



January 21, 2005

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

Attention: No. 2004-53 & 54

To Whom it May Concern:

Our organization, the Los Angeles Neighborhood Housing Services (LA NHS) opposes your proposed changes to the Community Reinvestment Act (CRA) regulations it contradicts the purpose of the Community Reinvestment Act (CRA) because these changes would significantly reduce the amount of community development financing and thrift services in low- and moderate-income communities. Your proposal would allow large thrifts themselves to design watered-down CRA exams. In addition, 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.

The Los Angeles Neighborhood Housing Services, Inc. (LANHS) serves as a catalyst for local residents, business and government representatives to work together to build stronger neighborhoods, improve the quality of life for families of modest means and to revitalize communities into neighborhoods of choice. LA NHS strengthens communities through the development and maintenance of quality affordable housing, creation and preservation of affordable homeownership opportunities, support of local leaders, providing financial education and increasing the financial independence of families and people in need. Since 1984, LA NHS has served over 1.5 million families, developed and rehabilitated over 7,200 housing and commercial units, established 150 block clubs, educated and counseled over 72,000 home buyers, and employed over 200 neighborhood youth, investing more than \$1.4 billion back into some of Los Angeles' toughest neighborhoods. LA NHS is the largest non-profit affordable homeownership provider in the region, putting 55 families a day on the road to homeownership.

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, and thus only have to pass a lending test.

The danger with this proposal is it would enable large thrifts to neglect critical community needs. If they eliminate their investment tests, they would 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 could abolish their service tests and would not be required to place or maintain branches in low- and moderate-income communities. With no service test, the thrifts could 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 could 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 on its responsibility to enforce CRA.

In addition, your proposal regarding rural areas and natural disasters lacks any justification. Congress enacted CRA in order to stop redlining and disinvestment from low- and moderate-income communities. Under your proposal, large thrifts would suffer no CRA penalty if they provide community development financing to affluent communities, while overlooking low- and moderate-income communities, in rural areas and areas impacted by 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 regulation, 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 inadequate as merging institutions often during meetings with the regulatory agency.

Over the years, CRA has been effective because the banking agencies have issued regulations in a careful and uniform manner. Once again, your proposal threatens the gains in community revitalization made possible by CRA. We strongly urge you to withdraw this proposal. If you have any questions, please call me at 213-381-2862.

Sincerely yours,



Lori R. Gay
President

cc: National Community Reinvestment Coalition
California Reinvestment Coalition