

## NEIGHBORHOOD HOUSING SERVICES OF CHICAGO, INC.

*Rebuilding Chicago's Neighborhoods*

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January 24, 2005

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

Attention: No. 2004-53

To Whom It May Concern:

Neighborhood Housing Services of Chicago (NHS) is a not-for-profit community development corporation that has served Chicago's neighborhoods for nearly 30 years. Since our founding in 1975, we have assisted over 140,000 Chicagoans, originated \$307 million in loans for home improvement, home purchase, and refinance, and built or rehabbed more than 22,000 units of affordable housing. Our record of achievement is due to the participation of many local banks and thrifts which fund our programs and invest in our loan pools that benefit low and moderate income (LMI) homeowners and homebuyers. While we believe that our lending partners support our work because they are committed to our communities, the provisions in the Community Reinvestment Act (CRA) provide added incentive and value to their involvement and investment.

We write to oppose the OTS's proposal to change the CRA examination for large thrifts. Under the current examination, large banks and thrifts are rated with consideration to three factors: lending, investment, and service. This nexus encourages banks to support the communities from which they draw deposits in the diverse ways that are necessary to create a healthy lending and borrowing environment and in ways that have created new markets for financial institutions. The current CRA exam requirements provide an incentive for financial institutions to support local non-profits in their diverse redevelopment activities which has led to new business opportunities for financial institutions. This sort of well-rounded investment would suffer if large institutions were able to design their own CRA exams through eliminating or significantly reducing the investment and service components of the exam.

One of the most pressing challenges that community development organizations face today is the rise of foreclosures in LMI neighborhoods and the loss of affordable housing stock that results. NHS has been working with a group of more than 20 lenders on this issue over the past two years and we have found that many of the worst loans, those most likely to end in foreclosure, are originated by local mortgage brokers and sold to national lenders. Many of these loans are made in LMI communities where residents have limited

access to mainstream financial products, and where loans originated by third parties and mortgage brokers are frequently counted towards the CRA goals of the purchasing lender. If the changes suggested in the OTS proposal were to pass, a bank could choose to accumulate CRA credit only through lending activity, and further, only through loans purchased from brokers. We believe that such a shift could lead to increased foreclosures in some of our most vulnerable areas and ultimately restrict access to prime products and services for thousands of credit-worthy LMI homeowners and homebuyers.

By requiring that large thrifts continue to meet a service and investment test, the risk of this happening is mitigated in two significant ways. First, through the service test, thrifts must make their financial products available in the same neighborhoods where they receive deposits forcing brokers to compete with market rate, mainstream products. Second, the investment test encourages thrifts to invest funds in loan pools, programs, and local non-profits like NHS that do foreclosure counseling and provide funds for refinancing bad loans so that homeowners do not end up in foreclosure. Without these two safeguards, communities already struggling to stabilize will be at greater risk, and the organizations that assist them will have to fight harder for funds.

Keeping these issues in mind, we urge you to withdraw the proposal before you. CRA is a necessary component to the work of NHS and the many other community based development groups in Chicago. At a time when many families are struggling to make ends meet, we should not be eliminating tools to serve them with quality financial products.

Sincerely,



James K. Wheaton  
Acting Executive Director  
Neighborhood Housing Services of Chicago