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MEMO

From: Kenneth H. Thomas, Ph.D.

To: OCC, FRB, FDIC, and OTS

Date: August 31, 2010

Re: Selected Comments on CRA Regulations After Public Hearings

These 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, the 2002 Public Policy Brief on Optimal CRA Reform (www.levy.org) contains further recommendations for improved CRA public policy. Several of those recommendations are relevant to the specific list of "Topics and Questions" excerpted from the Joint Notice of Public Hearings Request for Comment on the CRA Regulations. The following are the most relevant recommendations:

1. The entire CRA function (including regulations, examinations, ratings, enforcement, etc.) of the individual regulators should be transferred to the new Bureau of Consumer Financial Protection (BCFP) to provide needed uniformity and minimize persistent CRA Grade Inflation which has been documented in my two decades of research on CRA. My 1993 book recommended a new federal bank compliance "super-regulator" similar to the BCFP to ensure a highly specialized, consistent, and well-trained group of examiners, but this agency must be truly independent.

2. The "Strategic Plan" option should be eliminated as recommended in my 1998 book.

3. The previous small lending business data requirements should be reinstated for all banks, as the elimination of data from all but the big banks limits the ability to fully research small business lending patterns in local markets.

4. The agencies should revisit the "shared branch" proposal discussed in The CRA Handbook, and the BCFP should consider expanding this program to un-banked and under-banked markets.

5. The agencies should adapt High and Low Satisfactory categories for all of its performance matrices and ratings.

6. Banks with Outstanding CRA ratings should be publicly highlighted in separate regulatory releases similar to the current ones on enforcement actions; also, agency heads should send complementary letters to those banks.

7. Fair lending enforcement should remain the province of fair lending laws and not be included in CRA, which should remain true to its income-based roots. Violations of fair lending laws should be disclosed in a separate regulatory release like the publication of CRA ratings or enforcement actions.

8. With all of the fraudulent and other questionable investments sold during the financial crisis, the regulators (and ultimately the BCFP) should require all CRA investment vendors, including SEC-registered mutual funds, to register with the regulators and disclose which if any principals, owners, directors, officers, or other key individuals or decision makers associated with those vendors have been charged with any violations of any type by the SEC. These disclosures must then be made to any financial institutions with whom these CRA investment vendors deal. At a minimum, the SEC's Investment Adviser Public Disclosure Form ADV showing the Criminal and Regulatory Action Disclosure Reporting Pages should be disclosed to both regulators and client financial institutions.

9. Any non-profit community group or coalition that represents itself as being associated with CRA and/or testifies before Congress in this regard must disclose whether any officers or Board members have any direct or indirect financial relationships, including holding Board seats, with for-profit vendors, including SEC-registered mutual funds, that sell CRA investments to financial institutions. Further, all current and past direct and indirect financial transactions between the for-profit and non-profit entities must be fully disclosed on the websites of the group/coalition and vendor.