



City of Santa Fe, New Mexico

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December 17, 2004

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:

On behalf of the City of Santa Fe, I strongly urge the Office of Thrift Supervision (OTS) to withdraw its latest proposal because it threatens the gains in community revitalization made possible by the Community Reinvestment Act (CRA).

Over the years, CRA has been effective because the banking agencies have issued regulations in a careful and uniform manner. However, the new unilateral proposal by OTS contradicts the purpose of the CRA because it could significantly reduce the amount of community development financing and thrift services in low- and moderate-income communities.

Furthermore, the proposal allows large thrifts themselves to design CRA exams. In addition, the proposal would allow all savings and loans to serve affluent neighborhoods, and neglect low- and moderate-income neighborhoods, as well as areas impacted by natural disasters.

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 the OTS proposal, a large thrift can choose to eliminate its investment and service tests, and thus only have to pass a lending test. Or it can choose to have miniscule investment and service tests, meaning that the lending test counts for virtually all of the total grade.

The problem with this proposal is that large thrifts could neglect pressing community needs. If OTS eliminates their investment tests, thrifts will not be required to finance affordable rental housing via Low Income Housing Tax Credits or finance small businesses via equity investments. At the same time, thrifts can abolish their service tests and not be required to place or maintain branches in low- and moderate-income communities. With no service test, the thrifts can also ignore the needs for remittances

and other low-cost banking services. The “design your own CRA exam” option could increase the amount of abusive payday loans, check cashing, and other high cost services in low- and moderate-income communities since thrifts will could their provision of basic banking services after implementing their own exams.

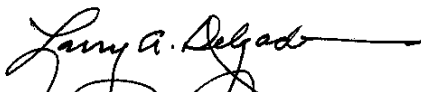
Under CRA, banks and thrifts have an affirmative and continual obligation to serve low- and moderate-income communities. But under the OTS proposal, large thrifts could arbitrarily and capriciously respond to a few community needs instead of all needs. If the OTS adopts this proposal, the agency might fail in its responsibility to enforce CRA.

In addition, the OTS proposal regarding rural areas and natural disasters lacks justification. Congress enacted CRA in order to stop redlining and dis-investment in low- and moderate-income communities. Under the OTS proposal, large thrifts will suffer no CRA penalty if they provide community development financing to affluent communities, while overlooking low- and moderate-income communities and areas impacted by natural disasters.

Finally, the OTS proposal could reduce vital opportunities for community groups and thrifts to meet with your agency to discuss CRA and anti-predatory lending matters when thrifts are merging. Under current regulation, OTS is required to hold two meetings to ensure that all facts and impacts of proposed mergers are thoroughly vetted. The proposal would allow the OTS, at its own discretion, to hold only one meeting. This is inadequate as it often takes merging institutions a long time to provide important data and information regarding CRA and fair lending compliance.

Thank you for your attention to this matter. If you have any questions, please call Craig Fiels, Community Development Division, at 505/955-6319.

Sincerely,


Larry A. Delgado
Mayor

cc: Senators Jeff Bingaman and Pete Domenici and Representative Tom Udall