

January 18, 2005

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

Attention: No. 2004-53 & No. 2004-54

To Whom It May Concern:

The Coalition of Community Development Financial Institutions (CDFI) is a national organization representing the concerns and interests of CDFIs. The newly proposed regulations concerning the Community Reinvestment Act (CRA) would adversely affect the mission and goals of our nationwide network of almost 1,000 CDFIs. The CDFI Coalition opposes the adoption of the proposed CRA regulations on the grounds that the changes would hinder growth and expansion of financial services and accessibility to capital in low and moderate-income communities.

The proposed changes to the community development test criterion and the new definition of community development activities in rural areas each serve to diminish the effectiveness of the CRA for the CDFI industry and the communities CDFIs serve.

The Community Reinvestment Act (CRA) requires financial institutions in the United States to serve all markets including low- and moderate income people under their state or Federal charter. Currently, the CRA requires institutions with assets greater than \$1 billion to satisfy a three part community development test. The test examines the financial institution's community development lending, which accounts for 50% of the test. The other 50% of the test considers the financial institution's community development investments and its provision of financial services. The OTS' CRA proposal relaxes the community development test for thrifts with over \$1 billion in assets. The newly proposed test requires 50% of the test remain community development lending, but the other 50% may be satisfied any combination of lending, investment, or services, essentially making community development investment and financial services optional.

The current required community development investment component directly benefits the important work of CDFIs and community development organizations by awarding CRA credit to financial institutions for supporting local actors in the community such as CDFIs. The ramifications of removing the required investment test could lead to a dramatic reduction in the building of affordable housing, community health clinics, community centers, and economic development projects, all critical to community development.

The removal of the required service test will severely retard the growth of access to financial services for low and moderate-income consumers. Low and moderate-income consumers rely on the CRA to a great extent to ensure bank branches are located in areas far from population centers with higher income consumers. Low and moderate-income Americans are already at a great disadvantage compared to higher income consumers when accessing financial services; this change will only exacerbate the disparity.

Lastly, the expansion of the definition of community development to include all individuals in rural areas contradicts the expressed original intent of the CRA to have a continuing obligation to serve the credit and depository needs of their local communities, including low and moderate-income areas. To extend the definition of rural community development to all individuals in rural areas could lead to the loss of coverage for low and moderate-income communities in rural America, while serving only the most profitable higher income rural customers.

While the newly proposed regulatory changes by OTS may only apply to 107 thrifts in the United States, the precedent this change will set could have much wider ramifications. The OTS' earlier unilateral action last year to relax the community development test standards for thrifts between \$250 million and \$1 billion resulted in an FDIC proposal to adopt similar changes. If enacted, this current OTS proposal to further erode the strength of CRA is likely to lead to additional proposals from other regulators to maintain a consistent set of standards across all regulated financial institutions.

The two proposed regulatory changes discussed will adversely impact the original statutory intent of a law that has been successful in expanding access to capital and financial services to every community across the United States. Your actions on this matter are of great concern to CDFIs across the country and I strongly urge the OTS not to adopt the proposed changes.

Sincerely,

A handwritten signature in blue ink that reads "Jennifer A. Vasiloff" followed by a horizontal line.

Jennifer A. Vasiloff
Executive Director

Attached: Member Organizations of the CDFI Coalition

CDFI Coalition Member Organizations and Board of Directors

Association for Enterprise Opportunity *Michelle Levy-Benitez, Research and Policy Manager* ▪ *Arlington, VA*

The national trade association representing microenterprise development programs.

Coastal Enterprises, Inc. *Ronald L. Phillips, President/CEO* ▪ *Wiscasset, ME*

A Maine-based, rural community development corporation and certified CDFI that provides financing and technical assistance in development of natural resource-based industries; innovative, job-generating manufacturers; small, medium, and micro enterprises; women in business; family and center-based child care providers; and affordable rental, homeownership and supported housing.

Community Capital Bank *Gina Bolden Rivera, Senior Vice President* ▪ *Brooklyn, NY*

A New York City-wide community development bank.

Community Development Venture Capital Alliance *Kerwin Tesdell, President* ▪ *New York, NY*

A certified CDFI intermediary that serves community development venture capital funds through training, financing, consulting, research, and advocacy.

First Nations Oweesta Corporation *Elsie Meeks, Executive Director* ▪ *Kyle, SD*

A certified national Native CDFI intermediary that brings together CDFIs serving Native (Native American, Alaskan Native and Native Hawaiian) communities and reservations through research, training, technical assistance and investments.

National Community Capital Association *Mark Pinsky, President and CEO* ▪ *Philadelphia, PA*

A national membership network that finances, trains, consults with, and advocates for CDFIs.

National Community Investment Fund *Lisa Richter, Fund Advisor* ▪ *Chicago, IL*

A certified CDFI channeling equity, debt and information to locally-owned banks, thrifts and selected credit unions with a primary purpose of community development.

National Congress for Community Economic Development *Carol Wayman, Policy Director* ▪

Washington, DC

A national group representing community development corporation-based lenders and investors.

National Federation of Community Development Credit Unions *Cliff Rosenthal, Executive Director* ▪

New York, NY

A certified CDFI intermediary that serves more than 200 low-income credit unions across the USA

Self-Help *David Beck, Policy Director* ▪ *Durham, NC*

A North Carolina-based CDFI accepting deposits and providing loans to small businesses, non-profits, and homeowners nationwide.

Shorebank Corporation *Fran Grossman, Executive Vice President* ▪ *Chicago, IL*

The holding company for community development finance interventions in Chicago, Cleveland, Detroit, Upper Peninsula Michigan, and the Pacific Northwest which provides, on a domestic and international basis, advisory relationships.

Southern Development Bancorporation *Joe Black, Vice President* ▪ *Arkadelphia, AR*

A community development bank holding company servicing rural Arkansas and the Mississippi Delta.

Woodstock Institute *Malcolm Bush, President* ▪ *Chicago, IL*

A policy, research, and technical assistance organization specializing in community development lending, community reinvestment and economic development.