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MEMO

From: Kenneth H. Thomas, Ph.D

To: OCC (2007-0012), FRB (OP-1290), FDIC (RIN 3064-AC97), and OTS (2007-0030)

Date: September 10, 2007

Re: Two Comments on CRA Interagency Q and A (Federal Register, July 11, 2007)

The following two comments are based on my on-going analysis of CRA, some of which has been published in Community Reinvestment Performance (1993) and The CRA Handbook (1998). Also, my 2002 Public Policy Brief on Optimal CRA Reform (www.levy.org) contains further background on my research and recommendations for improved CRA public policy.

1. NEED FOR *OUTSIDE AUDITORS* TO VERIFY NO FUND DOUBLE COUNTING.

We support the views of various community groups, including the NCRC in their 8/30/07 submitted comment in this matter, that the proposed Q&As should further address the issue of "double-counting" of CRA activities and take preventive action to ensure this does not happen. We therefore recommend that the proposed Q&A .23(a)-2 further expand upon the parenthetical note about a national or regional fund "double counting" by REQUIRING an AUDITED statement by an INDEPENDENT OUTSIDE auditor that no such double counting EVER occurred in the subject fund if ANY CRA credit is to be considered. While this would require an added expense to the fund, it would be the best way to ensure actual and potential fund investors that the subject fund had never engaged in "double counting." The current self-regulation in the form of self-serving statements that a fund does not double count is not enough in the current Sarbanes Oxley era where investors need independent outside auditors to verify such key information. We would further propose that in the event that ONE such case of double counting was found at any fund, going back to the very first allowed investment in it, that ALL subsequent investments in that fund be denied credit. Otherwise, such double counting would result in CRA grade inflation as pointed out in the cited NCRC comment.

2. NEED FOR *NEW NATIONWIDE FUNDS* TO PROVIDE FORECLOSURE RELIEF

We support the views of various community groups, including the NCRC in their 8/30/07 submitted comment, that the proposed Q&As should support foreclosure prevention activities. The proposed Q&A .23(a)-2 gives an example of an investment in a "...new nationwide fund providing foreclosure relief..." We recommend it be expanded to emphasize the need for more NEW funds and affirmatively encourage further such NEW activities. This is because the current subprime crisis is a NEW crisis, our first major financial crisis since the 1997-98 Asian currency crisis. The result has been many foreclosures, estimated at perhaps TWO MILLION or more, and this is all a NEW problem. Therefore, we need NEW nationwide funds to respond to this NEW problem that would not only provide needed foreclosure relief but also needed COMPETITION to existing nationwide funds. Good public policy not only encourages public welfare activities such as foreclosure relief but also increased COMPETITION which lowers prices and raises output.

Both of these comments follow from the 8/30/07 NCRC submitted comment on the proposed Q&As. While we don't agree with all of the material in the NCRC comment, and, in fact, disagree with some of it, we do support their views in the above two instances.