

From: Weeks, Roslyn on behalf of Public Info
Sent: Monday, January 24, 2005 1:42 PM
To: Evans, Sandra E
Subject: FW: No. 2004-53 & 54

-----Original Message-----

From: John Schall, President and CEO [mailto:cwayman@ncced.org]
Sent: Monday, January 24, 2005 1:12 PM
To: Public Info
Subject: Re: No. 2004-53 & 54

John Schall, President and CEO
1030 15th Street, NW Suite 32
Washington, DC 20005

January 24, 2005

Director James E. Gilleran
1700 G St NW
Washington, DC 20552

Dear Director Gilleran:

January 24, 2005

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

Re: Proposed Regulations No. 2004-53 & 2004-54

To Whom it May Concern:

The National Congress for Community Economic Development (NCCED) is writing to you in opposition to the proposed 2004-53 and 2004-54 Community Reinvestment Act (CRA) regulations to eliminate the three part comprehensive exam for thrifts with assets above \$1 billion.

Our membership represents the nation's nonprofit community development corporations who build homes and create jobs in low-income urban and rural communities. CRA has played a significant role in the success our members have had in revitalizing their communities. When implemented properly, CRA addresses the capital needs of low-income families and underserved communities. We believe that the elimination of the three-part test currently required under the CRA would significantly reduce the amount of thrift services and community development financing available to low- and moderate-income communities.

The proposed regulations for revised CRA exams would allow large thrifts to design their own weaker CRA exams. Currently, large thrifts with more

than \$1 billion in assets have a "three part" CRA exam that consists of a lending test, an investment test, and a service test. Under your proposal, a large thrift could choose to eliminate its investment and service tests, thereby leaving it subject only to the much weaker lending test.

In effect, contrary to the intent of the Congress when it passed CRA, the proposed regulations would allow large thrifts to neglect the pressing community needs. Specifically, if such thrifts eliminate their investment tests, they will not be required to finance affordable rental housing via Low Income Housing Tax Credits or New Market Tax Credits.

Similarly, if larger thrifts are not required to meet a service test, they will be free to close their branch offices in low- and moderate-income communities. Without the placement of such offices in low-income communities, it is likely that residents who need remittances or other low-cost banking services would be forced to rely on payday lenders, check cashing outlets, and other high cost services. In addition, the elimination of a service test would enable savings and loans to neglect low- and moderate-income neighborhoods in rural areas and areas impacted by natural disasters.

Finally, NCCED has active state community economic development associations who work to ensure continued access to capital when financial institutions merge. Under current regulation, your agency is required to hold two meetings to ensure that all facts and impacts of proposed mergers are thoroughly discussed. The proposed regulations would allow the OTS, at its own discretion, to hold only one meeting or to decline to hold a meeting altogether. We believe that without this public discussion with regulators, vital opportunities for community groups and thrifts to meet with your agency to discuss CRA preservation in the face of proposed mergers would be severely limited.

Under CRA, banks and thrifts have a congressionally mandated affirmative and continual obligation to serve low- and moderate-income communities. We believe that the proposed regulations, if implemented, would fall short of meeting that obligation. We therefore urge you to reject the proposed regulatory changes and to maintain current policy.

Should you wish to discuss this matter further, feel free to contact Carol Wayman of my staff at (202) 289-9020.

Sincerely,

Sincerely,

John A. Schall
(202) 289-9020