



Peoples' Self-Help Housing Corporation

January 5, 2005

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

VIA FAX & MAIL
(202) 906-6518

Attention to No. 2004-53 & 54

To Whom It May Concern:

Peoples' Self-Help Housing Corporation opposes your proposal. In our view, it contradicts the purpose of the *Community Reinvestment Act (CRA)*, because it stands to significantly reduce the amount of community development financing and thrift services in low and moderate-income communities. Your proposal would allow large thrifts themselves to design watered-down CRA exams. In addition, your proposal allows all savings and loans to focus on affluent neighborhoods and neglect low and moderate-income neighborhoods in rural areas and areas impacted by natural disasters.

Incorporated in 1970, Peoples' Self-Help Housing Corporation (PSHHC) is a private, public benefit, nonprofit corporation that develops affordable housing in California's Tri-County area of San Luis Obispo, Santa Barbara and Ventura for very low and low income families, seniors, farmworkers, developmentally and physically challenged individuals and other special needs groups. PSHHC has worked with at many banks here in California. Our relationship has always had an underlying connection to their CRA requirements. Although lending funds for our developments have been good business for the banks, their willingness to reduce rates or provide other incentives are enhanced by their CRA requirements. At present, if the reduction in CRA requirements is implemented, we believe the majority of these banks will not offer the same support for our community development efforts.

Large thrifts with more than \$1 billion in assets currently have a "three part" CRA exam that consists of a lending test, an investment test, and a service test. Under your proposal, a large thrift could choose to eliminate its investment and service tests, and thus only have to pass a lending test.

The danger with this proposal is that large thrifts can get away with neglecting critical community needs. If they eliminate their investment tests, they will not be accountable for financing affordable rental housing via Low Income Housing Tax Credits or financing small businesses via equity investments. 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. With no service test, the thrifts also can ignore the needs for remittances and other low-cost banking services.

3533 Empleo Street
San Luis Obispo, California 93401
TEL: (805) 781-3088
FAX: (805) 544-1901
E-mail: admin@pshhc.org
www.pshhc.org



A United Way Agency

26 E. Victoria Street
Santa Barbara, California 93101
TEL: (805) 962-5152
FAX: (805) 962-8152
Email: sboffice@pshhc.org

Under CRA, banks and thrifts have an affirmative and continual obligation to serve low and moderate-income communities. Your proposal would give large thrifts the ability to arbitrarily respond to only a few community needs, rather than all them. If the *Office of Thrift Supervision* (OTS) adopts this proposal, you effectively would fail your responsibility to enforce CRA.

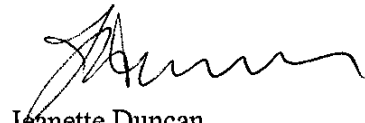
Your proposal regarding rural areas and natural disasters lacks justification. Congress enacted CRA in order to block “redlining and disinvestments” activities in low and moderate-income communities. Under your proposal, large thrifts would not incur CRA penalties if they provide community development financing exclusively to affluent communities, overlooking low and moderate-income communities in rural areas and areas impacted by natural disasters.

Finally, you would reduce vital opportunities for community groups and thrifts to meet with your agency to discuss CRA and anti-predatory lending matters when thrifts are merging. Under current regulation, your agency is required to hold at least 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. This approach is inadequate from our standpoint.

Over the years, CRA has become increasingly effective, because banking agencies have issued regulations in a careful and uniform manner. Accountability to regulators is of course the key to reform. Your proposal clearly threatens community revitalization gains made possible by CRA. We urge you to withdraw this latest initiative.

If you have any questions, please call me at (805) 781-3088 or via e-mail at “jeanetted@pshhc.org.”

Sincerely,



Jeanette Duncan
Executive Director

cc: National Community Reinvestment Coalition
California Reinvestment Coalition