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CONGRESS OF THE UNITED STATES
HOUSE OF REPRESENTATIVES
WASHINGTON, DC 20515

February 28, 2005

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The Honorable James Gilleran
Office of Thrift Supervision
1700 G Street, NW
Washington, DC 20552

Dear Director Gilleran:

I am writing to express my concerns about the Notice of Proposed Rulemaking on changes to Community Reinvestment Act (CRA) requirements that appeared in the Federal Register on November 19, 2004 (Proposal No. 2004-53).

The proposed rule could significantly reduce the amount of community development financing and basic banking services in low-income and moderate-income communities. Large thrifts would be allowed to eliminate their investment or service test, or decide how heavily to weight each part, as long as lending did not fall below 50% of the total test. Allowing large thrifts such discretion to design their own exams creates the potential for bad actors to avoid their obligations to effectively implement the Community Reinvestment Act (CRA).

I am concerned that the current proposal could potentially allow large thrifts to receive community development credit for investing in affluent communities in rural areas and areas afflicted by natural disasters. Such changes would be inconsistent with CRA's basic purpose of preventing redlining of low and moderate-income communities.

There are clearly ways that CRA should be improved, including reducing paperwork requirements as much as possible and helping rural thrifts address the challenge of finding CRA-qualified investments. There is also room for improving the investment test to encourage institutions to make complex investments that currently do not qualify for CRA credit, such as those for multifamily affordable housing and other complex housing investments. In addition, there may be constructive ways to expand the range of appropriate activities that qualify for CRA credit under the services test, such as the inclusion of remittances.

The CRA has helped banks and thrifts become better members of their extended communities by ensuring that poor and minority loan applicants have full and fair access to capital and to banking services. If CRA is weakened, banks and thrifts would be allowed to reduce their commitments to serve all citizens, forcing more consumers into predatory lending traps such as subprime mortgages, payday loans, and high-priced check cashing services.

I urge you to address the concerns that banks have with current CRA requirements without including provisions that could be interpreted as weakening the important role CRA plays in ensuring healthy investments and full access to services in low-income and moderate income communities.

Sincerely,

David Price

DAVID PRICE
Member of Congress