

Inner City Press
Community on the Move
&
Fair Finance Watch

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fax to 202-906-6518

April 5, 2004

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

Dear Chief Counsel and others at the OTS:

On behalf of Inner City Press / Community on the Move ("ICP") and the Fair Finance Watch (the "FFW"), this is a timely comment in response to the Notice of Proposed Rulemaking on the Community Reinvestment Act ("CRA"). In brief, we believe that the proposed definition and treatment of predatory lending is insufficient; we are opposed to exempting banks with assets up to \$500 million from the normal CRA examination; and, we believe that CRA is being under-enforced, particularly in connection with applications for mergers and other expansions.

Predatory lending is a scourge, and is being conducted by affiliates of some of the largest banks and thrifts in the county. The proposal defines predatory lending too narrowly, and only proposes that it be considered if done by some but not all bank affiliates. In fact, activities that banks and their affiliates fund, lend to, securitize or act as trustee for, and otherwise enable, should be considered under the CRA, including but not limited to during the public comment period on merger and expansion applications.

The penetration of predatory lending practices into the banking industry is reflected by, among other things, Citigroup's ownership of CitiFinancial, subject to a \$240 million predatory lending settlement (regarding which the OTS does nothing, in connection with Citibank FSB); HSBC's ownership of Household International, subject to a \$484 million predatory lending settlements (which the OTS facilitated, by helping Household to "dissolve" its FSB so that there would be in review of HSBC - Household under the Bank Holding Company Act or CRA); Washington Mutual's involvement in

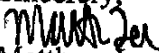
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standardless subprime lending; various banks involvements with payday lending (including as funders and enablers of payday lenders). We learned, for example, that the Kentucky banking regulator was forwarding predatory lending-relevant complaints against Washington Mutual Finance Group to the OTS (which does not have jurisdiction) -- but the OTS apparently did not even return the complaints to the state regulator. The OTS has declined to provide copies of complaints, has withheld information about its budget (including its pre-inclusion of Chase FSB while Chase FSB's application was still pending), etc.. When the OTS approves a CRA-challenged application, it does not even explain its reasoning: there is only a two-page approval order (this compares unfavorably with the written orders of the FRB, the letter of the OCC, etc.). In this light, the OTS's proposal with regard to predatory lending is woefully inadequate.

Likewise, to exempt banks with assets up to \$500 million from normal CRA exams would be an error. As set forth in the comments of NCRC, of which ICP is a member and on whose board of directors the undersigned serves, the proposal would reduce the rigor (and meaning) of the CRA exam for 1,111 banks accounting for \$387 billion in assets. It would particularly negatively impact rural areas: but urban areas as well. ICP notes, in terms of substantive issues raised at banks with assets below \$500 million, that the FDIC's associate director Steven D. Fritts, at a recent conference of the payday lenders' trade association CFSA, disclosed that 11 banks insured by the FDIC are currently making payday loans through third parties (he said that the number has doubled in the last year, and that the FDIC expects the trend to continue. These payday lending banks, he said, have average assets of \$300 million -- that is, the type of bank that would be removed from meaningful CRA scrutiny under this proposal. ICP joins in the rest of NCRC's 45 page comment.

Thank you for your attention. I can be reached, at ICP, at (718) 716-3540.

Sincerely,


Matthew Lee, Esq.

Executive Director

Inner City Press/Community on the Move

Fair Finance Watch