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The federal Office of Thrift Supervision (OTS) has issued a proposal that would severely and negatively impact the administration of the Community Reinvestment Act. In short, it will allow thrifts (savings and loans) to favor the rural rich and will allow large thrifts to design their own watered-down CRA exams.

OTS's proposed changes will reduce thrifts' lending, investments, and banking services in low- and moderate-income communities where thrifts have traditionally focused on home lending. Many of the thrifts affected have billions of dollars in assets, more than enough capacity to fulfill their CRA obligations.

The OTS proposal would allow large thrifts with more than \$1 billion in assets to pick and choose which community needs they will meet. Under the proposal, all thrifts could earn CRA points by providing community development financing and services to affluent neighborhoods while neglecting low- and moderate-income ones in rural areas and areas impacted by natural disasters. Such allowances would remove the CRA's focus of meeting the credit needs of low- and moderate-income communities.

OTS also wants to permit large thrifts to design their own watered-down CRA exam. Currently, large thrifts have lending, investment, and service tests in their CRA exam. OTS instead would allow thrifts to eliminate their investment and service tests or make them miniscule tests. The "design your own watered down" exam option will lead to fewer investments, less accessible basic banking services, and a smaller number of branches in low-and moderate-income communities.