

January 20, 2005

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

Attention: No. 2004-53 & 2004-54

To Whom It May Concern:

As a staff member of an affordable housing and community development organization, I am writing to convey my deepest concern over the proposed rule changes. The collaborations between thrifts and nonprofits like Neighborhood Housing Services of New York City have directly resulted in substantial investment in underserved communities. These partnerships will not occur under the proposed rule, and our NHS customers will be left without substantial access to financial education and affordable lending products.

Your proposal will result in considerably less community development financing and basic banking services in low- and moderate-income communities. You would allow thrift institutions to design their own weakened versions of Community Reinvestment Act ("CRA") exams. The thrifts could eliminate the investment and service parts of the CRA exam, thus not requiring them to make investments in or provide branches to low- and moderate-income communities. In addition, your proposal would allow thrifts to finance community development of affluent communities, not lower income neighborhoods, in rural areas and areas afflicted by natural disasters. Indeed, this conflicts with the purpose of CRA to combat redlining of low- and moderate-income communities. You also propose to reduce opportunities for community groups and citizens to meet with thrifts and your agency to discuss CRA and anti-predatory lending issues when thrifts are merging.

For over twenty years, NHS has been working to provide low- and moderate-income residents the opportunity to purchase their own home or to provide them with the resources to maintain their homes. NHS is a not-for-profit organization working to increase and protect investment in underserved low- and moderate-income neighborhoods, providing education to inform and assist people and to build communities encourage and support neighborhood self-reliance. NHS accomplishes its mission by rehabilitating housing and mixed-use properties; constructing new affordable housing and providing pre- and post-purchase education which ultimately create neighborhood revitalization. Furthermore, NHS is a member of NeighborWorks/ Neighborhood Reinvestment Corporation, which is a not-for-profit organization chartered by the U.S. Congress that supports over 200 community based organizations throughout the country to promote community development and stabilization. NHS also provides lending as a the Community Development Financial Institution. As such, NHS is working hard with other community and economic development groups to build wealth and further stabilize and revitalize communities with low- and moderate income families.

CRA has been vital to the work of NHS. CRA not only provides an incentive for financial institutions to develop relationship with NHS, but it is also a critical force in maintaining these

relationships and in keeping banks committed to providing services and products to residents in low- and moderate-income communities. CRA has been instrumental in the increase of homeownership rates, bolstering the economic development and enlargement of small businesses in New York City and communities in Bedford-Stuyvesant and East Flatbush in Brooklyn; Jamaica and Northern Queens, the North and the South Bronx and Staten Island as well as throughout the nation's low- and moderate-income neighborhoods.

In efforts to bolster bank investment, NHS has used CRA to leverage and expand the availability of bank resources. Incentivized by CRA requirements, lenders frequently work with NHS to capitalize existing loan pools or to create new products designed to specifically to target an underserved market niche. For example, NHS has a loan product which is comprised of 15 banks called the Consortia. The Consortia was created to provide loans to low- and moderate-income residents who might not be considered for a loan from a convention bank otherwise. The group of lenders pooled their financial resources together in order to mitigate the risk of clients but provide the client with the opportunity to improve their home through a home improvement loan. This product meets a clear community need and implied a greater risk for the banks and if not for CRA it is unlikely that the banks would not have collaborated to create such a product.

Not only has CRA urged lenders to provide more appropriate products, it has also encouraged lenders to become more involved in community education efforts. NHS is proud to have over forty financial institutions involved in providing lending, volunteer their professional expertise and participate in the educational services to our clients. NHS is concerned that if the proposed changes take effect, it could dramatically impact the degree of investment in under-served low- and moderate-income communities in urban and even rural areas. Although NHS is proud of the banking relationships that we have cultivated with these various financial groups, it would not have reached this level without the underlining enforcement from CRA. Without such comprehensive testing, what incentive would many banks have to continue the degree of financial investment in many low- and moderate-communities? It is our hope that many of these long-time partnerships would continue to work with community development organizations in urban and rural America as well as NHS.

On behalf of Neighborhood Housing Services of New York City, I appreciate the opportunity to render comments of the proposed rule and I firmly recommend that it be withdrawn and that no action be taken on the current regulations governing CRA.

Thank you for your attention to this critical matter.

Sincerely,


Carolyn Johnson/Lee
Program Manager/Homeownership

cc. Sarah Gerecke, Chief Executive Officer
Louis Kilkenny, Director Lending & Program Services
Bernell Grier, Chief Operating Officer
NHS of East Flatbush, Neighborhood Director