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January 21, 2005

The Honorable James Gilleran  
Director  
Office of Thrift Supervision  
1700 G Street, NW  
Washington, DC 20552

Attention: No. 2004-53 & 54

Dear Director Gilleran:

I am writing on behalf of all of the low-income families and communities in Imperial County, California to express my adamant opposition to the Office of Thrift Supervision's (OTS) proposed changes to the Community Reinvestment Act (CRA). The Community Reinvestment Act is a critical component to affordable housing and community development efforts in the Imperial County and in communities throughout the United States. Local community development corporations have looked to financial institutions for tax credits, equity funding, foundation grants, and financial education services made possible by existing CRA requirements.

In Imperial County, one of the most prominent players in the development of affordable housing is the Coachella Valley Housing Coalition (CVHC). CVHC has committed 22 years to helping low-income people improve their living conditions through advocacy, research, and the construction and operation of housing and community development projects. These efforts have meant the construction of more than 2,500 single-family homes and apartment units for farmworkers, migrant farmworkers, seniors, and individuals with special needs, HIV/Aids and other chronic illnesses. CVHC operates the largest rural self-help program in the United States. The success of CVHC's work has been made possible because of the power of the Community Reinvestment Act.

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The Office of Thrift Supervision has proposed a series of changes that will drastically limit the capacity of the CRA. The proposed changes give credit to financial institutions for activities in rural and disaster areas without requiring that the activities directly benefit for low-income people and places and would give institutions a choice about whether to provide services or just make investments in their communities. If the Community Reinvestment Act is modified as proposed by the OTS, it will seriously threaten the ability for non-profits to provide decent housing, essential community services, and homeownership opportunities for low-income families.

Under the proposed changes, all institutions regulated by the OTS with assets greater than \$1 billion would be exempt from any requirement to serve the needs of low-income individuals as long as they provided some activities that benefit individuals in rural areas. This means that institutions that conduct business in both rural and urban areas could decide not to meet the needs of low-income individuals in their urban areas, but would still get satisfactory CRA ratings by financing housing developments next to golf courses for the affluent in rural areas. It is important to distinguish that rural activities are not the equivalent of low-income activities. Not all activities in rural areas should be automatically treated as qualifying activities to meet CRA commitments. The CRA should remain as currently written in which all activities are first and foremost directed at aiding low-income people and communities.

CVHC utilizes financing from financial institutions for land acquisition and predevelopment. Without this source of funding, our rural self-help housing projects would not be possible. As the rapid development of the Coachella Valley and Imperial County continues, market rate housing projects will extend into what is currently classified as rural areas. If financial institutions are able to count the financing of these projects toward meeting their CRA requirements, funding available to affordable housing in both CVHC's rural and urban project locations will be severely diminished.

Additionally, the proposed changes in the Community Reinvestment Act would allow large institutions to choose whether to provide services to, or make investments in, the communities in which they are located. This change means that institutions would no longer have incentives to do the more difficult services and investments, and would instead concentrate on whatever was easier to do, regardless of the specific needs of their communities. Institutions should not be

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allowed to choose to avoid providing appropriate levels of both services and investments as many low-income communities already suffer from a lack of adequate banking services.

In the eastern Coachella Valley and rural Imperial County, there is a severe lack of financial education resources. CVHC is the only provider of credit counseling that helps families work toward homeownership. It is already difficult to coordinate with financial institutions to obtain educational tools and to recruit instructors to teach families about banking services. If there is no requirement for financial institutions to provide these valuable direct services, the incentive will be lost as will a resource which helps bring families out of poverty and into stable financial positions.

The changes proposed by the OTS threaten to narrow the breadth of types of investments that qualify for CRA credit. This will cause disinvestment from low-income individuals and communities, and a return to the redlining that the CRA was implemented to reverse.

I hope that you will consider my comments regarding the proposed changes in the Community Reinvestment Act. By preserving the CRA in its current form, we can continue to encourage financial institutions to help meet the credit needs of all segments of the communities in which they operate, and thereby protect the spirit in which the CRA was created.

Sincerely,

  
BOB FILNER  
Member of Congress

BF/pc  
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