

RIN No. 2004-53 From: Rick Larson [rlarson@sjfund.com]
Sent: Thursday, January 13, 2005 12:29 PM
To: Comments, Regs
Cc: echavez@cdvca.org
Subject: RIN No. 2004-53

January 13, 2005

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

Attention: No. 2004-53

Dear Counsel:

SJF Ventures strongly opposes your proposal to allow large thrifts to potentially ignore the Investment and Service Tests of the current regulations. SJF Ventures is a \$30M community development venture capital fund investing in rapidly growing companies that create quality entry-level employment. Nearly 1/3 of our portfolio companies are located in rural communities in the Eastern US.

By making the Investment and Service Tests optional, OTS would undermine the successes of community development venture capital (CDVC) funds across the country. We are also concerned that your proposal to modify the definition of "community development" to include any investing or service activities in rural areas runs counter to the goals of the Act.

Research conducted by the Community Development Venture Capital Alliance (CDVCA), the national trade association for CDVC funds, shows that OTS-regulated institutions invest in CDVC funds, especially funds located in rural areas. We believe that the Investment Test has helped to spur thrifts' interest in CDVC, and could create more interest in the future if the Investment Test were to remain mandatory for all thrifts. Banks are the single largest provider of private capital in our industry, accounting for more than 36 percent of all private equity investments in community development venture funds. If OTS were to weaken the Investment Test we would be very concerned that this would set a bad precedent for other federal regulators.

Furthermore we do not support your proposed change in the definition of "community development," which would append "rural areas" to the current definition of community development. We strongly believe that the current definition, which clearly and rightly emphasizes low- or moderate-income individuals and geographies, is the proper definition. SJF Ventures encourages the OTS and all of the federal regulators to continue their focus on improving access to credit and capital in rural areas. Not only would this proposal confuse the regulatory environment, but it also runs the risk of worsening access to credit and capital for low- and moderate-income persons and low- and moderate-income communities in both rural and urban areas.

Thank you very much for the opportunity to comment on OTS's proposed changes to the CRA regulations. If you have any questions about these comments please do not hesitate to contact us.

Sincerely,

Rick Larson

Managing Director

SJF Ventures

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SJF focuses on the cleantech, business services and consumer products industries, with particular interest in firms for which a high-performing workforce is a strategic advantage.

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