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January 24, 2005

Regulation Comments, via fax (202) 906-6518
Chief Counsel's Office
Office of Thrift Supervision
1700 G St. NW
Washington DC 20552

Attention: No. 2004-53 & 2004-54

To Whom It May Concern:

I write to you to express the Rainbow/Push Coalition's strong opposition to your proposal regarding the Community Reinvestment Act (CRA). Our reasoning is as follows:

Your proposal allows large thrifts themselves to design watered-down CRA exams. In addition, your proposal allows all savings and loans to serve affluent neighborhoods, and neglect low and moderate-income neighborhoods, in rural areas and areas impacted by natural disasters. Simply put, this proposal will significantly reduce the amount of capital that people of color will have access to.

As presented in a document at the Citizenship Education Fund Wall Street Project Conference earlier this month, **people of color do not have a skills deficit, but they do have a capital and opportunity deficit.**

Currently, large thrifts with more than \$1 billion in assets have a "three part" CRA exam that consists of a lending test, an investment test, and a service test. Under your proposal, a large thrift can choose to eliminate its investment and service tests, and thus only have to pass a lending test, or it can choose to have miniscule investment and service tests, meaning that the lending test counts for virtually the total grade.

The danger with this proposal is that large thrifts can get away with neglecting pressing community needs. If they eliminate their investment tests, they will not be required to finance affordable rental housing via Low Income Housing Tax Credits or finance small businesses via equity investments. At the same time, thrifts can abolish their service tests and not be required to place or maintain branches in low and moderate-income communities. With no service test, the thrifts can also ignore the needs for remittances and other low-cost banking services.

Rev. Jesse L. Jackson, Sr., *Founder & President*
Martin L. King, *Chairman*
www.rainbowpush.org

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The "design your own easy CRA exam" option will increase the amount of abusive payday loans, check cashing, and other high cost services in low and moderate-income communities since thrifts will reduce their provision of basic banking services after implementing their own easy exams.

African Americans, Hispanic Americans, and in some cases Asian Americans tend to fit a basic profile: They work harder for less, pay more for less, live under stress and do not live as long.

We continue to face a "skin tax" in many aspects of financial and consumer services. Among the most pervasive are: 1) Mortgage Lending - in which predatory practices and sub-prime lending enables financial institutions to enrich themselves at the expense of the consumer, by charging excessive fees for first and second mortgage loans, refinancing loans or home equity loans most often used for home improvements; 2) Insurance - where redlining leads to higher premiums on property and casualty insurance policies or upside-down policies in which the investment in paying for the policy far exceeds the value gained; 3) Automotive Lending - where mark-ups are practiced during the automotive financing resulting in higher interest rates; and most recently joining the list 4) Pension Defrauding - where unsophisticated and inexperienced investors are swindled out of their life savings by unscrupulous or novice brokers.

Historically, financial institutions were held at bay by these practices in fear of not meeting CRA requirements. Relaxing the requirements have an immeasurable impact on the economic engine which fuels this country, community development organizations, small businesses which consult these organizations, faith based organization, trade associations which partner with financial institutions to need their respective diversity needs, and the list goes on and on.

The erosion of fair lending occurred in 1980 with the passage of the Depository Institution Deregulation and Monetary Control Act (DIDMCA) and in 1982 with the Alternative Mortgage Transaction Parity Act (AMTPA). DIDMCA removed usury caps on state interest ceilings, while AMTPA removed states' ability to limit terms on "alternative" mortgages, allowing negative amortizations, variable rates, balloon payments and (until 2003) prepayment penalties. Under CRA, banks and thrifts have an affirmative and continual obligation to serve low and moderate-income communities. This is just bad practice.

Under your proposal, large thrifts can arbitrarily and capriciously respond to a few community needs instead of all. If the Office of Thrift Supervision (OTS) adopts your proposal, the agency will fail on its responsibility to enforce CRA. In addition, your proposal regarding rural areas and natural disasters lacks any justification. Congress enacted CRA to alleviate redlining and disinvestment from low and moderate-income communities. Under your proposal, large thrifts will suffer no CRA penalty if they provide community development financing to affluent communities, while overlooking low and moderate-income communities in rural areas and areas impacted by natural disasters.


Finally, you would reduce vital opportunities for community groups and thrifts to meet with your agency to discuss CRA and anti-predatory lending matters when thrifts are merging. Under current regulation, your agency is required to hold two meetings to ensure that all facts and impacts of proposed mergers are thoroughly vetted. Your proposal would allow the OTS, at its own discretion, to hold only one meeting or to decline to hold a meeting. This is inadequate as merging institutions often conceal important data and information regarding CRA and fair lending compliance, and will only provide this information if repeatedly prodded by community groups during meetings with the regulatory agency.

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Over the years, CRA has been effective because the banking agencies have issued regulations in a careful and uniform manner. However, this unilateral proposal threatens the gains in community revitalization made possible by CRA. We urge you to withdraw this latest proposal, which is so ill-conceived that it has not been issued by the other banking agencies.

If you have any questions, please call me at 773-256-2713.

Sincerely,



Reverend Jesse L. Jackson, Sr.
Founder and President

cc. National Community Reinvestment Coalition