CSH
supportive housing works

January 24, 2005

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

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

Dear Director Gilleran:

On behalf of the the Corporation for Supportive Housing (CSH), I urge 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.

As the only national, non-profit intermediary whose mission is to help communities create permanent housing with services to prevent and end homelessness, CSH has committed $93 million in financial assistance to over 500 non-profits and public sector agencies, directly resulting in the development of over 14,000 units of supportive housing, with more than 8,000 additional units in the development pipeline. Well over $200 million in Low Income Housing Tax Credit equity is invested in these projects that serve the poorest and most disabled members of American society. CSH's partners include large thrifts regulated by the OTS and obligated to uphold the CRA. In our 14 years of partnering with financial institutions to revitalize communities, the CRA has been critical federal policy for expanding housing and economic opportunity to homeless, disabled individuals and families.

The OTS proposal to allow large thrifts to opt out of either the investment or services portions of their CRA exams threatens to undermine the critical role CRA plays in spurring the development of supportive housing and other critical community development initiatives across the country. If finalized, this regulatory change would mean that 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

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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.

CSH would like to underscore two negative consequences that would flow from decreased large thrift investment in such community development engines as the Low Income Housing Tax Credit within low income communities. **First**, a decrease in such investments would undermine the leverage that results when private sector investment stimulates dedication of limited public subsidies to stimulate community revitalization and develop affordable housing. For example, LIHTC investments in supportive housing encourage public sector entities such as local housing authorities and mental health/substance abuse services agencies to invest their limited funds in this cost-effective intervention, which prevents formerly homeless, chronically ill tenants from cycling through expensive crisis-driven emergency shelter and healthcare systems.

**Second**, the proposed regulatory change both leaves low income residents of underserved communities with few options for low-cost banking and lending services, and threatens to redirect CRA resources away from individuals and families who most need them. 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. Moreover, it is troubling that the proposal would 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.* CRA resources should be directed to those individuals and families who are most vulnerable to the absence of low-cost banking services and in need of affordable housing and other community revitalization strategies—targeting based on income is the best strategy for achieving this goal.

The CRA has for three decades been a critical component of our nation's affordable housing and community development solutions, including the permanent supportive housing response to homelessness. Eliminating the three-part CRA exam for large thrifts would undermine this powerful tool for ensuring that financial institutions lend to, invest in and provide services to low- and moderate-income communities. CSH opposes any changes that would allow thrifts to cease providing investments and services. Accordingly, we urge the OTS to withdraw its proposed rule.

Sincerely,

Carla Javits
President and CEO