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MARTIN O'MALLEY
Mayor
250 City Hall
Baltimore, Maryland 21202

March 24, 2004

Docket No. 04-06
Communications Division
Public Information Room, Mailstop 1 – 5
Office of the Comptroller of the Currency
250 E Street, SW
Washington D.C. 20219

Docket No. R-1181
Jennifer J. Johnson
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington D.C. 20551

Robert E. Feldman
Executive Secretary
Attention: Comments
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington D.C. 20429

Regulations Comments, Attention: No. 2004-04
Chief Counsel's Office
Office of Thrift Supervision
1700 G Street, NW
Washington D.C. 20552

Dear Officials of Federal Bank and Thrift Agencies:

I write to urge you to withdraw the proposed changes to the Community Reinvestment Act (CRA) regulations. CRA has been instrumental in creating affordable housing opportunities, increasing access of low- to moderate-income and minority citizens to banking services, and protecting our most vulnerable populations from predatory lending here in Baltimore.

The proposed changes include three major elements: 1) provide streamlined and cursory exams for banks with assets between \$250 million and \$500 million; 2) establish a weak predatory lending compliance standard under CRA; and 3) expand data collection and reporting for small business and home lending. The beneficial impacts of the third proposal are overwhelmed by the damage imposed by the first two proposals.

Under the current CRA regulations, large banks with assets of at least \$250 million are rated by performance evaluations that scrutinize their level of lending, investing, and services to low and moderate-income

communities. The proposed changes will eliminate the investment and service parts of the CRA exams for banks and thrifts with assets between \$250 and \$500 million. ***The proposed changes would reduce the rigor of CRA exams for 11 of the 70 banks in Baltimore area. These 11 banks have approximately \$3.86 billion in total assets, which accounts for about 15% of total bank assets in the Baltimore area.***

Many of these banks have been critical in providing support to community-based nonprofit housing organizations in Baltimore City. To name a couple, Arundel Federal Savings Bank has extended up to \$200,000 in credit to the Brooklyn-Curtis Bay Coalition, a community development corporation that works with communities in South Baltimore to promote home ownership, abate drug nuisance, enforce housing code compliance, and facilitate community access to government agencies and services. The line of credit will be coupled with a \$250,000 grant from the State of Maryland to help acquire and rehabilitate properties in highly economically disadvantaged communities. Bradford Bank has supported the work of one of our most highly effective community development corporations, Patterson Park Community Development Corporation, by originating loans totaling \$350,000 for the purchase and rehabilitation of seven single-family homes in eastern Baltimore City.

If the proposed changes to CRA are implemented, there will be no oversight on these types of community development lending activities, which will undoubtedly translate into considerably less capital for our underserved communities, where community-based nonprofit housing organizations are leading the way in eliminating blight, creating affordable housing opportunities, and increasing neighborhood pride and confidence.

The proposed CRA changes also contain an anti-predatory screen that will actually perpetuate abusive lending. The proposed standard states that loans based on the foreclosure value of the collateral, instead of the ability of the borrower to repay, can result in downgrades in CRA ratings. This standard will not cover many instances of predatory lending since borrowers may have the necessary income to afford monthly payments, yet will still lose wealth as a result of exorbitant fees, high prepayment penalties, and other numerous abuses.

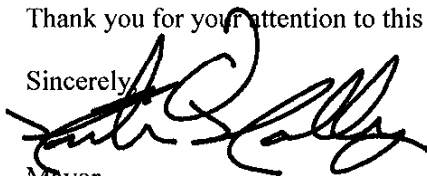
Baltimore has made great strides in thwarting predatory lending. Public agencies, financial institutions, corporations, foundations, and nonprofit organizations have worked together to create the Baltimore Homeowners Emergency Loan Program (HELP) program, which will help as many as 500 families experiencing or threatened by predatory lending practices over the next three years. HELP's goal is to keep Baltimore homeowners burdened with high cost loans in their homes, and help them achieve affordable mortgage loans. The program combines counseling and education, appropriate legal assistance, and affordable mortgage refinance and emergency repair loan fund, and small grants to clients.

Rigorous fair lending audits and severe penalties on CRA exams for abusive lending are necessary in order to ensure adequate protections against predatory lending.

The proposed changes to CRA will not only impede progress made in Baltimore City to expand community development lending and combat predatory lending, but also directly undercut the Bush Administration's emphasis on minority homeownership and immigrant access to jobs and banking services. ***CRA is simply a law that makes capitalism work for all Americans. CRA is too vital to be gutted by harmful regulatory changes and neglect.***

Thank you for your attention to this critical matter.

Sincerely,



Mayor

MO'M: rz

cc:

National Community Reinvestment Coalition

Senator Barbara A. Mikulski

Senator Paul S. Sarbanes

Congressman Benjamin L. Cardin

Congressman Elijah E. Cummings

Congressman C.A. Dutch Ruppersberger III