



Housing Assistance Council

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January 24, 2005

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

Attention: No. 2004-53 & 2004-54

To Whom It May Concern:

The Housing Assistance Council (HAC) urges the Office of Thrift Supervision (OTS) to withdraw the proposed changes to the Community Reinvestment Act (CRA) regulations. CRA has been instrumental in increasing access to homeownership, boosting economic development, and expanding small businesses in the nation's rural, minority, immigrant, and low- and moderate-income communities.

The proposal could significantly reduce the amount of community development financing and thrift services in low- and moderate-income communities. It allows large thrifts themselves to design streamlined CRA exams. In addition, the proposal allows all savings and loans to serve affluent neighborhoods, and neglect low- and moderate-income neighborhoods in rural areas.

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 proposal, a large thrift can choose to eliminate its investment and service tests, and thus only have to pass a lending test. Or it can choose to have miniscule investment and service tests, meaning that the lending test counts for virtually the entire total grade.

The danger with this proposal is that large thrifts can get away with neglecting pressing community needs. If they eliminate their investment tests, they will not be required to finance affordable rental housing via Low Income Housing Tax Credits or finance small businesses via equity investments. 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. The streamlined test option could increase the amount of abusive payday loans, check cashing, and other high cost services in low- and moderate-income communities since thrifts will reduce their provision of basic banking services after implementing their own easy exams.

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Under CRA, banks and thrifts have an affirmative and continual obligation to serve low- and moderate-income communities. Under this proposal, large thrifts can arbitrarily respond to a few community needs instead of all needs.

In addition, the proposal regarding rural areas could have detrimental effects on low- and moderate-income residents in these communities. Congress enacted CRA in order to stop redlining and disinvestment in low- and moderate-income communities. Under this proposal, large thrifts will suffer no CRA penalty if they provide community development financing to affluent areas, while overlooking low- and moderate-income communities in rural areas. The current OTS definition of community development involves the development of affordable housing and community services that are targeted to low- and moderate-income individuals. Revising this definition to include any community services in rural areas, regardless of income, could prevent disadvantaged rural communities from having access to the type of services they would need to revitalize their communities.

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

Over the years, CRA has been effective because the regulatory agencies have issued regulations in a careful and uniform manner. This proposal threatens the gains in community revitalization made possible by CRA. We urge you to withdraw this latest proposal, which is potentially damaging and has not been issued by the other regulatory agencies.

Withdrawing the proposed changes would allow CRA to continue to play its instrumental role in increasing investment in the nation's low- and moderate-income communities.

Sincerely,



Moises Loza
Executive Director