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December 15, 2006

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

Attention: No. 2006-44

To Whom It May Concern:

The California Reinvestment Coalition (CRC) strongly urges you to support the proposed changes to your Community Reinvestment Act (CRA) exams. These changes will result in increased lending, investments and financial services for low- and moderate-income communities.

CRC is a statewide membership organization of more than two hundred and forty non-profit organizations and public agencies that work together on federal CRA issues. CRC efforts focus on affordable housing, community economic development, and financial services for low-income consumers. CRC and its members work in partnership with financial institutions to develop California specific commitments in which banks and thrifts target their lending, services, investments, marketing, and products to low income people and people of color.

Our organization strongly supports the federal regulatory agencies' efforts to align their CRA exams. Similar CRA exams would allow the public to effectively compare the CRA performance of both banks and thrifts. Currently, the Office of Thrift Supervision (OTS) has a very different set of CRA exams for their regulated thrifts in comparison to the other regulators' bank CRA exams. The weaker CRA standards for thrifts make it difficult to hold thrifts accountable for responding to community needs.

Mid-size thrifts with assets between \$250 million to \$1 billion in assets currently only have a lending test. In contrast, mid-size banks 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. If mid-size thrifts were held to the same standards as mid-size banks, there would be more bank financing and services in low- and moderate- income communities.

Large thrifts with assets greater than \$1 billion have lower 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. Large thrifts can also choose to have their investment and service test count for only 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.

27 thrifts are headquartered in California. 13 of these thrifts have assets over \$1 billion. California has the largest number of "large" thrifts compared to any other state. These large thrifts are comprised of 1502 branches. California's low- and moderate- income communities need the leverage of a complete CRA exam so that their local thrifts are encouraged to provide the full range of financial services and credit.

CRA exams should have the same standards for banks as for thrifts. Consistent and standard exams assist both the regulatory agencies and the general public in holding banks and thrifts accountable for serving the needs of communities. The OTS should enact its proposal to align their CRA exams with those of the other agencies. By establishing consistent standards for thrifts, communities and regulators can comparatively assess thrifts against the performance of banks.

Finally, the OTS should implement 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.

Thank you for your consideration of this important matter. If you have any questions, please contact me at 415-864-3980 or [rserna@calreinvest.org](mailto:rserna@calreinvest.org).

Sincerely,



Rhea L. Serna  
California Reinvestment Coalition

Cc: National Community Reinvestment Coalition