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January 24, 2005

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

Re: Community Reinvestment Act Regulations – No. 2004-53

Dear Sir or Madam:

The Compliance and CRA and Mortgage Steering committees of the New Jersey League of Community Bankers* are pleased to comment on the proposal to revise and update the Community Reinvestment Act ("CRA") regulations. The committees support the OTS proposal as outlined below.

Rural Areas

The committees support the expansion of the definition of "community development" to include scoring credit for loans, and activities, in rural areas. In enacting the Community Reinvestment Act of 1977 Congress stipulated that "financial institutions have continuing and affirmative obligations to help meet the credit needs of the local communities in which they are chartered." There is no precise definition of "local communities" within the CRA law. Since the regulations require branch offices located in rural areas to be part of an assessment area, it stands to reason that banking services and loans granted in the rural area should be eligible for CRA scoring credit. We believe the fact that a rural area is not designated or located in a "low-to-moderate" income area is immaterial.

Natural Disasters

The committees endorse the proposal to expand the definition of "community development" to include communities affected by natural or other disasters. The municipality of Manville, Somerset County, NJ sustained a flood of devastating proportions approximately ten years ago. Manville is a small community, which is not serviced by a multitude of financial institutions. Under the existing regulations, lenders in neighboring communities would not have earned scoring credit under either the lending test or the investment test by providing a financial contribution for flood relief assistance or extending mortgage credit to the Manville populace. We feel the absence of scoring credit is wrong, as communities that have been devastated by a disaster are in dire need of the financial assistance that community banks from neighboring communities can provide.

* The New Jersey League of Community Bankers, founded in 1908, is a trade association representing 67 of New Jersey's savings banks, savings & loan associations and commercial banks with total assets of over \$60 billion. The League's wholly-owned subsidiary, the Thrift Institutions Community Investment Corporation ("T.I.C.I.C.") assists League members in forming consortia to make loans on low-to-moderate income housing and economic development projects throughout New Jersey. Since its founding in September 1991, T.I.C.I.C. has facilitated loans on nearly 4,500 affordable housing units and has loans in process on over 500 more affordable housing units. Loans made and loans in process total nearly \$302 million.

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Ratings Matrix

In preparing for CRA examinations, lenders know that they must score well in the investment test in order to receive a favorable rating. This may cause the lender to shift its focus from lending in local communities to finding qualified investments, which, in some cases, may not be within the institution's expertise or may be difficult to find.

The committees do not believe that lenders should be forced into purchasing investments for the sole purpose of meeting the CRA investment test when they may be providing exceptional service to the community through their lending operations. The OTS proposal rightly provides greater flexibility on the mix of lending, investment, and service tests, which will result in lenders being able to serve the community in a way that best meets the needs of the particular community.

In our view, it should not matter whether it's a "loan" or an "investment" that is made in a community, since both actions basically accomplish the same purpose.

We appreciate the opportunity to be able to provide comments on the CRA rule-making proposal, and we applaud the action of the OTS in taking the initiative to invite industry comment on this issue. I may be contacted at 908.272.8500, ext. 614 or jmeredith@njleague.com.

Sincerely,



James M. Meredith
Senior Vice President

JMM/jm