



Neighborhood Economic Development Advocacy Project

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January 24, 2005

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

Attention: No. 2004-53

To Whom It May Concern:

I write on behalf of the Neighborhood Economic Development Advocacy Project (NEDAP), a not-for-profit organization based in New York City that works with community groups to promote access to fair and affordable financial services in low-income neighborhoods and communities of color. **NEDAP joins with citizens and community groups from around the country in opposing the Office of Thrift Supervision's proposal to change the treatment of large thrifts under the Community Reinvestment Act (CRA). We call on the OTS to reconsider its proposal, which would weaken the CRA exam for large thrifts, and withdraw the proposal in its entirety.**

NEDAP has almost a decade of experience working with the CRA. We have worked with dozens of community groups to press mainstream financial institutions for access to affordable loans, services and investments in New York City's low income neighborhoods and communities of color.

NEDAP has been greatly dismayed by the recent succession of attempts to weaken CRA by federal regulatory agencies overseeing some of the nation's largest banking institutions. The current proposal is contrary to sound public policy. As is well known to the OTS, the CRA has been a critical community development tool in New York City, and in communities throughout the country. The law helps ensure that thrifts are accountable to all communities that they serve, and thanks to the CRA, thrifts have engaged in sound, profitable lending and provided services and investments in low and moderate income communities.

I. The OTS should not allow its regulated institutions to create their own CRA exams.

The OTS proposal would weaken CRA by effectively allowing thrifts with more than \$1 billion in assets to "opt-out" of compliance with the CRA's services and investments tests.

Washington Mutual, for example, one of New York's largest banking institutions, could receive a CRA rating based 100% on its lending performance. This change would effectively remove or reduce oversight from thrifts' performance in crucial realms outside of lending, including the placement and maintenance of bank branches in low and moderate income areas, investments in affordable housing and other community development initiatives, and the development of innovative and low-cost banking services that meet the needs of lower income communities and consumers.

The proposed change would likely result in fewer CRA-related services and investments in communities across the country. We are also greatly concerned that the resulting diminution in services will fuel fringe and predatory financial services and lending practices in communities that already face an ever-proliferating array of high-cost and abusive financial products.

II. The definition of “community development” should not be weakened to include virtually any rural project – without consideration of its impact on low and moderate income people.

The OTS also proposes to change the definition of “community development” to include “community services targeted to individuals in rural areas, and activities that revitalize or stabilize rural area” – regardless of whether the services provide any direct benefit to low and moderate income individuals or communities. As other commenters have noted, this would potentially allow thrifts to get CRA credit for financing luxury housing developments, golf course construction or similar projects in rural areas. This proposed change is unwarranted and inconsistent with the spirit and letter of CRA, which clearly intends to benefit low and moderate income individuals and communities.

The CRA has been pivotal in catalyzing billions of dollars in loans, services, and investments in low and moderate income communities throughout the country. The OTS's proposed changes would weaken the CRA exam for your larger institutions, to the detriment of low and moderate income consumers and communities alike. We respectfully and strenuously urge the OTS to withdraw its proposal.

Should you have any questions, please do not hesitate to contact me at (212) 680-5100.

Sincerely,

Deyanira Del Rio
Director of Programs
Neighborhood Economic Development Advocacy Project