderate-income neighborhoods.

Finally, this proposal would reduce vital opportunities for community groups and thrifts to meet with OTS to discuss CRA and anti-predatory lending matters when thrifts are merging. Under current regulation, your agency is required to hold two meetings to ensure that all facts and impacts of proposed mergers are thoroughly vetted. Your proposal would allow the OTS, at its own discretion, to hold only one meeting.

Over the years, CRA has been effective because the banking, savings, and thrift agencies have implemented regulations in a careful and uniform manner. The City of San José urges you to reconsider this latest proposal, which would subvert the great strides made to date in our low-income communities. If you have any questions or concerns regarding the City's position, please feel free to contact me at (408) 277-3863. Thank you for your time and consideration.

Sincerely,

A handwritten signature in black ink, appearing to read 'Leslye Corsiglia', with a long horizontal flourish extending to the right.

Leslye Corsiglia
Director, Housing Department