



McAULEY INSTITUTE

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October 16, 2001

Ms. Jennifer J. Johnson
Secretary
Board of Governors of the Federal Reserve System
RE: Docket No. R-1112

Docket No. 01-16
Communications Division
Office of the Comptroller of the Currency

Robert E. Feldman
Executive Secretary
Attention: Comments/OES
Federal Deposit Insurance Corporation

Regulation Comments
Chief Counsel's Office
Office of Thrift Supervision
Attention: Docket No. 2001-49

[via e-mail]

To Whom It May Concern:

As you review the need to update regulations implementing the Community Reinvestment Act, McAuley Institute urges you to preserve and strengthen the law's effectiveness in bringing loans and financial services to low- and moderate-income communities.

McAuley Institute is the *only* national, nonprofit housing intermediary explicitly focused on serving the needs of poor women and children. Founded in 1983 by the Sisters of Mercy of the Americas, our mission is to support the work of community-based partners to create decent, affordable, accessible housing. A certified Community Development Financial Institution (CDFI) and technical assistance provider to community-based organizations, McAuley targets its resources on isolated and resource-poor parts of the country. McAuley's below-market rate loans have helped finance over 5,700 units of housing.

The CRA has been of monumental importance to the growth and effectiveness of the nonprofit housing sector. CRA-inspired lending has played a vital role in the revitalization of many low-income communities and urban neighborhoods. In most of McAuley's development projects, banks have been critical funding partners. This record, however, is threatened by the changes taking place in the global financial industry that were permitted by the Gramm-Leach Bliley Act

of 1999. CRA regulations must be updated for this new environment which has also seen the spread of abusive lending practices preying upon low-income women, minorities and the elderly.

Specifically, McAuley Institute's recommends that any new rule –

- Maintain the current emphasis on quantitative measures in CRA exams.
- Mandate that all lending and banking activities of non-depository affiliates be covered on CRA exams. This would end the optional treatment of affiliates, including mortgage brokers, insurance agents and other non-traditional loan officers who may engage in predatory practices.
- Specify that a bank's assessment area includes areas not only where it has a physical presence but also where it has a substantial market share in deposits and lending.
- Rigorously evaluate and penalize lenders found to violate federal anti-predatory statutes, as described in the "Interagency Question and Answer."
- Maintain the lending test as the primary component of CRA exams and give less weight to loan purchases than originations. Give additional weight for programs that "refer-up" qualified borrowers who come in through subprime affiliates.
- Maintain the separate investment test that is critical for community development, and provide guidance to examiners to account for different types of investments such as grants and equity.
- Maintain the separate service test and its weighting while providing additional quantitative measures of affordable innovative services for those in underserved communities.
- Provide for a less than satisfactory rating on the service test for banks having business relationships with fringe bankers, even when the predatory practice takes place outside the bank's assessment area.
- Maintain the current definition of a small bank and sharpen the small bank exam to better assess the extent to which a small (often rural) bank is meeting the needs of underserved areas and residents within its assessment area(s).
- Require banks to submit improvement plans subject to a public comment period if they have ratings of low satisfactory or below.
- Provide that data disclosure facilitate the public's ability to compare banks' performance in a local community for such activities as small business and community development lending, alternative banking services, and mortgage lending outside metropolitan areas.

McAuley Institute appreciates the opportunity to comment on the questions put forth in the Advance Notice of Proposed Rulemaking. We look forward to working with you to improve the effectiveness of the CRA in ensuring access to financial services by all Americans.

Sincerely,

Susan Rees
Director of Policy and Research
McAuley Institute
8300 Colesville Road
Silver Spring, MD 20910