

January 21, 2005

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

RE: No. 2004-53 & 2004-54

To Whom It May Concern:

Cabrillo Economic Development Corporation (CEDC) opposes the proposal because it contradicts the purpose of the Community Reinvestment Act (CRA) as we will explain in greater detail below. The proposal will have the effect of greatly reducing the amount of community development financing and thrift services in low- and moderate-income communities. The proposal allows large thrifts themselves to design watered-down CRA exams, will serve exclusively affluent neighborhoods, and neglect low- and moderate-income neighborhoods, rural areas and areas impacted by natural disasters.

CEDC is a private, nonprofit, community development corporation. Its mission is to provide affordable housing to low- and moderate-income neighborhoods with an emphasis on resident ownership and control; develop efficient community organizations; and to advocate in the field of community economic development. Since 1981, the corporation has been involved in the completion of 881 housing units in 24 major housing developments. CEDC raises public and private funds to carry out its work in promoting policy change, constructing and rehabilitating housing, thereby creating a climate for local neighborhood development. Historically, CEDC has placed a priority toward low income, minority and other disadvantaged people in Ventura and Santa Barbara Counties.

Currently, large thrifts with more than \$1 billion in assets have a "three part" CRA exam that consists of a lending test, an investment test, and a service test. Under the new proposal, a large thrift can choose to eliminate both the investment and service tests, and thus only have to pass a lending test. The danger with this proposal is that large thrifts can get away with neglecting critical community needs. If they eliminate their investment tests, they will no longer be required to finance affordable rental housing or finance small businesses. At the same time, thrifts can abolish their service tests and not be required to place or maintain branches in low- and moderate-income communities. With no service test, the thrifts can also ignore the needs for remittances and other low-cost banking services.

BOARD OF DIRECTORS

PRESIDENT
ZEIDA DANIELE
FANNIE MAE CORP
LOS ANGELES

VICE PRESIDENT
PROGRAM SERVICES
JESSICA MURRAY
COMMUNITY REPRESENTATIVE
OJAI

VICE PRESIDENT
HOUSING DEVELOPMENT
JORGE GUTIERREZ
COMMUNITY REPRESENTATIVE
VENTURA

SECRETARY
DAVID RODRIGUEZ
LEAGUE OF UNITED
LATIN AMERICAN CITIZENS
VENTURA

TREASURER
GARY SHALLENBERGER, CPA
SHALLENBERGER & ROBERTS
VENTURA

HUMAN RESOURCES
DEAN PALIUS
PEOPLE HELPING PEOPLE
SANTA YNEZ VALLEY
SANTA BARBARA

PAST PRESIDENT
MIKE MCGUIRE
AFFINITY BANK
VENTURA

BOARD MEMBERS

ROY JASSO
WELLS FARGO BANK
LOS ANGELES

NAOMI ONTIVEROS
COMMUNITY REPRESENTATIVE
OXNARD

GERALD KAPUSCIK
VENTURA COUNTY ENVIRONMENTAL &
ENERGY RESOURCES DEPARTMENT

DAVID SABEDRA
FIRST CALIFORNIA BANK
CAMARILLO

Under CRA, banks and thrifts have an affirmative and continual obligation to serve low- and moderate-income communities. Under this new proposal, large thrifts can arbitrarily respond to a few community needs instead of all needs. If the Office of Thrift Supervision (OTS) adopts this proposal, the agency will fail on its responsibility to enforce CRA.

In addition, your proposal regarding rural areas and natural disasters lacks any justification. Congress enacted CRA in order to stop redlining and disinvestment from low- and moderate-income communities. Under the proposal, large thrifts will suffer no CRA penalty if they provide community development financing to affluent communities, while overlooking low- and moderate income communities, rural areas and areas impacted by natural disasters.

Finally, this proposal would reduce opportunities for community groups and thrifts to meet with your agency to discuss CRA and anti-predatory lending matters when thrifts are merging. Under the current regulation, the agency is required to hold two meetings to ensure that all facts and impacts of proposed mergers are thoroughly vetted. The proposal would allow the OTS, at its own discretion, to hold only one meeting.

Over the years, CRA has encouraged banking agencies to help meet the credit needs of low- and moderate-income neighborhoods. However, your proposal threatens not to do so. We strongly urge you to retract this new proposal. Thrifts should continue to be fully accountable under CRA for making investments and providing services. We oppose the OTS proposal to consider favorably community development activities that do not primarily benefit low-income people or communities.

If you have any questions, you can contact me by email or phone.

Sincerely,

A handwritten signature in black ink that reads "Rodney Fernandez". The signature is written in a cursive, flowing style.

Rodney Fernandez
Executive Director
Cabrillo Economic Development Corporation
Phone 805.659.3791 ext. 112
Email rfernandez@cabrilloedc.org