LONESTAR
INVESTMENT ADVISORS

August 10, 2010

Board of Governors of the Federal Reserve System
Federal Deposit Insurance Corporation
Office of the Comptroller of the Currency
Office of Thrift Supervision

The following are comments of Lone Star Investment Advisors LLC ("LSIA") on the agencies' hearings to review aspects of Community Reinvestment Act (CRA) regulations and potential revisions to better serve the goals of CRA and the needs of under-served communities.

LSIA is a Dallas, TX based private equity firm that manages five private equity funds. The primary mission of LSIA is to serve its investors with a dual bottom line of community development and top quartile returns. In order to realize this objective, the funds make equity and equity-oriented investments in middle-market companies located in low income communities in the state of Texas. LSIA's Funds are specifically structured to assist bank investors in meeting the Community Reinvestment Act regulations for examinations in lending, investment and service.

Although CRA has been instrumental in boosting lending and investing, the neglect of certain parts of the regulation has meant that CRA has not realized its full potential. If CRA had been updated, the level of CRA-lending and investing would have been substantially higher. Congress needs to apply CRA broadly, throughout the financial industry, in order to maximize safe and sound lending and investment in communities. In particular, we believe that a regulatory rulemaking should address the following areas:

- Under the newly passed Dodd-Frank Wall Street Reform and Consumer Protection Act, regulations will be formed that restrict banks from investing or sponsoring hedge funds or private equity funds. As the rulemaking process for these banking regulators begins, we would like CRA focused funds exempted from investment limitations. CRA focused private equity funds create jobs in low income areas. LSIA has over 7,000 employees in low income areas. Please don't restrict banks from investing in CRA funds.

- CRA investing regulations should clear up the geographical boundaries for a bank's qualifying investment activity. Instead of saying "assessment area(s) or broader statewide or regional areas that include the assessment area(s)" it should just say any geography (including national) that includes the investment assessment area.

- Please include a Bank's investment to minority and women owned businesses in the CRA Investment Test. Given the evidence of investment disparities by race and gender, we believe that CRA exams must explicitly include investment in minority and female companies and their communities.

- While currently only banks are required to meet CRA regulations, we believe all financial institutions with over $1 billion in assets (including insurance companies) should have to comply.

LSIA appreciates an investor base that includes financial institutions that are supervised by each of the regulating agencies. Of those investors, we have seen consistent improvement in the Investment Test portion of consecutive CRA evaluations after investment with LSIA funds. Some examples of banks that have earned positive consideration on investment tests:

- Federal Reserve Bank:
  Legacy Texas Bank, August 2007
- Office of Thrift Supervision:
  ViewPoint Bank, May 2008
- Federal Deposit Insurance Corporation:
  North Dallas Bank & Trust, April 2002 & February 2005
- Office of the Comptroller of Currency:
  Broadway Bank, March 2008
  West Texas National Bank, September 2007
  Town North Bank, July 2006
  Bank of Texas, May 2006
  Northern Trust, September 2002

The severity of the current financial crisis would have been substantially lessened if the entire financial industry had an obligation to serve all communities consistent with safety and soundness. We believe that the regulatory agencies can contribute significantly to ensuring sustainable economic recovery by updating the CRA regulation.

Thank you for your consideration,

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