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January 21, 2005

Regulation Comments
Chief Counsel's Office
Office of Thrift Supervision
1700 G. Street, N.W.
Washington, DC 20552
Via email to regs.comments@ots.treas.gov

Re: No. 2004-53

Dear Sir or Madam:

The Pennsylvania Bankers Association ("PBA") appreciates this opportunity to provide comments on the OTS's [proposed rule-making](#) regarding the Community Reinvestment Act. PBA is a statewide trade association representing approximately 200 financial institutions of all sizes in the Commonwealth of Pennsylvania, including a number of institutions regulated by the OTS.

PBA strongly supports the Office's proposal to provide additional flexibility to institutions in meeting the requirements of the Community Reinvestment Act. The proposal is entirely consistent with the purpose of the Community Reinvestment Act to encourage depository financial institutions to help meet the *credit* needs of the local communities in which they are chartered.

In particular, we support the proposal to provide flexibility in assigning CRA ratings. Our savings institution members meet their communities' needs daily, but regulatory requirements to demonstrate that compliance in a strictly-structured manner can inhibit them and provide a false perception of their reinvestment records. Special purpose institutions might require regulatory strictures that reflect their status, but the vast majority of institutions should not have to meet such rigid requirements. A federal savings association, which typically places a great emphasis on mortgage lending, is currently permitted to count only 50% of its lending toward its CRA rating. This is a distorted reflection of its efforts to meet its community's credit needs and one that forces institutions to engage in activities that are inconsistent with its focus and perhaps its expertise.

Outside of CRA requirements, many savings institutions conduct investment activities only to the extent necessary to balance lending and liquidity. Because of the 3-part test now in effect, many are compelled to make investments that have little or no relationship to their business model.

Permitting institutions to determine how to best allocate their time and financial support would be a better means to accomplish the CRA's goals. Granting flexibility in determining the weight to be assigned to the lending, investment and service tests would lead to that end.

While PBA believes there is no statutory basis for the investment test, investment activities nevertheless have been part of CRA for a number of years, and have produced many positive outcomes. As long as the OTS adopts a rule that permits institutions to determine their own weighting, and such determination is accorded deference, the investment test would not have to be eliminated.

We urge each of the federal financial institution regulatory agencies to seek ways to relieve the burden of CRA compliance.

Sincerely,

Laurie A. Boyd