

September 10, 2007

Federal Reserve Board

E-mail: regs.comments@federalreserve.gov

Jennifer J. Johnson, Secretary

Board of Governors of the Federal Reserve

System

20th Street and Constitution Avenue, NW

Washington DC 20551 RE: Docket No. OP-1290

Federal Deposit Insurance Corporation

E-mail: Comments@FDIC.gov

Robert E. Feldman Executive Secretary Attention: Comments 550 17th St. NW 20429 RE: RIN 3064-AC97 Office of the Comptroller of the Currency E-mail: regs.comments@occ.treas.gov 250 E St. SW, Mail Stop 1-5

Washington 20219

RE: Docket ID OCC-2007-0012

Office of Thrift Supervision
E-mail: regs.comments@ots.treas.gov

Regulation Comments Chief Counsel's Office 1700 G Street, NW Washington, DC 20552 RE: ID OTS-2007-0030

Re: Notice & Request for Comments: Interagency Questions and Answers for Community Reinvestment.

To Whom It May Concern:

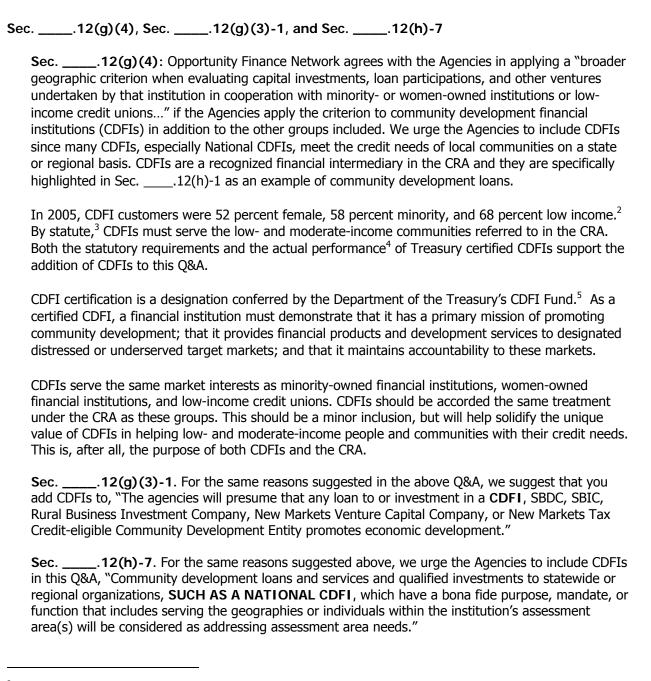
Opportunity Finance Network¹ appreciates the chance to comment on the proposed Interagency Questions and Answers (Q&A) regarding the Community Reinvestment Act (CRA). The CRA rule, effective September 1, 2005, made significant changes to the regulations, and a clear Q&A is critical to guiding banks and their partners.

Opportunity Finance Network commends the Agencies for including New Markets Tax Credit-eligible Community Development Entities and New Market Venture Capital Companies as appropriate financial intermediaries in several of the Q&As. We also strongly support that banks will receive favorable CRA consideration for foreclosure prevention activities. This will assist in the battle against this nation's foreclosure crisis. In addition, clarification on the importance of branch building and maintenance will help provide access to affordable banking services in low- and moderate-income neighborhoods that are reaching crisis levels due to abusive payday lending and other high-cost services.

Specifically, Opportunity Finance Network offers comments that indicate ways the Agencies could clarify the CRA's intent to benefit low- and moderate-income people and communities. Our comments are in the order of the specific proposed Q&As they reference.

¹ Opportunity Finance Network, the national network of more than 160 financial institutions creates growth that is good for communities, investors, individuals, and the economy. Its members include Community Development Financial Institutions (CDFIs) and other opportunity finance institutions that work just outside the margins of conventional finance to bring those markets into the economic mainstream and to help the economic mainstream flow into those markets. CDFI financing has resulted in significant numbers of new jobs, jobs preserved, quality, affordable housing units, and new commercial and community facility space in all 50 states. Over the past 30 years, the Opportunity Finance industry has provided more than \$23 billion in financing that would not otherwise have happened in markets that conventional finance would not otherwise reach.





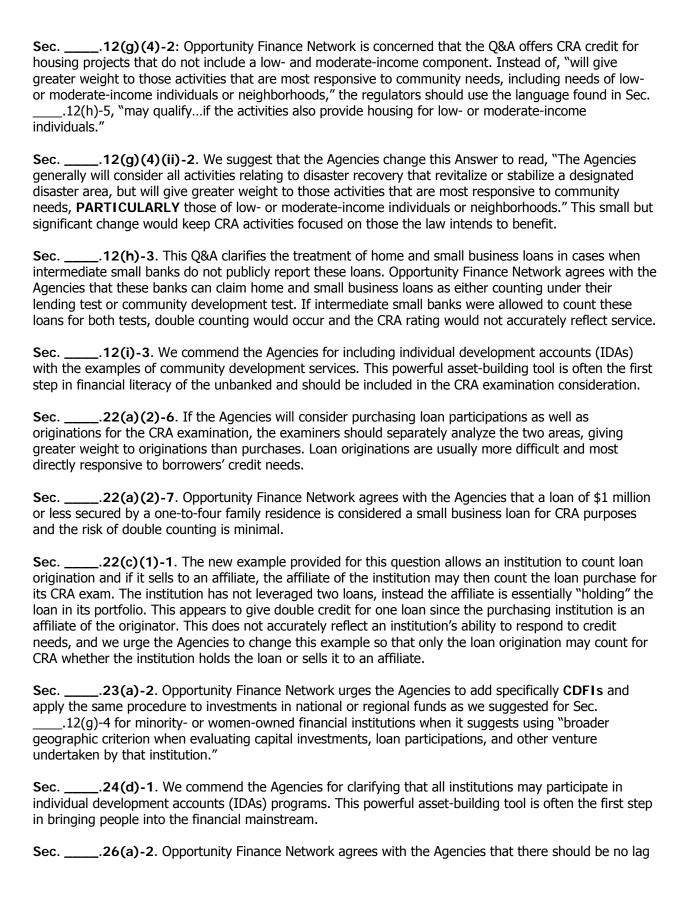
² The CDFI Data Project. (2007). "Community Development Financial Institutions (CDFIs): Providing Capital, Building Communities, Creating Impact, Fiscal Year 2005." www.opportunityfinance.net/store/product.asp?pID=81&c=34715.

³ The CDFI Fund was established by bipartisan legislation, the Reigle Community Development and Regulatory Improvement Act of 1994, P.L. 103-325. See specifically, 12 USC 4701, "to promote economic revitalization and community development through investment in and assistance to community development financial institutions."

⁴ Supra at 1.

⁵ The CDFI Fund was established by bipartisan legislation, the Reigle Community Development and Regulatory Improvement Act of 1994, P.L. 103-325. Title I, Section 103 Definitions, (5) Community Development Financial Institution. CDFI certification is focused on measuring the institution's target market for evidence of poverty and its community development mission. Applicants for CDFI certification must submit extensive documentation for consideration by the agency before certification is granted.







period when a small bank becomes an intermediate small bank. The small bank does not need extra time to prepare for the intermediate small bank exam since the exam does not require any additional reporting.

Sec	42(a)(2)-1 and Sec	42(b)(2)-4. The A	Agencies should	revise Sec	42(a)(2)-1
to be consi	istent with the guidance for	und in the new Q&A in	Sec42(b)	(2)-4. Sec	42(a)(2)-1
states, "Wh	hen collecting and reporting	g information on purcha	ased small busin	ess and small fa	rm loans,
including lo	oan participations, an instit	ution collects and repor	ts the amount o	f the loan at ori	gination, not
at the time	e of purchase." In contrast,	Sec42(b)(2)-4 s	tates, "The insti	tution reports o	nly the
	the participation purchased				
agrees with	h the Agencies in Sec	42(b)(2)-5 that says, `	"Community de	elopment loan i	efinancing
and renewa	als are subject to the repor	rting limitations that app	ply to refinancin	g and renewals	for small
business ar	nd small farm loans." We u	irge the Agencies to tak	e this approach	with all commu	nity
	ent loans and instruct institu				
	ons as it does in Sec				amount of
its loan par	rticipation for the reasons of	cited for community dev	elopment loans	i	

OTS Conforming Comments

Opportunity Finance Network is pleased that the Office of Thrift Supervision is conforming its regulations and Q&As with those of the other Agencies. We encourage the Agency to conform all its regulation and oversight to that of the other Agencies.

Additional Areas Not Addressed in the Proposed Q&A

The request for comment accompanying this Q&A invites public comment "on issues raised by the CRA and the Interagency Questions and Answers." Opportunity Finance Network has long advocated the following two improvements to the CRA, particularly since the 1999 Gramm-Leach-Bliley Act "modernized" the financial services industry without commensurate reform to community reinvestment requirements.

Expand CRA coverage to all financial service institutions that receive direct or indirect taxpayer support or subsidy. After passage of the Gramm-Leach-Bliley Act, banks became nearly indistinguishable from finance companies, insurance and securities firms, and other "parallel banks." For example, banks and thrifts with insurance company affiliates have trained insurance brokers to make loans. Securities affiliates of banks offer mutual funds with checking accounts. Mortgage finance company affiliates of banks often issue more than half of a bank's loans—especially in the subprime markets.

However, CRA covers only banks, and therefore only a fraction of a financial institution's lending. To keep CRA in step with financial reform, all financial services companies that receive direct or indirect taxpayer support or subsidy should comply with the CRA exam process.

In the paper, "The Parallel Banking System and Community Reinvestment," Opportunity Finance Network uncovered a web of taxpayer-backed subsidies essential to the entire financial services industry. For example, federal guarantees and Treasury lines of credit have acted as a safety net against some nonbank insolvencies.

Opportunity Finance Network strongly urges regulatory agencies to mandate that all lending and banking activities of non-depository affiliates be included on CRA exams, including all banks that are part of large holding companies. This change would accurately assess the CRA performance of banks that are expanding their lending activity to all parts of their company, including mortgage brokers, insurance



agents, and other non-traditional loan officers.

A bank's assessment area should be determined by how a bank defines its market. Under CRA, banks are required to provide non-discriminatory access to financial services in their market and assessed according to where they take deposits. In 1977, taking deposits was a bank's primary function. In 2007, banks no longer just accept deposits, they market investments, sell insurance, issue securities, and are rapidly expanding their more profitable lines of business. In addition, the advent and explosion of Internet and electronic banking has blurred the geographic lines by which assessment areas are typically defined.

Presently, CRA exams scrutinize a bank's performance in geographical areas where a bank has branches and deposit-taking ATMs. Defining CRA assessment areas based on deposits is at odds with the way financial institutions now operate. Moreover, it disregards the spirit of the CRA statute, which sought to expand access to credit by ensuring that banks lent to their entire markets.

Opportunity Finance Network recommends simplifying the definition of CRA assessment area according to a financial institution's customer base. For instance, if a Philadelphia bank has credit card customers in Oregon, it also has CRA obligations there. The obligations ought to be commensurate with the level of business in any market.

Thank you for the opportunity to comment. If you have questions or would like additional information on this comment letter, please do not hesitate to contact me at 215.320.4304 or mpinsky@opportunityfinance.net.

Sincerely,

President and CEO