



COMMUNITY BANKERS ASSOCIATION OF NEW YORK STATE
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January 14, 2005

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

Re: No. 2004-53

Dear Sir/Madam:

The Community Bankers Association of New York State* applauds the OTS' notice of proposed rulemaking to give CRA ratings more flexibility for larger banks. We believe that the current weighting of "investment" and "service" categories is too rigid and may be counterproductive to the congressional intent of fostering community development.

Congress instructed the regulatory agencies to "assess the institution's record of meeting the credit needs of its community, including low and moderate income neighborhoods." Implicit in this intent was that lending would be the primary vehicle for meeting a community's credit needs. Later, the investment and service tests arose because some special situation banks sought indirect methods of satisfying their CRA obligations. However, what started as appropriate flexibility turned into an arbitrary and rigid ratings system. This has resulted, in many cases, in an unintended consequence of diverting resources away from the bank's primary mission of lending directly to low and moderate income borrowers.

While preservation of the "investment" and "service" categories still has considerable merit, it is important to allow greater flexibility for lending-based institutions. The proposed regulatory change would actually serve to enhance the original congressional intent of meeting customer and community needs.

We appreciate the opportunity to comment on this proposal.

Sincerely,

Mariel O. Donath

* The Community Bankers Association of New York State (CBANYS) is a full-service trade association representing savings institutions and commercial banks with cumulative assets exceeding \$170 billion, employing approximately 23,000 New Yorkers at 1,265 locations statewide, and allocating more than \$1 billion annually toward local affordable housing and community development