

January 21, 2005

Regulations Comments
Chief Counsel's Office
Office of Thrift Supervision
1700 G Street, N.W.
Washington, DC 20552

Attention: No. 2004-53

SL NHS was created in 1977 to reverse the decline of blighted neighborhoods in Salt Lake City. Since our inception, our partners have been instrumental in reinvesting more than \$40 million in affordable housing. The majority of these investments in low income communities are from lending institutions. Much of this reinvestment has been driven by Community Reinvestment Act requirements.

CRA is a result of lending institutions failure to lend in low moderate income communities. While great strides have been made in Utah and across the country in reinvesting dollars, the need is still great.

Each year, CRA is subjected to some type of modification by regulators that reduces or eliminates investment by institutions in LMI communities. It is important that we remind ourselves why CRA was created and is enforced. The demand to lend in low-income communities remains a critical need. Without CRA requirements, lending institutions will do minimal investment in communities of need.

As a tenured non-profit corporation of 27 years, SL NHS works daily with lending institutions to sensitize them on commitment to community and the importance of leveraging dollars to build the economic impact of low-income neighborhoods and how it serves the state.

No lending institution, to my knowledge, in Utah, has taken a major loss on their CRA investments.

HMDA data continues to reflect high denial and low lending in Salt Lake's low income communities. As merge mania compels lending institutions to grow, these institutions are not headquartered in Utah and often the decisions are made in other states by individuals who have no relationship with Utah or the needs of their community.

The thrifts in Utah especially need to be held accountable to CRA investments. While these institutions do a high volume of mortgage lending, HMDA data reflects that they have very little investment in L.M.I. area. Salt Lake NHS believes that modifications of CRA as proposed by the OTS, is detrimental to the community. I am concerned this is a step towards dismantling CRA. Many bankers I speak with often tell me that CRA has worked and that banks are now recognizing the credit worthiness of L.M.I. communities and creating products to accommodate these communities. I disagree, I have sent many individuals who our organization believes is a traditional consumer and should qualify for a typical, conventional loan, only to be denied. I do not want to take away from the great strides and partnerships created between thrifts who are doing exceptional work in serving the LMI populations in their communities, what I do want to stress, is that this is primarily due to CRA. When I contacted our local thrift, Washington Federal, I was unable to secure a copy of their CRA plan!

I am writing on behalf of the Salt Lake Neighborhood Housing Services to express our opposition to the Community Reinvestment Act (CRA) rule changes proposed by the Office of Thrift Supervision (OTS):

- SL NHS is opposed to the OTS decision to raise the asset limit for small thrifts from \$250 million to \$1 billion thus exempting many thrift institutions from the oversight of the three part CRA exam. The additional rule changes being proposed will go even further to weaken CRA by diminishing the power of the three-part CRA exam still required of large thrifts and by granting CRA credit for community development activities in rural areas whether or not the development benefits a low or moderate income population.
- SLNHS encourages the four banking agencies to make uniform revisions to the regulation that implements CRA. Communities need to know what to expect from their local banks, regardless of their banking charters.
- Communities need retail banking products and services that serve the credit and banking needs of consumers and small businesses, and they need community development loans, investments including grants and community development services. Community development activities should not be an option in the regulation.

- The OTS should not expand the definition of community development to include rural communities that are not low-moderate-income geographies. The purpose of the CRA is to encourage banks to meet the credit and banking needs of the communities in which they operate. Their supervising agencies are suppose to assess the performance of banks in the CRA examination and also take their CRA record into account, including how well they serve LIMI communities when deciding whether to approve an application by the bank for a merger. How will the OTS fulfill its obligation to assess a bank's record of CRA performance in rural communities or take the record into account at the time of a merger if no distinction is made between serving the banking and credit needs of middle and upper-income communities and serving LMI communities? Loans and investments in middle and upper- income rural communities, including luxury resorts, should not replace loans and investments in LMI communities in the CRA performance evaluations of savings associations.
- Community development activities should be a requirement of the CRA, but banks should also have some flexibility with regard to the mix of community development loans, investments and services depending on local market needs and opportunities.

Spurred by CRA requirements, lenders frequently work with Salt Lake Neighborhood Housing Services to capitalize loan pools or create new financial products targeted to underserved market niches that banks on their own can not reach effectively. The CRA test encourages lenders to become involved in community education and financial literacy efforts, and CRA has forced institutions, either directly, or with the help of community based organizations, to make a range of financial services and products available to low and moderate income communities within their service area.

I have enclosed our 2004 annual report that highlights reinvestment in our community. You will note the many measurable outcomes; the majority of these successes can be attributed to CRA support from banks and thrifts.

Please consider the tremendous impact of CRA and how it can continue to rebuild Utah communities. While some institutions might continue to serve low and moderate income markets without the incentive of CRA, I have experienced that most would not. There are still many families and neighborhoods in need, and CRA is one of the best tools that can continue to chip away at poverty, build affordable housing and strengthen communities.

I appreciate the opportunity to comment, your consideration is appreciated.

Sincerely,

Maria Garciaz
Executive Director

cc: Ms. Gina Crezee, Board President
Salt Lake Neighborhood Housing

Ms. Sandra Braunstein, Director
Division of Consumer and Community Affairs
Federal Reserve Board

Mr. Barry Wides, Deputy Controller
Community Affairs Division
Office of the Comptroller of the Currency

Ms. Donna Gambrell, Deputy Director
Compliance and Consumer Protection
Federal Deposit Insurance Corporation