



May 10, 2005

To Whom It May Concern:

Thank you for giving the National Council of State Housing Agencies (NCSHA) the opportunity to comment on your proposal creating a two-part Community Reinvestment Act (CRA) test for intermediate small banks. Though we prefer the current CRA test and evaluation system, we support the proposed rule as an alternative to eliminating investment and service tests for intermediate banks.

NCSHA represents the Housing Finance Agencies (HFAs) of the 50 states, the Commonwealth of Puerto Rico, the U.S. Virgin Islands, and the District of Columbia. HFAs allocate federal Low Income Housing Tax Credits (Housing Credits) to encourage the construction and rehabilitation of apartments affordable to low-income families by offering Housing Credit investors a reduction in tax liability for 10 years. Each year the Housing Credit induces several billion dollars of private investment to produce over 125,000 apartments affordable to low-income families, the elderly, and other special needs populations for a minimum of 30 years.

Achieving high investor demand and good pricing for Housing Credits is vital to the program's success in delivering affordable housing. Many small banks are Housing Credit investors, and their investments help produce more desperately needed affordable apartments for low-income families. CRA encourages federal banks to invest in Housing Credits. Without CRA as an incentive, many banks may not prioritize Housing Credit investments.

In addition, HFAs sell tax-exempt Housing Bonds and use the proceeds to finance low-cost mortgages for lower income first-time homebuyers and renters. Housing Bonds have made first-time homeownership possible for 2.5 million lower income families, approximately 100,000 every year, and financed more than 800,000 affordable apartments. Like Housing Credits, strong investor demand for Housing Bonds is key to the programs' success.

While NCSHA believes the current CRA examination evaluating lending, investment, and service activities of federally-chartered banks is the best method to encourage these banks to invest in Housing Credits and Bonds, we are aware of the proposals to eliminate the investment and service tests for banks with less than \$1 billion in assets. Compared to this alternative, NCSHA supports the proposed two-part test.

The proposed flexible community development test would give intermediate small banks credit for all community development activities including lending, investments, and services. This approach maintains incentives for intermediate small banks to invest in Housing Credits and Bonds and participate in other community development activities.

CRA, Housing Credits, and Housing Bonds are examples of federal programs that work well. We should do everything we can to fulfill the CRA's intent by encouraging small banks to maintain and increase their investment in affordable housing and community development activities, including Housing Credit and tax-exempt bond purchases.

NCSHA appreciates this opportunity to comment on the joint CRA proposal. If you have any questions regarding these comments, do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "Garth Rieman", with a long horizontal flourish extending to the right.

Garth Rieman
Director of Policy and Government Affairs