



A Nonprofit Corporation

Mission Heart. Business Mind.

Corporate Headquarters

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September 29, 2004

Office of the Comptroller of the Currency
250 E. Street, SW
Public Information Room, Mailstop I-5
Washington, DC 20219

RE: Docket Number 04-17

Jennifer J. Johnson
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551

RE: Docket No. R-1205

Robert E. Feldman
Executive Secretary
Attention: Comments/Legal ESS
Federal Deposit Insurance Corporation
550 17th Street, N.W.
Washington, DC 20429

RE: RIN 3064-AC50

Regulation Comments
Chief Counsel's Office
Office of Thrift Supervision
1700 G Street, NW
Washington, DC 20552

RE: No. 2004-25

VIA U.S. MAIL

To Whom It May Concern::

On behalf of the National Housing Development Corporation (NHDC), I sincerely appreciate the opportunity to enter comments into the record regarding the interim revisions to the Community Reinvestment Act that the above agencies propose.

National Housing Development Corporation is a 501(c)(3) nonprofit organization which serves as the nation's only acquisition intermediary for the preservation of existing affordable apartments. We take pride in preserving our nation's aging rental housing stock, much of which is twenty-five or more years old, and in dire need of the reinvestment that the Community Reinvestment Act (CRA) provides.

In its short history, the CRA has provided a tremendous boon in bank participation in revitalization efforts in the communities where they operate. CRA has been the impetus

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for economic development and affordable housing development in declining and underserved neighborhoods nationwide.

SMALL BANK THRESHOLD

As an organization operating nationwide, NHDC is concerned about the proposals to increase the "small bank" asset threshold to \$1 billion from its current level of \$250 million. NHDC opposes raising CRA's asset threshold for small banks because we believe that over time, it will have a particularly negative effect on investments in and services to underserved communities.

The proposed increase in the small bank threshold would exempt thousands of banks from the CRA requirement of demonstrable investments in and service to low- and moderate-income neighborhoods within their service areas. This would have the unintended consequence of halting or reversing neighborhood redevelopment by pulling the plug on well-established CRA-driven bank partnerships with community groups, as well as on future investments in their neighborhoods.

In December, 2001, NHDC closed its California Investment Pool I LLC (CalPool). The nation's first private Affordable Housing Preservation Fund, CalPool provided \$15 million in equity to be used to preserve existing affordable housing throughout California. \$13.5 million of CalPool's equity came from investing financial institutions whose investments were significantly motivated by CalPool's eligibility for investment test credit under CRA. Under the proposed rule change, two of our investing banks would become small banks no longer subject to CRA's investment or service test requirements.

In addition to the potential damage to urban investment, NHDC believes that such a rule change could prove particularly devastating in rural communities that are outside the service reach of large banks. For these reasons, we urge your agencies to maintain the current asset threshold for small banks at \$250 million.

COMMUNITY DEVELOPMENT DEFINITION & USE OF METROPOLITAN DIVISIONS

Given the great needs in urban and suburban areas that are still not fully met under the current CRA regulations, NHDC also opposes any regulation that would weaken CRA's effectiveness in low- and moderate- income non-rural communities by broadening the scope of qualified community development activities to include a choice between low- and moderate- income communities and rural areas.

Permitting lending institutions to elect which of the two they will serve to satisfy CRA could prove particularly damaging to urban low-income communities when coupled with the proposed new method of defining assessment areas according to the Office of Management and Budget's (OMB) new Metropolitan Divisions rather than the traditional Metropolitan Statistical Area (MSA).

Given a choice between urban and rural investment, it is conceivable that some banking institutions would steer their loans, investments and services towards either rural areas or higher

income, suburban Metropolitan Divisions, resulting in the very redlining CRA was enacted to combat.

Though NHDC does not recommend you do so, if your agencies ultimately decide to redefine community development under the Act, they might better achieve their objectives by continuing to use MSAs to define CRA assessment areas and by augmenting the examination to require a mix of both urban and rural activities. To address the issue of encouraging financial institutions to participate in activities to revitalize and stabilize areas affected by natural disasters, the Agencies could adopt the Office of Thrift Supervision's (OTS) policy of providing scoring consideration for lending and investment in natural disaster zones within a bank's service area, and within a set period of time after the disaster.

Again, National Housing Development Corporation appreciates the opportunity to submit these comments for your consideration. Please do not hesitate to contact me if you have any questions regarding NHDC's position.

Sincerely,

A handwritten signature in black ink, appearing to read 'O. Angie Nwanodi', is written over a light gray rectangular background.

O. Angie Nwanodi
Director of Policy