



Office of Thrift Supervision

Department of the Treasury

1700 G Street, N.W., Washington, DC 20552 • (202) 906-6000

Because of the volume of comments received on No. 2004-53, OTS is posting the comments received on this proposal in a different format to allow the agency to post comments more efficiently. Where identical comments have been received from more than one individual, the template letter will be posted with a link to an alphabetical list of those submitting that comment ("signatories"). Originals of all comments received may be reviewed at the agency under the procedures described in the notice of proposed rulemaking. This procedure affects only the posting to the website and does not affect how comments will be counted and considered -- each individual's comment will still be treated separately.

The list of signatories to this comment may be found [here](#).

January 20, 2005

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

Attention: No. 2004-53 & 2004-54

To Whom It May Concern:

ECD/HOPE, a community development finance institution that has assisted 1,600 businesses and generated \$100 million in financing throughout the rural Mid-South, is writing to express its concern over the Office of Thrift Supervision (OTS) proposed rule changes to the Community Reinvestment Act (CRA). The proposed policies threaten to stunt rural development efforts and to increase rural predatory lending activity.

Below you will find ECD/HOPE's comments and recommendations:

- 1) **OTS proposes to change the definition of community development from a definition which focuses on "activities that benefit low- and moderate-income individuals or geographies" to a definition that includes investments and loans made to individuals and geographies that are not low- or moderate income.**

ECD/HOPE stands firmly against any change in a definition of community development that does not solely focus on the development of low and moderate income individuals and geographies. In the notice of proposed rulemaking, OTS claims that the change will "reduce burden and provide greater flexibility." The actual burden will shift to low- and moderate-income individuals who have no other option but to turn to predatory and subprime lending outlets to finance their homes and small businesses. Thrifts will satisfy their "community development" obligation by making loans in high wealth areas.

OTS also claims that thrifts have difficulty identifying investments in rural areas because rural areas "tend to be composed of mixed-income census tracts that may not qualify as low- or moderate-income areas." ECD/HOPE challenges this assertion. Within the three state area of AR, MS and LA there are over 500 low-income rural census tracts that are home to 2.2 million residents. The number would be even greater if moderate-income census tracts were included.

- 2) **OTS seeks comment on whether or not it would be appropriate to consider investments made to businesses or farms in rural areas without regard to their size or gross annual revenues "community development investments"**

The OTS suggestion that size and revenue requirements be eliminated from CRA evaluations of small business loans is counterproductive. Large firms have access to many sources of capital. Likewise, small businesses in rural areas do not enjoy the same access to capital. The OTS suggestion would result in even fewer small business investments in capital starved rural markets.

- 3) **OTS seeks comment on the appropriateness of providing "savings associations [with] flexibility in the way that CRA ratings are assigned by offering a choice of weights for lending, service and investment tests."**

ECD/HOPE disagrees with any proposed changes to the current set of weights assigned for the lending, service and investment tests. By not holding savings associations accountable for services, for example, low-and moderate-income communities stand to lose comprehensive banking services through a reduced branch presence.

- 4) **OTS seeks comment on whether or not the "investment test" should be eliminated from thrift CRA evaluations.**

ECD/HOPE disagrees with thrifts' concerns that "appropriate investment opportunities may not be available in their communities" and that "it was difficult to compete for investments particularly against much larger institutions." In fact, ECD/HOPE has been successfully identifying investment opportunities in low- and moderate-income entrepreneurs, homeowners and communities for over 10 years.

Rather than eliminate the investment test, ECD/HOPE encourages OTS to include investments made to U.S. Treasury certified community development financial institutions (CDFIs) and National Credit Union Administration certified community development credit unions (CDCUs) as CRA qualified investments.

CDFIs and CDCUs could, in turn, provide the thrifts with a report of the loans, investments and services that were provided with the investment funds. The report could be included in the thrift CRA examination. Thrifts would lose the burden of identifying qualified investments and build the capacity of lending institutions that excel in providing loans and services to low- and moderate-income individuals and communities.

Thank you for taking the time to read ECD/HOPE's comments and suggestions. Should you have any questions, please contact me at (601) 944-1100.

Sincerely,

ECD/HOPE
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Jackson, MS 39201