



CITY OF BUFFALO
OFFICE OF THE MAYOR

ANTHONY M. MASIELLO
MAYOR

January 25, 2005

Regulation Comments
Chief Counsel's Office
Office of Thrift Supervision
1700 G St. NW
Washington, DC 20429

Attention: No. 2004-53 & 2004-54

Dear Sir/Madam:

On behalf of the City of Buffalo, New York, I urge you to withdraw your proposed changes to the Community Reinvestment Act (CRA) regulations. The City of Buffalo is the second largest city in the state of New York. Buffalo has significantly enhanced its efforts in increasing access to credit and homeownership for the underserved in our city.

The City of Buffalo has faced serious economic challenges in recent history. This city is in desperate need of community development and investment resources and looks to the banking community as partners in this effort. To further complicate matters, low and moderate residents have been preyed upon by abusive lenders, payday lenders, and check-cashing institutions that target these residents and neighborhoods. The City of Buffalo has funded, in partnership with Freddie Mac, the "Don't Borrow Trouble" program to address predatory lending and this year will start a Property (House) Flipping Taskforce to begin addressing the flipping issue.

The Buffalo/Niagara MSA is one of the 10 metropolitan areas in which lenders reached the lowest percentage of small businesses in minority census tracts in 2003 according to data provided by National Community Reinvestment Coalition.

The City of Buffalo is exactly the kind of area that the Community Reinvestment Act was designed to help and protect. Your proposal to weaken CRA will reduce lending, investments and banking services in our low and moderate communities that are in most dire need of them.

By permitting thrifts to eliminate the investment and services part of the exam and design their own weaker examination process, you eliminate the incentive to finance affordable housing or to finance small businesses. Thrifts can simply choose to invest in affluent areas.

They can also abolish the service test thereby essentially eliminating review of the placement or retention of branches in low-moderate income areas. It is already difficult to compete with the many pay-day lenders, check-cashing institutions and predatory lenders in low-moderate income areas. Thrifts should be encouraged and required to remain in the very neighborhoods that need stable, competitive and reputable lenders.

We depend on regulators to ensure that the financial institutions are capturing a market that exists in our community, particularly for those who are "unbanked" or who may have previously had credit issues. We depend on regulators to enforce access to quality credit for those who live in communities that are not always sought after for banking and business needs. We depend on regulators to ensure that banks do not only lend and provide banking services in wealthy communities.

As you well know, CRA has been instrumental in increasing homeownership, boosting economic development, and expanding small businesses in the nation's minority, immigrant, and low- and moderate-income communities. Your proposed changes are contrary to the CRA statute and Congress' intent because they will undermine the progress made in community reinvestment.

Your proposal to weaken CRA will reduce lending, investments and banking services in the low and moderate communities that are in most dire need of them. In New York State, 84.19% of thrifts have assets over \$1 billion amounting to assets of \$42, 653, 196, 000 (data provided by NCRC). This proposal will significantly impact and weaken the Community Reinvestment Act with respect to New York State thrifts.

Under the current CRA regulations, banks with assets of at least \$1 billion are rated by performance evaluations that scrutinize their level of lending, investing, and services to low- and moderate-income communities. The proposed changes will eliminate the investment and service parts of the CRA exam for these thrifts. This proposal significantly reduces the regulatory oversight that ensures compliance with CRA.

Your agency has already weakened CRA by finalizing a proposal last fall that provides for easy examinations for savings and loans with assets between \$250 million and \$1 billion. Now, you seek to further weaken CRA by permitting thrifts with assets over \$1 billion to eliminate the investment and services parts of the exam and design their own weak examination process. If you remove these

requirements, you will essentially undermine the intent and destroy the goals of the Community Reinvestment Act.

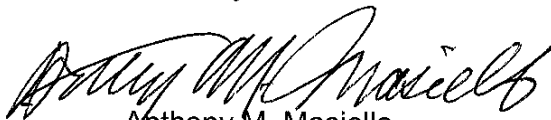
The City of Buffalo has worked hard to increase access to capital to small, women and minority-owned businesses in the City of Buffalo. With the encouragement of CRA regulations banks have provided capital to enable the city to finance entrepreneurial enterprises growing businesses and creating jobs within our city. The effort has help Buffalo become one of the top fifty cities for entrepreneurship. It is disheartening to think that our effort will be diluted by changes that are being proposed to the CRA act.

In sum, your proposal directly opposes CRA's statutory mandate of imposing a continuing and affirmative obligation to meet community needs. Your proposal will dramatically reduce community development lending, investing, and services. If implemented, your proposal will eliminate critical data on small business lending, which is needed to grade the effectiveness of investment and capital made available to small businesses, the back-bone of our economy.

If the OTS is committed to its continuing and affirmative obligation to meet credit needs under the Community Reinvestment ACT, it would propose additional community development and data reporting requirements for more banks instead of proposing to diminish existing obligations. A mandate of affirmative and continuing obligations implies expanding and enlarging community reinvestment, not significantly reducing the level of community reinvestment.

CRA is too important to our city to be damaged by regulatory abandonment and neglect.

Sincerely,



Anthony M. Masiello
Mayor

cc: U.S. Senator Charles E. Schumer
U.S. Senator Hillary Rodham Clinton
U.S. Representative Thomas M. Reynolds
U.S. Representative Louise M. Slaughter
U.S. Representative Brian M. Higgins