



CITY OF PORTLAND, MAINE

Joseph E. Gray, Jr.
City Manager

December 28, 2004

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

Attention: No. 2004-53

To Whom It May Concern:

The City of Portland, Maine would like to take this opportunity to comment on the Office of Thrift Supervision's proposed rulemaking concerning Community Reinvestment Act (CRA) regulations. We oppose the proposed changes because they would reduce community development lending in low and moderate income communities and allow thrifts to design their own CRA exams and invest in affluent areas with no CRA penalty.

The purpose of the CRA is to increase lending, investment and banking services in lower income urban and rural areas. Current regulations assess thrifts via a three part exam that consists of a lending test, investment test and service test. This proposal would allow large thrifts with over \$1 billion in assets to eliminate the investment and service test or opt for small investment and service tests obtaining most of their grade from the lending test.

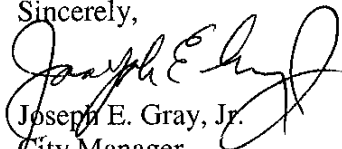
Consequently, large thrifts would be able to neglect critical community needs such as the lack of affordable housing. The vast majority of this housing nationally and here in Maine, is financed using Low Income Housing Tax Credits (LIHTC). If investment tests are eliminated, thrifts will not be required to finance the development of affordable rental housing through LIHTC or finance small businesses via equity investments. Less investments in projects and businesses will be accompanied by fewer bank branches and services in low and moderate income communities. Reducing the number of activities in low and moderate income communities will result in less community development activity and place these areas at a distinct disadvantage compared to more affluent areas. This is contrary to the very essence of CRA.

The proposed rules also would enable thrifts to earn CRA points by providing community development financing and services in affluent neighborhoods ostensibly to reduce burden and provide greater flexibility. Indeed burden will be reduced if thrifts are no longer required to invest in low and moderate income areas or serve low and moderate individuals. However, the reason CRA exists is to ensure that community development lending and investments are made specifically in these areas to benefit lower income people; lending that would otherwise not occur.

Taken as a whole, these proposed regulations will hurt the very communities CRA was enacted to protect. CRA has been the driving force behind increased lending, investment and banking services in what were underserved communities. Efforts to weaken these protections will turn back the clock on communities like the City of Portland that are striving to revitalize neglected neighborhoods, and states like Maine with large lower income rural areas. For these reasons the City of Portland is opposed to this proposed rulemaking and urges you to withdraw it immediately.

Thank you for providing the opportunity to comment on this proposed rule.

Sincerely,



Joseph E. Gray, Jr.
City Manager

Jeff Falcusan, NAHRO