



**National Association of Housing and Redevelopment Officials**

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**VIA ELECTRONIC MAIL**

January 23, 2007

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 National Association of Housing and Redevelopment Officials (NAHRO) would like to take this opportunity to comment on the Office of Thrift Supervision's (OTS's) November 24, 2006 notice of proposed rulemaking concerning Community Reinvestment Act (CRA) regulations.

A 501(c)(3) membership association, NAHRO represents the interests of over 3,200 housing authorities, community development departments, and redevelopment agencies, as well as over 19,000 individual members and associates working in the housing and community development industry. NAHRO's extensive and diverse membership allows us to serve as the leading housing and community development advocate for the provision of adequate and affordable housing and strong, viable communities for all Americans—particularly those with low- and moderate-incomes.

NAHRO has long favored a return by OTS to conformity with the CRA joint regulation employed by the other federal banking agencies charged with enforcing CRA compliance, and we have made that point in prior comment letters to OTS. We therefore support much of the proposed rule because it would once again make both mid-sized and large savings associations (thrifts) accountable for housing- and community development-related investments made in and services provided to low- and moderate-income communities.

The purpose of the CRA is to increase lending, investment, and banking services in lower income areas, both urban and rural. The current regulation employed by the other federal banking agencies charged with enforcing CRA compliance rates large banks according to a three-part examination that comprises lending, investment, and services tests. This ensures that

**Donald J. Cameron, SPHM**, President; **Renée Rooker**, SPHM, Senior Vice President; **Bill Jacobs**, PHM, Vice President-Professional Development; **Montez Martin Jr.**, Vice President-Community Revitalization & Development; **Maggie Lamont**, SPHM, Vice President-Member Services; **Carlos A. Sanchez**, Vice President-Housing; **Richard S. Lujan**, Vice President-Commissioners; **Akinola Popoola**, PHM, Vice President-International; **Saul N. Ramirez, Jr.**, Executive Director

large banks are held to account for the extent to which they invest in and serve low- and moderate-income communities.

There is no such accountability for large thrifts under the current OTS CRA regulation, and thrifts with assets that total less than \$1 billion are subject only to a streamlined lending test. Large thrifts are able to adjust the weighting for the lending component of their CRA exams up to nearly 100 percent of their total rating, making all thrifts in the United States, no matter the size of their individual assets, effectively exempt from the investment and services tests. It is especially troubling that large thrifts currently have the ability to neglect critical community needs, such as the lack of affordable housing, without fear of reprisal.

If lending institutions are not held accountable for their investments in low- and moderate-income communities, then incentives for financing the development of affordable rental housing through the use tools such as Low Income Housing Tax Credits would likely be eroded. The current OTS regulation also means that thrifts have fewer incentives to finance small businesses via equity investments. Scaling back the level of investment and service provision in low- and moderate-income communities will result in less housing and community development activity and place these areas at a distinct disadvantage compared to more affluent areas. This is contrary to the very essence of CRA.

We support implementation of the proposed rule. Aligning the OTS's CRA regulation with the regulation employed by the other federal banking agencies will restore the same accountability to thrifts that is currently expected of banks. We ask that OTS eliminate the ability of large thrifts to assign alternative weights to the lending, investments, and services components of the CRA examination. Large thrifts should be subject to the same traditional three-part CRA exam as large banks. Consistency will better allow communities to judge how well all large lending institutions are responding to local housing and community development needs.

We also request that the OTS implement its proposal to hold mid-sized thrifts to the same CRA standards as mid-sized banks. By rating thrifts with assets between \$250 million and \$1 billion using both a lending test and a community development test, these mid-sized thrifts will once again be responsible for making investments and providing services that support affordable housing and economic development in low- and moderate-income communities. A consistent regulation for both mid-sized thrifts and banks has the potential to lead to increased financing opportunities for affordable housing at a time when our nation faces a shortage of affordable units.

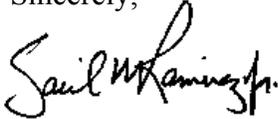
We do not support the provision of the proposal that would adjust the asset thresholds for small and intermediate small savings associations for inflation by tying them to the Consumer Price Index. Over time, this practice would exempt more and more large financial institutions from the traditional three-part CRA examination while also exempting more mid-sized institutions from the community development test.

Finally, we ask that the OTS adopt its proposal regarding the manner in which evidence of discriminatory, illegal, or abusive credit practices adversely impact a financial institution's CRA

evaluation. Thrifts engaging in predatory lending and other abusive practices must be penalized for their actions.

Thank you for the opportunity to submit these comments on behalf of NAHRO. If I can be of further assistance, please feel free to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "Saul N. Ramirez, Jr." with a stylized flourish at the end.

Saul N. Ramirez, Jr.  
Executive Director