
From: Martin_Fretty@SavannahGa.Gov
Sent: Monday, January 24, 2005 3:52 PM
To: Comments, Regs
Cc: jfalcusan@nahro.org
Subject: 2004-53 Community Reinvestment Act

January 24, 2005

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

RE: No. 2004-53 Community Reinvestment Act

To Whom It May Concern:

The City of Savannah would like to take this opportunity to comment on the Office of Thrift Supervision's notice of proposed rulemaking concerning Community Reinvestment Act (CRA) regulations. We oppose the proposed changes because we believe they would reduce housing and community development related lending in low- and moderate-income communities. Further, according to NAHRO reports, we believe that the proposed changes would permit federally chartered thrifts to design their own, less strenuous, CRA exams and invest in affluent areas with no CRA penalty.

In 2004, bank participation in local affordable housing programs allowed the City of Savannah to leverage \$42.7 million in private investment to create and/or retain 813 affordable housing units in Savannah. This investment allowed the City to provide down payment assistance to 75 low and moderate income home buyers, build 30 infill houses for sale, provide home improvement grants and loans to 268 home owners, and provide loans to property owners providing 440 affordable rental units. Without participation of the banks, the City would be hindered in its ability to meet the affordable housing needs of the community. The Low Income Housing Tax Credit program is also critical to our efforts to provide quality affordable rental housing that compliments our home buyer programs. This type of investment creates the climate for private investment and helps reduce blight and crime (and associated costs) in our community.

The purpose of the CRA is to increase lending, investment, and banking services in lower income areas, both urban and rural. Current regulations assess thrifts via a three part examination that comprises lending, investment, and services tests. The proposed changes to CRA would, according to NAHRO, allow large thrifts with over \$1 billion in assets to effectively eliminate the investment and service tests and derive nearly their entire grade from the lending test. This would allow large thrifts to neglect critical community needs, such as the lack of affordable housing, without fear of reprisal. This is unacceptable.

If the investment test is eliminated, thrifts will have a substantially reduced incentive to finance the development of affordable rental housing through the use of Low Income Housing Tax Credits. Thrifts will also have fewer incentives to finance small businesses via equity investments. Reduced investment in projects and businesses will be accompanied by fewer bank branches and services in low and moderate income communities. Scaling back the number of activities in low- and moderate-income communities will result in less housing and community development activity and place these areas at a distinct disadvantage compared to more affluent areas. This is contrary to the very essence of CRA.

The proposal, according to NAHRO, would also enable thrifts to earn CRA points by providing community development financing and services in affluent neighborhoods ostensibly to reduce burden and provide greater flexibility. Indeed, burden will be reduced if thrifts are no longer required to invest in low- and moderate-income areas or serve low- and moderate-income individuals. However, the reason CRA exists is to ensure that community development lending and investments are made specifically in these areas to benefit lower income people; lending that would otherwise not occur.

Taken as a whole these proposed regulations will hurt the very communities CRA was enacted to protect. CRA has been the driving force behind increased lending, investment, and banking services in what were underserved communities. Efforts to weaken these protections will turn back the clock on communities like Savannah that are striving to revitalize neglected neighborhoods. For these reasons, we are opposed to this proposal and urge you to withdraw it immediately.

Thank you for providing the opportunity to comment on this notice of proposed rulemaking.

Sincerely,
Martin Fretty
Director
Department of Housing
City of Savannah

C: Otis S. Johnson, PhD, Mayor
Michael B. Brown, City Manager
Israel G. Small, Assistant City Manager
Jeff Falcusan, NAHRO