



DELAWARE COMMUNITY REINVESTMENT  
ACTION COUNCIL, INC. (DCRAC)

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FOUNDED IN 1987

January 17, 2005

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

**Re: No. 2004-53 & 2004-54**

Dear Sir/Madame:

On behalf of the Delaware Community Reinvestment Action Council, Inc., (DCRAC), a fair lending advocacy group in Delaware, I am writing in opposition of the proposal to redefine small banks as banks with assets under one billion dollars.

In 2004, DCRAC served nearly 1400 Delawareans through our Money Matters! program. Our Money Matters! is funded by many Delaware Banks. Since February 1999 we have aired a monthly hour-long television program. Our television program brings vital financial education into the homes of many Delawareans throughout the state. This program could not have started and continued to air today without the generous support from Delaware banks.

Delaware enjoys a healthy homeownership environment thanks to CRA. We have a growing IDA program. Our small businesses and non-profits that serve them are thriving. Innovative credit builder programs are central to our thriving communities. All of this and much more have been made possible through the creative support from our banks. Much more needs to be done.

Your proposed changes to the Community Reinvestment Act (CRA) regulations will reduce lending, investments, and banking services in low- and moderate-income communities.

**122 B. North Race Street, Georgetown, DE 19947**

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Our mission is "to ensure equal access to credit and capital for the under served populations and communities throughout Delaware through Education, Outreach, Advocacy, and Legislation."

**A Private 501 (c) (3) non-profit founded in 1987**



We vehemently oppose many aspects of your proposal.

1. Allowing larger thrifts to pick and choose among the various community needs will not help meet the credit needs of the entire community. To date, thrifts have attempted to meet the entire credit needs of their community with some success. Since 1977, we have come a long way. We have still not met the entire credit needs of our communities.
2. Allowing larger thrifts to design their own watered down CRA exam does nothing toward meeting the credit needs of a community. Lending, investment, and service tests were created recently precisely because it was needed for community economic development. Under the proposal, these thrifts can eliminate their investment and service tests. The result: fewer investments, fewer banking services, and fewer branches in low- and moderate-income communities.
3. Allowing thrifts to earn CRA points by providing community development financing and services to affluent neighborhoods does not meet the spirit and intent of the CRA. The reality is that the low- and moderate-income communities require the CRA incentive for service and investments.
4. Allowing OTS discretion on when to hold a public hearing does not help communities. It is during bank mergers when the regulators and the merging bank are most likely to give a ear to the community concerns. This has been an important aspect of the CRA.

We strenuously argue that the proposal will have a devastating impact on Delaware.

1. CRA has been instrumental in boosting economic development among Delaware's under-served communities. With each attempt to weaken CRA, there has been an erosion of confidence. Delaware has seen a rise in predatory lending practices that have a harmful impact on economic development. We need innovative means to combat the cancerous growth of equity stripping from our communities. We need a stronger CRA not a weaker CRA.
2. The Administration has a goal of creating 5.5 million new minority homeowners by the end of the decade. The CRA service test enables banks to support housing counseling thereby creating a pool of qualified borrowers. The CRA investment test allows for tailored mortgage products in the community. These two aspects of CRA are crucial to meeting the administrations goals. The proposal does nothing to further this goal.
3. In Delaware the current small banks and the proposed additional small banks are predominantly in our rural communities. Rural Delaware is not an assessment area for many larger banks. Hence, we do not see many investment and service products in

these communities. Adding to this limitation, the government is slowly chiseling away at programs that address the current housing crisis in rural Delaware. It is the CRA that stabilizes our communities by helping develop affordable housing. Rural Delaware will be adversely affected by the proposal.

4. Predatory lending practices and rising consumer debt are threatening to demoralize our communities. CRA is an important mechanism by which community confidence is rejuvenated. We simply cannot afford to lose any CRA credit, investment, and service in our community. Not only are all resources currently available needed, they are simply not enough! This proposal limits the currently available resources immensely.
5. Delaware boasts a CRA environment where financial education, homeownership counseling, small business counseling and CDFIs, Low Income Housing Tax Credits, IDA programs, and numerous innovative means are employed to serve the credit needs of the entire Delaware Community. Already we maintain that this is not enough. The same banks in Delaware that would benefit from the rule changes are currently involved in special mortgages, Latino workforce financial literacy programs, homeownership counseling, and many more creative initiatives that are meeting currently identified credit needs in the community. Some invest in Low Income Housing Tax Credits serving families, elderly, and farmworkers who cannot yet afford homeownership. These smaller institutions are important to our CRA mix in Delaware.

Community development investments are crucial to meeting the housing and business needs of our community. Community development services build consumers of financial services. CRA is the research (identify investment opportunities) and development (investment in people who become bankable) arm of the business recognized as banking. This proposal limits R&D by our financial institutions in our communities. We need a strong CRA not a weak one.

Thank you for the opportunity to comment on this proposal.

Sincerely,

Rashmi Rangan

Cc: Senator Joseph Biden (via fax: 202-224-0139)  
Senator Thomas Carper (via fax: 202-228-2190)  
Congressman Michael Castle (via fax: 202-225-2291)  
National Community Reinvestment Coalition (via fax: 202-628-9800)  
President George W. Bush (via Fax: 202-456-2461)  
Treasury Secretary Snow (via Fax: 202-622-6415)