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Chief Counsel's Office
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SUBJECT: Opposition to Implementation of Rule No. 2004-53

The Housing Authority of the County of Monterey strongly objects to the Office of Thrift Supervision's (OTS) proposed rule changes detailed in No. 2004-53 regarding the Community Reinvestment Act (CRA). Local Housing Authorities (LHAs) would be adversely affected by these rule changes. Their ability to continue to meet the need for housing of low-income and moderate-income families would be severely impacted. The Bush administration is pushing LHAs to help low-income households become homeowners. The changes proposed in this rule (No. 2004-53) would be counterproductive to this national effort of increasing homeownership. Approximately 6,000 lending institutions would become eligible for a less stringent examination under the Community Reinvestment Act (CRA) rules if proposals by the Office of Thrift Supervision (OTS) and the FDIC are implemented. This lack of oversight will negatively impact clients who rely on affordable housing providers.

The current Community Reinvestment Act requires federal agencies to encourage depository financial institutions to help meet the credit needs of their communities, including low-income and moderate-income neighborhoods. The regulatory agencies assess the institutions' records of meeting those credit needs by preparing a written evaluation of the institutions and assigning a rating with facts supporting the conclusions. The Act also requires regulatory agencies to consider an institution's record of helping to meet community credit needs when evaluating certain corporate applications, such as permission to establish a branch, to relocate a branch or home office, or to merge. This regulation has been in effect since 1990 and has been instrumental in helping LHAs and other affordable housing providers to better serve the housing needs of low-income and moderate-income families.

Under the new requirements, banks with over \$250 million in assets must be tested on their number of loans, investments, and services to low-income and moderate-income communities. The changes would allow mid-sized banks to choose only one community development activity they will undertake, resulting in significantly less community development activity. Eliminating the investment test would remove an important incentive for institutions to invest in Low Income Housing Tax Credits in low-income

Mission Statement.

To provide, administer, and encourage quality affordable housing and related services to eligible residents of Monterey County.

and moderate-income communities. This is a key tool used by LHAs to fund new housing stock for low-income and moderate-income families.

The proposal also suggests that all community development activities in rural areas should benefit any group of individuals, regardless of income. This will allow banks to discern and focus on affluent residents of rural areas rather than the lower income consumers CRA targets, possibly eliminating publicly available data on the small business lending of mid-sized banks. Without data, community groups and citizens cannot hold banks accountable for lending to small businesses in their neighborhoods.

We urge the OTS to reject the proposed changes and continue to support the efforts of LHAs in meeting the needs for housing by low-income and moderate-income families.

Sincerely,



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