



expanding economic opportunity

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

VIA Fax: (202) 906-6518

Attention: No. 2006-44

To Whom it May Concern:

CFED appreciates the opportunity to comment on the Office of Thrift Supervision (OTS) proposal to align your Community Reinvestment Act (CRA) exams with those of the three other regulatory agencies. Consistent CRA exams establish the same standards for banks and thrifts, making it more likely that regulatory agencies and the general public can hold banks and thrifts accountable for serving the needs of communities. Currently, the different CRA standards increase the possibilities of confusion among community residents and leaders, and may result in some lending institutions not fully meeting their community reinvestment obligations. We support the change.

Founded in 1979 as the Corporation for Enterprise Development, CFED is a non-profit organization which identifies promising ideas for promoting asset-building and entrepreneurship, and tests and refines these strategies in communities to find out what works before we seek policy changes to bring solutions to scale. We strongly support a services test that recognizes the efforts of thrifts that provide banking services to currently unbanked individuals through a range of financial products, including affordable financial services and IDAs.

Mid-size thrifts with assets between \$250 million to \$1 billion currently only have a lending test while mid-size banks, in contrast, have CRA exams that consist of a lending test and a community development test. The community development test rates a mid-size bank on the number of investments, bank services, and loans for affordable housing and economic development in low- and moderate-income communities. The total amount of bank financing and services available in low income communities would

increase if mid-size thrifts were held to the same standards and had the same CRA exam as mid-size banks.

Likewise, large thrifts with assets greater than \$1 billion have weaker CRA requirements than large banks. Large thrifts must undergo a lending test, but they can choose not to have an investment test and a service test. Alternatively, large thrifts can choose to have their investment and service test count for a minimal amount towards their CRA rating. In contrast, large banks always have a CRA exam in which the lending test counts for 50% of the rating, the investment test counts for 25%, and the service test counts for 25% of the rating. The large bank test has worked well for increasing bank lending, investing, and services in low- and moderate-income communities.

CFED urges OTS to establish consistent standards for large thrifts by returning to the predictable weighting standards of the large bank exam. As an organization working to advance economic opportunity, we are alarmed by the growing number of unbanked and underbanked individuals. Strengthening the services tests for thrifts would result in fewer numbers of people excluded from the financial mainstream.

Finally, we request the OTS to implement its proposal to add an anti-predatory lending screen to its CRA regulation. Savings and loans must be penalized severely through lower ratings on CRA exams if they engage in illegal, discriminatory, and abusive lending practices. The nation faces a crisis in predatory lending. Exotic mortgages and abusive lending practices are stripping wealth from a large percentage of minority and elderly households. All financial institutions should be held to the same standard, including facing CRA penalties if they issue abusive loans that drain equity from communities instead of meeting credit needs.

We ask the OTS to enact its proposal to align their CRA exams with those of the other agencies as soon as possible. Thank you for your consideration of this important matter. If you have any questions, please contact me at 202-408-9788.

Sincerely,



Andrea Levere
President

cc. National Community Reinvestment Coalition