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January 18, 2005

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The Honorable James E. Gilleran
Director
Office of Thrift Supervision
1700 G St. NW
Washington DC 20552

Dear Director Gilleran:

Attention: No. 2004-53 & 2004-54
Regulation Comments
Chief Counsel's Office

The Enterprise Foundation urges you to withdraw the Office of Thrift Supervision's proposed changes to the Community Reinvestment Act (CRA) regulations (revisions to 12 CFR 345). We believe that this proposal would undermine the intent of the CRA by decreasing the regulatory incentives for thrifts to make investments in and provide services to underserved communities.

Enterprise and its subsidiary organizations, primarily the Enterprise Social Investment Corporation, have invested more than \$5 billion to support more than 160,000 affordable homes in low-income communities across the country. Our partners include large thrifts regulated by the OTS and obligated to uphold the CRA. In our 23 years of partnering with financial institutions to revitalize communities, there has been no federal policy more important to expanding housing and economic opportunity to low-income families and communities than the CRA.

The OTS proposal to allow large thrifts to opt out of either the investment or services portions of their CRA exams means those 103 thrifts across this country, each with more than \$1 billion in assets – including 39 with assets of more than \$5 billion – will no longer be required to partner with low-income communities and provide much-needed resources. Although these 103 thrifts account for just 11.6 percent of the savings and loans nationally, they own 87.4 percent of all thrift assets. This, coupled with the unilateral decision made by the OTS in 2004 that altered the definition of “small banks” to include those with assets up to \$1 billion, means that now all OTS-regulated financial institutions would see a significant decrease in incentives to invest in community development in already underserved areas.

The Honorable James E. Gilleran
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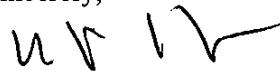
CRA has been instrumental in increasing homeownership, preserving multifamily rental housing, boosting economic development, and expanding small businesses. Community investments by banks provide financing for affordable rental housing using Low Income Housing Tax Credits and for small businesses via equity investments. Families are becoming part of the financial mainstream through the placement and maintenance of branches in low- and moderate-income communities.

Furthermore, we would like to underscore that these investments and services are particularly important as they help leverage limited public subsidies to stimulate community revitalization and develop affordable housing. It is the legal obligation and statutory mandate for banks and thrifts to serve the needs of low- and moderate-income communities as well as other higher income communities, and this mandate has been most critical to the engagement of financial institutions in community development.

By allowing large thrifts to choose to eliminate their investment or service CRA requirements, the OTS would tacitly allow financial institutions to ignore the needs of the individuals and families in the areas they serve. With no service test, large thrifts can disregard the needs for remittances and other low-cost banking services, forcing residents to turn to payday lenders and other predatory, high-cost servicers. Furthermore, the proposal would also shift the focus of community development away from activities that benefit low- and moderate-income individuals to activities that benefit any individuals who reside in rural areas, *regardless of their income.*

In summary, eliminating the three-part CRA exam for large thrifts would partially dismantle a very successful tool in ensuring that financial institutions lend to, invest in and provide services to low- and moderate-income communities. I urge you to withdraw this ill-conceived proposal.

Sincerely,



F. Barton Harvey III
Chairman of the Board
and Chief Executive Officer