

# NEW JERSEY COMMUNITY CAPITAL

*16-18 West Lafayette Street Trenton, NJ 08608  
Phone: (609) 989-7766 Fax: (609) 393-9401*

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

RE: No. 2004-53

January 24<sup>th</sup>, 2005

To Whom It May Concern:

On behalf of New Jersey Community Capital, the registered trade name utilized by Community Loan Fund of New Jersey, Inc., and its affiliates for its financial and consulting products and services, I would like to thank you for the opportunity to comment on the changes to the Community Reinvestment Act ("CRA") regulations proposed by the Office of Thrift Supervision ("OTS") and how they will affect the community development field.

As a community development financial institution ("CDFI"), New Jersey Community Capital has a significant interest in CRA and its effects on the community development field. New Jersey Community Capital's mission is to facilitate the flow of money and knowledge to promote wealth and well being in communities. Since its founding in 1987, New Jersey Community Capital has committed financing for nearly 450 projects totaling approximately \$86 million in the housing, community services, and business sectors. Additionally, New Jersey Community Capital provides technical assistance to low-income individuals and communities, as well as to organizations serving low-income individuals and communities, throughout the State of New Jersey.

The revisions made to CRA in 1995 have provided New Jersey Community Capital the opportunity to work closely with banks in order to optimally serve the un-banked communities of New Jersey. Banks represent a significant source of capital for New Jersey Community Capital, and without their support, we would face considerable challenges in providing financial assistance to low- and moderate-income communities. In addition to utilizing their funds, for which we provide both financial and social returns, New Jersey Community Capital formulates and maintains multifaceted relationships with its bank partners. New Jersey Community Capital accepts referrals from banks and utilizes its capital to serve customers in low- and moderate-income markets that the banks are unable to serve. A bank's inability to serve a customer may be due to safety and soundness concerns but, more often, is due to the costly and time-consuming nature of providing smaller loans to less sophisticated companies. New Jersey Community Capital is better equipped to work with customers to improve borrower-preparedness, credit quality, and understanding of financial markets. Because of the partnership, banks can continue to provide depository and other non-credit services, thereby generating fee income, while being viewed by the customer as an effective conduit for their financing needs. Further, many of New Jersey Community Capital's customers graduate to a level whereby they are creditworthy to a bank's standards. CRA has enabled New Jersey Community Capital to develop and maintain these important relationships with banks, and we believe that it will be more difficult to do so if the revised regulations are implemented.

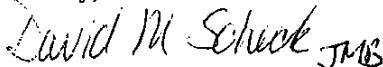
CRA has been instrumental in increasing homeownership, advancing economic development, and expanding small businesses in the nation's minority, immigrant, and low- and moderate-income communities. If the proposed changes are enacted, the OTS will streamline the review of large thrifts (those having assets of more than \$1 billion) by allowing them to select the criteria by which they are evaluated, and potentially eliminate the investment

and service tests. We believe that this will result in fewer community development investments and fewer services provided to low- and moderate-income areas- the very communities that the CRA was enacted to serve.

A cursory examination of New Jersey's economic situation calls attention to the significant impact the OTS's revised regulations would have on the low- and moderate-income communities of New Jersey. Seven of New Jersey's thrifts have asset sizes greater than \$1 billion. While only a small percentage of the total number of New Jersey's 41 thrifts, these seven large thrifts comprise approximately 77% of the total asset size of New Jersey's 41 thrifts. Should the OTS decide to weaken CRA exam criteria for large thrifts, the total assets in New Jersey subject to the current CRA obligations would decline by over \$30 billion. These proposed changes to CRA will not only reduce the services provided to low- and moderate-income communities, but also reduce the amount of community development investments provided by large thrifts, weakening the opportunity for New Jersey Community Capital to work in conjunction with mainstream financial institutions on viable community development projects.

Creativity and innovation are essential to the development of appropriate financial products and services for the nation's disinvested communities. CRA cannot be effective if it is subject to four disparate tests and testers, and the regulatory agencies charged with the oversight of CRA ought to consider working together in order for CRA to optimally benefit the communities it is designed to serve. By weakening CRA, the OTS, and other regulatory agencies, will allow mainstream financial institutions to choose the path of least resistance in their community development activities. In light of the needs of low- and moderate-income communities, I must respectfully request the proposed changes to CRA be withdrawn from consideration.

Sincerely,



David M. Scheck  
*Executive Director*