From: jeanetted@pshhc.org [mailto:jeanetted@pshhc.org]
Sent: Monday, May 09, 2005 4:10 PM
To: Comments; regs.comments@federalreserve.gov; regs.comments@occ.treas.gov
Subject: Save the Community Reinvestment Act

Dear regulators,

To whom it may concern:

Thank you for the opportunity to comment on proposed changes to the Community Reinvestment Act (CRA). This proposal is an improvement over the proposal issued in early 2004, but contains serious flaws that allow the CRA to fall short of its full potential to channel loans, investments, and services to low and moderate-income people and to underserved communities.

Peoples' Self-Help Housing Corporation (PSHHC) apposes your proposal. Incorporated in 1970, PSHHC is a private, public benefit, nonprofit corporation that develops affordable housing in California's Tri-County area of San Luis Obispo, Santa Barbara and Ventura for very low and low income families, seniors, farmworkers, developmentally and physically challenged individuals and other special needs groups. PSHHC has worked with many banks in California. Our relationship has always had an underlying connection to their CRA requirements. Although lending funds for our developments have been good business for the banks, their willingness to reduce rates or provide other incentives are enhanced by their CRA requirements. At present, if the reduction in CRA requirements is implemented, we believe the majority of these banks will not offer the same support for our community development efforts.

The proposal would create a new category of "intermediate small banks" having between $250 million and $1 billion in assets, and would subject those banks to a two-part CRA examination including a lending test and a new "community development" test. I urge you to discard this proposal and maintain the current three-part test. Lending, investment, and services are all critical components of a bank's CRA strategy, and a maximum number of banks should be subject to those obligations.

Partnerships with and investments in community development financial institutions (CDFIs) are an important way that many banks meet their commitment to serve their markets. Replacing the Investment Test with a Community Development Test that does not explicitly encourage investment and services could stifle these partnerships, which have created new customers and new markets for banks.

In addition to maintaining the three-part test, the regulators should keep the portion of an earlier proposal that required public disclosure of lending data on small business and farm lending. The Home Mortgage Disclosure Act (HMDA) has resulted in new understanding of home mortgage markets and helped millions of low-income and minority borrowers become homeowners. Requiring similar data on small business lending would help close gaps in availability of business credit.

The purpose of the CRA is to extend credit and capital to low-income people and communities. For this reason, the agencies must target CRA lending and benefits to low and moderate-income people in rural areas, rather than assigning credit for any lending in a rural or non-metropolitan area.

Finally, the agencies should take advantage of this opportunity to expand CRA to keep pace with a "modernized" financial services industry. CRA should be extended to all portions of the financial services industry, including insurance and securities portions of bank holding companies, which receive a public subsidy. The agencies should also use CRA to protect consumers from predatory lending by promulgating strong anti-predatory lending standards and considering predatory and high-cost loans of banks, including affiliates, in CRA scores.

Once again, I urge you to withdraw this proposal and maintain the current three-part CRA test to benefit low and moderate-income people and underserved communities across the country. Thank you for the opportunity to comment.

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