

January 29, 2007

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

Att: No. 2006-44

To whom it may concern:

Westchester Residential Opportunities, (WRO) is a member of the National Community Reinvestment Coalition (NCRC) and we are pleased that the Office of Thrift Supervisor (OTS) is proposing to align your CRA regulations and examinations with those of the other three federal banking agencies. We also believe that your proposed changes to the CRA exams will increase lending, investing and bank services in low and moderate-income communities. WRO urges your agency to implement your proposed changes as soon as possible.

The state of New York has 12 Thrifts less than \$1 billion in assets and 9 with assets over \$1 billion, all of which are in Urban areas. The large bank test has worked well for increasing bank lending, investing and services in low and moderate low communities. WRO urges the OTS to establish consistent standards for large thrifts by going back to the predictable weighting scheme of the large bank exam.

WRO would like to see the OTS implement its proposal to add an anti-predatory lending screen to its CRA regulation.

Assuming the OTS changes CRA exam structure, the OTS should immediately discontinue the small institution exam for mid-size banks and alternative weight exam for large thrifts. As of the date of the OTS ruling, no more of the current exams should be conducted. Instead, if the OTS wants a transition period, the agency can wait for six months to a year before administering exams under the new exam structure. In on event however, should the transition period extend beyond a year?

When the OTS issues its ruling establishing the alternative weight options for the large institution exam, the agency reasoned that allowing large thrifts to choose weights that reflected their area of specialization would result in more, not less, Community Development financing and branching.

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Instead of allowing thrifts with different capacities to specialize in certain activities and thus do more of the activities, the alternative weight option appears to have allowed a significant number of thrifts to decrease their CD investments and CD services because they do not want to engage in these activities, not because they are incapable of engaging in these activities. The declining level of CD financing and services suggest that large thrifts were capable of delivering a higher level of CD activities on the previous exams and that they lowered their level of CD activities on their current exams because they were permitted to do so. By mis-applying the theory of comparative advantage, the OTS was permitted to do so. By mis-applying the theory of comparative advantage, the OTS is likely to be lowering (not increasing) the amount of CD activity in LMI communities.

We ask that the OTS align regulations with those of the other agencies as soon as possible.

Thank you for attention to this matter,

Veronica Raphael

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Westchester Residential Opportunities