

NCLR

NATIONAL COUNCIL OF LA RAZA

Raul Yzaguirre, President

National Office
1111 19th Street, N.W., Suite 1000
Washington, DC 20036
Phone: 202.785.1670
Fax: 202.776.1792
www.nclr.org

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April 6, 2004

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

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

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

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

Dear Officials of Federal Bank and Thrift Agencies:

On behalf of the National Council of La Raza (NCLR) please accept these comments on the proposed changes to the Community Reinvestment Act (CRA). While the proposed rules do have some added value, the potential dangers and erosion of corporate accountability cannot be ignored. Strong CRA regulations are essential to increasing access to homeownership, boosting economic development, and expanding small businesses in Latino and immigrant communities.



Program Offices: Phoenix, Arizona • Los Angeles, California • Sacramento, California
Chicago, Illinois • San Juan, Puerto Rico • San Antonio, Texas • Atlanta, Georgia

LA RAZA: The Hispanic People of the New World

NCLR is the nation's largest constituency-based Hispanic organization, dedicated to improving life opportunities for the nation's 38.8 million Hispanics. A private nonprofit organization, NCLR works through a network of more than 300 community-based affiliates in all regions of the country.


- **Streamlined and Cursory Exams.** The proposed changes will eliminate the investment and service parts of the CRA exam for banks and thrifts with assets between \$250 and \$500 million, reducing the rigor of CRA exams for 1,111 banks that account for more than \$387 billion in assets. The elimination of the investment and service tests for more than 1,100 banks could translate into considerably less access to banking services and capital for underserved communities. For example, these banks would no longer be held accountable for the provision of bank branches, checking accounts, Individual Development Accounts (IDAs), or debit card services. Affordable banking services are critical to Hispanics, approximately 35% of whom are unbanked.
- **Predatory Lending Standard.** While a positive first step that affirms the position of other federal agencies and national best practice standards, this regulation does not go far enough to protect vulnerable consumers. CRA exams should include other instances of predatory lending such as the packing of fees into mortgage loans, high prepayment penalties, loan flipping, mandatory arbitration, and other abuses that get at the heart of the danger of predatory lending – the stripping of hard-earned home equity. Research has shown that Latino homebuyers are more likely to experience discrimination and receive a subprime loan and less likely to receive information about available financing options than similarly situated White homebuyers. Rigorous fair lending audits and meaningful penalties on CRA exams for abusive lending are necessary in order to ensure that lower-income homeowners are protected.

NCLR believes that several aspects of the proposed rule have merit. For example, the enhanced data reporting will improve the ability of the general public to determine if banks are serving the small business needs of traditionally neglected neighborhoods by reporting specific census tract locations of small business lending. However, we believe these potential benefits are outweighed by the negative impacts of our above-stated concerns.

The agencies also have the opportunity to enhance existing regulations by closing two loopholes. First, financial institutions should not be able to subjectively include or exclude affiliates, which may allow them to manipulate their CRA exams by presenting only a partial picture of their financial services. We believe all affiliates should be included in the CRA exam; however, at a minimum there should be clear, consistent standards that govern the inclusion or exclusion of affiliates. Second, CRA exams should include lending outside the official assessment area; many banks make considerable portions of their loans beyond their branches. This lending must also be monitored by CRA.

CRA is a powerful tool for ensuring immigrant and Latinos' access to critical financial services and capital investments. Changes to the regulations must be made in the spirit in which the law was created and further facilitate community development activities. Thank you for your attention to this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "Raul Yzaguirre", with a long horizontal flourish extending to the right.

Raul Yzaguirre
President/CEO

Cc:

Treasury Secretary John W. Snow