



Tel: (415) 822-1022
FAX: 415-822-1077

Via Facsimile: (202) 906-6518

January 11, 2005

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

Attention: No. 2004-53 & 54

Dear Sir/Madam:

The San Francisco Housing Development Corporation (SFHDC) opposes your proposal because it contradicts the purpose of the Community Reinvestment Act (CRA) and will significantly reduce the amount of community development financing and thrift services in low- and moderate-income communities. Your proposal allows large thrifts themselves to design watered-down CRA exams. In addition, your proposal allows all savings and loans to serve affluent neighborhoods, and neglect low- and moderate-income neighborhoods, as well as rural areas and areas impacted by natural disasters.

SFHDC is a community-based, private non-profit corporation founded in 1988 by civic and community leaders to foster stability in the Bayview Hunters Point and Western Addition communities through the development of affordable housing and the facilitation of homeownership. SFHDC mission has grown to include the greater San Francisco Bay Area and to developing new and improved retail opportunities along Third Street. In addition to assisting low and moderate-income San Francisco residents to achieve homeownership, SFHDC also serves low-and moderate-income renters, seniors, and "special needs" tenants in need of supportive housing.

Currently, large thrifts with more than \$1 billion in assets have a "three part" CRA exam that consists of a lending test, an investment test, and a service test. Under your proposal, a large thrift can choose to eliminate its investment and service tests, and thus only have to pass a lending test.

The danger with this proposal is that large thrifts can get away with neglecting critical community needs. If they eliminate their investment tests, they will not be required to finance affordable rental housing via Low Income Housing Tax Credits or finance small businesses via equity investments. At the same time, thrifts can abolish their service tests and not be required to place or maintain branches in low- and moderate-income communities. With no service test, the thrifts can also ignore the needs for remittances and other low-cost banking services.

Under CRA, banks and thrifts have an affirmative and continual obligation to serve low- and moderate-income communities. Under your proposal, large thrifts can arbitrarily and capriciously

SAN FRANCISCO HOUSING DEVELOPMENT CORPORATION

5266 3rd Street, San Francisco, CA 94124

respond to a few community needs instead of all needs. If the Office of Thrift Supervision (OTS) adopts this proposal, the agency will fail on its responsibility to enforce CRA.

In addition, your proposal regarding rural areas and natural disasters lacks any justification. Congress enacted CRA in order to stop redlining and disinvestment from low- and moderate-income communities. Under your proposal, large thrifts will suffer no CRA penalty if they provide community development financing to affluent communities, while overlooking low- and moderate-income communities, in rural areas and areas impacted by natural disasters.

Finally, you would reduce vital opportunities for community groups and thrifts to meet with your agency to discuss CRA and anti-predatory lending matters when thrifts are merging. Under current regulation, your agency is required to hold two meetings to ensure that all facts and impacts of proposed mergers are thoroughly vetted. Your proposal would allow the OTS, at its own discretion, to hold only one meeting. This is inadequate as merging institutions often during meetings with the regulatory agency.

Over the years, CRA has been effective because the banking agencies have issued regulations in a careful and uniform manner. Once again, your unilateral and reckless proposal threatens the gains in community revitalization made possible by CRA. We urge you to withdraw this latest proposal, which is so ill-conceived that it has not been issued by the other banking agencies.

If you have any questions, please contact our organization at (415) 822-1022.

Sincerely,



Regina Davis
Executive Director
San Francisco Housing Development Corporation

cc. National Community Reinvestment Coalition
California Reinvestment Coalition