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Regulation Comments
Chief Counsel's Office
Office of Thrift Supervision
1700 G Street, N.W.
Washington, D.C. 20552

Via Facsimile

RE: No. 2004-53 & 54

To Whom It May concern:

Consumer Action, non-profit consumer education and advocacy organization serving consumers since 1971, is writing to oppose your CRA proposal because it contradicts the purpose of the Community Reinvestment Act (CRA) as it will significantly reduce the amount of community development financing and thrift services in low and moderate income communities. Your proposal allows large thrifts themselves to design their own watered-down CRA exams. Additionally, your proposal allows all savings and loans to serve affluent neighborhoods, and neglect low and moderate income neighborhoods in rural areas and areas impacted by natural disasters. One can only imagine the impact on disaster-ravaged areas like those decimated by hurricanes in Florida in 2004.

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 can choose to eliminate its investment and service tests and thus only have to pass a lending test. As things stand now, the CRA scores for many large thrifts are, at best, devoid of any relationship to the reality of how these institutions really operate in their communities. One can only imagine what would happen if these same institutions were allowed to draw up their own rules for community accountability, then to be scrutinized without so much as a nod to candor or accountability. Perhaps there is such a thing as a free lunch after all. And, at a substantial cost to the taxpayer who will then continue to suffer from the already-present benign neglect by financial institutions and the federal government.

Obviously, the danger of this proposal is that large thrifts can get away with neglecting critical community needs. If they eliminate their investment tests, they will not be required to finance affordable 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.

Under CRA, banks and thrifts have an affirmative and continual obligation to serve low and moderate income communities. Under your proposal, large thrifts can arbitrarily and capriciously respond to a few community needs instead of all needs. If the Office of Thrift Supervision (OTS) adopts this proposal, the agency will fail in its responsibility to enforce CRA.

In addition, your proposal regarding rural areas and natural disasters lacks any justification whatsoever. Congress enacted CRA in order to stop redlining and disinvestment in low and moderate income communities. Under your proposal, large thrifts will suffer no CRA penalty if they provide community development financing to affluent communities while overlooking the real needs of low and moderate income communities and those attempting to recover from natural disasters.

Finally, you would 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 regulations, your agency is required to hold two meetings to ensure that all facts and impacts of proposed mergers are thoroughly vetted. Your proposal would allow the OTS, at its own discretion, to hold only one meeting. This is sorely inadequate for an agency charged with the best interests of the public in such a large arena of concern.

Over the years, CRA has been effective because the banking agencies have issued regulations in a careful and uniform manner. Once again, your unilateral approach and reckless proposal threatens the gains in community revitalization made possible by CRA. We strongly urge you to withdraw this latest proposal which is so ill-conceived that it hasn't even been issued by the other banking agencies.

If you have any questions or if we can be helpful on behalf of the communities served, please do not hesitate to contact me at (213) 624-4631.

Sincerely,



Cher McIntyre
Director of Advocacy

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**cc: National Community Reinvestment Coalition
California Reinvestment Coalition**

CLM/dt