



A Community Action Agency Serving Monroe and Ontario Counties

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Loretta C. Scott
Board Chair

James H. Norman
President & CEO

April 6, 2004

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

ATTN: No. 2004-04

RE: Community Reinvestment Act Regulations – Joint notice of proposed rulemaking

Dear Regulator:

I am writing to you on behalf of Action for a Better Community, Inc. (ABC), a member of the Greater Rochester Community Reinvestment Coalition, to urge you to withdraw the proposed changes to the Community Reinvestment Act (CRA) regulations.

ABC is the federally and state designated community action agency serving Monroe and Ontario Counties, New York, dedicated to assisting poor and disadvantaged individuals and their families as they move toward self-sufficiency. Since its formation in 1964, ABC has been a strong advocate on public policy affecting the capacity of low-income individuals and their families.

The proposed CRA 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 lending and home lending. The beneficial impacts of the third proposal are overwhelmed by the damage that would result from the adoption of the first two proposals. We believe that the proposed CRA changes would facilitate predatory lending and reduce the ability of the general public to hold financial institutions accountable for compliance with consumer protection laws and regulations.

The proposed changes would reduce the rigor of CRA exams for 1,111 banks that account for more than \$387 billion in assets. This translates into considerably less access to banking services and capital for underserved communities. For example, these banks would no longer be held accountable under CRA exams for investing in Low Income Housing Tax Credits, which have been a major source of affordable rental housing needed by large numbers of immigrants and lower income segments of the minority population. Likewise, the banks would no longer be held accountable for the provision of bank branches, checking accounts, Individual Development Accounts (IDAs), or debit card services.



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ABC consumers have been affected by this policy in their ability to maintain bank accounts. Low-income families struggle with banking rules that require minimum balances. When balances are lower than minimums required, fees are attached, further reducing the liquid cash of consumers, or placing them in deficit predicaments. Many are forced to close accounts and are subsequently labeled as high credit risk customers. As such, loans are out of the reach of low to moderate income individuals and the attainment of wealth in the form of small businesses or homeownership is thwarted.

ABC suggests that the CRA definition of predatory lending should mirror the New York State anti-predatory lending law definition of high cost loans and curtail the same practices that the New York State law prohibits. The law includes a reasonable cap on fees and points, provisions against pre-payment penalties, loan flipping, mandatory arbitration, balloon payments, etc.

We support the proposal that federal agencies publicly report the specific census tracts of small businesses receiving loans in addition to the current items in the CRA small business data for each depository institution. This will improve the ability of the general public to determine if banks are serving traditionally neglected neighborhoods with small business loans. Also the regulators propose to report separately "purchases" and "loan originations" on CRA exams and report separately high cost lending (per the new HMDA data requirement starting with the 2004 data).

The positive aspects of the proposed data enhancements do not begin to make up for the significant harm caused by the first two proposals. In fact, ABC believes that more weight should be given to loan originations than loan purchases on CRA exams. The Rochester community is able to see the immediate impact of increased originations in underserved communities, while purchases only reflect the potential of a selling lender to make additional loans. Banks should receive more credit for doing the hard work at the front lines of originating loans rather than purchasing them.

The proposed changes to CRA will directly undercut the Administration's emphasis on minority homeownership and immigrant access to jobs and banking services. The proposals regarding streamlined exams and the anti-predatory lending standard threaten CRA's statutory purpose of the safe and sound provision of credit and deposit services. The proposed data enhancements would become much more meaningful if the agencies update procedures regarding assessment areas, affiliates, and the treatment of high cost loans and ~~purchases~~ on CRA exams. 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,



James H. Norman

cc: Loretta Scott
Ruhi Maker
Jane Kriegler
Janelle McClain
Matt Njoku
Linda Hickmon Evans