

From: S Hrs [shrs22@yahoo.com]

Sent: Friday, January 21, 2005 5:05 PM

To: Comments, Regs

January 21, 2005

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

Attention: No. 2004-53

To Whom It May Concern:

I am writing to comment on the Office of Thrift Supervision's notice of proposed rulemaking concerning Community Reinvestment Act (CRA) regulations.

I firmly oppose the proposed changes. The new regulations would reduce housing- community development-related lending in low- and moderate-income communities. The changes would permit federally chartered thrifts to design weak CRA exams and invest without penalty in areas that do not require assistance.

My understanding is that the CRA was designed to increase lending, investment, and banking services in lower income urban and rural areas. Current regulations assess thrifts via a three- part examination that comprises lending, investment, and services tests. This proposal would 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. In this scenario, large thrifts could neglect critical needs—such as the lack of affordable housing—without reprisal. This proposed policy is not just shortsighted, it hurts the very communities that CRA purports to help.

If the investment test is eliminated, there will be little incentive to finance affordable rental housing developments through the Low Income Housing Tax Credit. Thrifts will also have fewer incentives to finance small businesses via equity investments. Reduced investment in projects and businesses will be likely 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, place these areas at a distinct disadvantage compared to more affluent areas, and lead to a downward spiral.

The proposal also would 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 that are striving to revitalize neglected neighborhoods. For these reasons I am opposed to this proposal and I urge you to withdraw it immediately. Thank you for providing the opportunity to comment on this notice of proposed rulemaking.

Sincerely,
Shomon Shamsuddin

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3/10/2005

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