

# Massachusetts Bankers Association

The logo for the Massachusetts Bankers Association features the organization's name in a green, serif font. Below the text is a thick, green, curved line that starts under the 'M', dips down, and then curves back up to end under the 'A', resembling a stylized ribbon or a swoosh.

January 25, 2005

*Filed via email to [regs.comments@ots.treas.gov](mailto:regs.comments@ots.treas.gov)*

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

Subject: No. 2004-53; 12 CFR Part 563e; Community Re-investment Act - Community Development, Assigned Ratings; 69 Federal Register 68257; November 24, 2004

Dear Sir or Madam:

The Massachusetts Bankers Association (MBA), which represents 215 commercial, savings, and co-operative banks and savings and loan members in Massachusetts and New England, appreciates the opportunity to provide comments regarding the above referenced proposal. The Office of Thrift Supervision's (OTS) proposal seeks to add much needed flexibility to the CRA examination process of large savings institutions with over \$1 billion in assets. The OTS proposes to revise how it assigns its CRA ratings by allowing large savings associations to determine what weight each of the three tests (lending, service, and investment) will contribute to the overall CRA performance rating without reducing their commitment to lending. This approach is similar to the strategic plan that was part of the 1995 revisions to the CRA.

This proposal is clearly a major step towards an appropriate re-assessment of the CRA and should greatly reduce regulatory burden on those community banks that don't qualify for the small bank test. Under the current large bank CRA exam, thrifts are rated for their lending, investments and services according to a matrix, with a 50% weight for lending and 25% each for investments and services. This approach is often unfair and the rigid requirements do not reflect the limited opportunities in the market.

Under the OTS proposal, a minimum of 50% of the assessment would still be based on lending, but the remaining 50% could be allocated in any way the institution deems appropriate to either lending, investments or service. The MBA supports this change as a way to relieve the regulatory burden imposed. Community banks would still be required to help meet the credit needs of their entire communities and would continue to be so evaluated by their regulator.

As bank examiners know, it has proven extremely difficult for many institutions, especially those in areas without low- to moderate-income census tracts, to find appropriate CRA qualified investments that benefit their specific communities. Many banks have had to make regional or state-wide investments that are extremely unlikely to ever benefit the banks' own communities.

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This result was certainly not intended by Congress when it enacted the CRA. The amendment to the rules would allow savings institutions to devote their community re-investment efforts to the types of activities needed by the communities they serve, consistent with safe and sound operations.

The OTS proposal would also consider adding community development efforts that benefit areas affected by natural disasters. The Association supports this provision. Financial institutions often play a vital role in helping natural disaster areas recover. Often, the need for economic support to redevelop damaged infrastructure is critical. There is no clearer example of community re-investment than steps that help an area recover from the devastation imposed by a natural disaster. The Association supports this change to the CRA regulations.

In conclusion, the MBA strongly supports increasing the flexibility of large savings institutions in the examination process as a vitally important step in revising and improving the CRA regulations and in streamlining regulatory burden. While community banks still will be examined under CRA for their record of helping to meet the credit needs of their communities, a more flexible weighting component will eliminate some of the most problematic and burdensome elements of the current CRA regulation for community banks that have been subject to a myriad of new regulations in recent years.

Thank you for the opportunity to present our views.

Sincerely,

A handwritten signature in black ink that reads "Tanya M. Duncan". The signature is written in a cursive, flowing style.

Tanya M. Duncan  
Director, Housing and Federal Policy

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