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December 20, 2005

Office of the Comptroller of the Currency
250 E Street SW, Mail Stop 1-5
Washington DC 20219
RE: Docket No. 05-17

Jennifer J. Johnson
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington DC 20551
Docket No. OP-1240

Robert E. Feldman
Executive Secretary
Attention: Comments, RIN 3064-AC97
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington DC 20429

To Whom It May Concern:

As a long-time researcher and advocate on community reinvestment issues, and as the co-editor of a forthcoming book on developments surrounding the recent Gulf Region hurricanes, I would like to offer some comments on your Q & A pertaining to CRA activities in areas impacted by natural disasters. While I am pleased that the federal agencies direct banks to focus on low- and moderate-income families in areas impacted by disasters, I am concerned that other proposed questions divert bank financing to middle- and upper-income housing. The agencies must implement CRA in a manner that maintains the law's central objective of ending redlining and expanding access to credit on equitable terms for low- and moderate-income families and communities.

It is a positive step to propose that lenders receive points on their CRA exams for financing community development in geographical areas impacted by disasters for up to one year after the expiration of official federal or state designation of disaster status. Community development financing takes considerable time to plan and implement,

meaning that the one year of additional time is important for geographical areas like the Gulf Coast region that have been devastated by natural disasters. I applaud the agencies for providing more “weight” or credit to community development activities that are most responsive to the needs of low- and moderate-income individuals that have been impacted by the natural disaster. Your proposal to provide CRA points for investments that benefit families displaced by disasters promises to be very beneficial to areas receiving a large influx of families resettling in the wake of Hurricane Katrina and future natural calamities.

The proposed questions on community development services provide an important emphasis on low-cost banking services for low- and moderate-income consumers. Low-cost checking accounts, electronic transfers, and remittances provide critical alternatives to payday loans and other high cost fringe products. Low cost banking services enable low-income consumers to save and build wealth in contrast to usurious products that strip wealth. Once these proposed questions are finalized, I hope that the agencies provide CRA points for low cost banking services and also penalize banks on CRA exams for abusive products such as bounce protection, whose wealth stripping features are not advertised clearly to consumers.

I also recommend that you clarify the CRA exam criterion for mid-size banks with assets between \$250 million to \$1 billion that assesses their provision of services through branches and other facilities. You should clarify that this exam criterion includes an examination of the number and percent of branches in low- and moderate-income communities as well as minority communities. Placing branches in such neighborhoods is vital in light of a recent Federal Reserve study showing that racial disparities in high cost lending are smaller when banks conduct their lending through branches as opposed to brokers.

The proposed Q & A that provides CRA points for financing middle- and upper-income housing developments in distressed rural middle-income census tracts is problematic. Elsewhere in the existing Question and Answer document and in your proposed questions, the agencies provide credit for mixed-income housing developments. Mixed-income housing helps to overcome segregation by income as well as race and is an activity worthy of CRA points if the housing contains a significant number of low- and moderate-income families. I therefore urge you to eliminate the possibilities of banks receiving significant CRA points for financing middle- and upper-income housing.

I applaud your proposed Q & A that reiterates that mid-size banks must offer community development loans, investments and services. Mid-size banks cannot ignore these activities. I also recognize that qualitative factors on CRA exams can be important, but suggest you add a provision to your proposed questions stating that qualitative factors will not be employed by examiners to excuse low levels of community development lending, investments or services.

Finally, I support your decision to add an anti-predatory provision to the CRA regulations that will penalize banks for illegal, abusive, and discriminatory loans. I recommend that

you add a Q & A indicating a bank will automatically undergo a fair lending exam to test for compliance with federal anti-predatory and anti-discrimination law when the bank or one of its affiliates makes a high concentration of subprime loans to minorities, the elderly, women, low-income borrowers or to communities recovering from natural disasters and experiencing shortages of credit.

The most effective way to expand access to credit to underserved borrowers is implementing rigorous and comprehensive CRA exams that maintain the focus on meeting the credit and deposit needs of low- and moderate-income borrowers and communities. My recommendations are aimed at achieving these objectives.

Thank you for consideration of my comments.

Sincerely,

Gregory D. Squires
Professor of Sociology, Public Policy, and Public Administration