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From: Jim Campen [jimcampen@mediaone.net]
Sent: Wednesday, October 17, 2001 4:59 PM
To: regs.comments@federalreserve.gov; comments@fdic.gov; regs.comments@ots.treas.gov;
regs.comments@occ.treas.gov
Subject: ANPR for CRA – comments by Jim Campen

By e-mail: regs.comments@occ.treas.gov
Docket No. 01-16
Communications Division
Public Information Room
Mailstop 1-5
Office of the Comptroller of the Currency
250 E St. SW
Washington DC 20219

By e-mail: regs.comments@ots.treas.gov
Regulation Comments
Chief Counsel's Office
Office of Thrift Supervision
1700 G St. NW
Washington DC 20552
Attention: Docket No. 2001-49

By e-mail: comments@fdic.gov
Robert E. Feldman
Executive Secretary
Attention: Comments/OES
Federal Deposit Insurance Corporation
550 17th St. NW
Washington DC 20429

By e-mail: regs.comments@federalreserve.gov
Ms. Jennifer J. Johnson
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington DC 20551
RE: Docket No. R-1112

To Whom it May Concern:

I am writing concerning the banking agencies' Advanced Notice of Proposed Rule-Making concerning the Community Reinvestment Act. I am an Associate Professor of Economics at the University of Massachusetts/Boston and have done research and writing on community reinvestment, fair lending, and related areas for the past decade. My publications include a paper on Boston's Soft Second Mortgage Program that was presented at the Federal Reserve System Research Conference in Washington in April 2001 and included in the conference proceedings as published by the Fed. I have also done numerous studies of mortgage lending patterns in Massachusetts, particularly in the Greater Boston area. I am a member of the Boards of Directors of the Massachusetts Affordable Housing Alliance and the Fair Housing Center of Greater Boston.

In this comment letter I will address a small number of issues that I believe I have particular standing to comment upon because of my experience and expertise as a researcher in the area of mortgage

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lending. But I also want to emphasize that I have read and support the comments offered in the detailed, broad-ranging letter of the National Community Reinvestment Coalition; I urge you to accept their recommendations. (I am a member of the NCRC by virtue of the two board memberships noted in the preceding paragraph.)

Recent trends in the structure, products, and operation of the mortgage lending industry have greatly undercut the effectiveness of the CRA. In particular, the very substantial increases in the amount of lending that is done by larger insured depositories (and by subsidiaries and affiliates of these depositories) outside of areas where they have banking offices means that much of the lending in any given area is no longer subject to review in the performance evaluation of any lender. Let me illustrate this problem by citing the case of Massachusetts in the year 2000. When I ranked lenders by the total number of home purchase plus refinance loans statewide during 2000 (using HMDA data), I was astounded to find that **none of the lenders ranked #2 through #17 were covered by the CRA for their Massachusetts lending last year. Of the 17 biggest lenders, the top-ranked lender, Fleet National Bank, was the only lender subject to CRA evaluation for its lending in Massachusetts.**

To be sure, some of these lenders were independent mortgage companies and not subject to the CRA for their lending anywhere. But such lenders accounted for just six of the 16 uncovered lenders: Countrywide (#7), RBMG (#9), GMAC (#10), Cendant (#13), Option One (#14), and H&R Block Mortgage (#16). (I would strongly support the extension of CRA-like responsibilities to independent mortgage companies, but I believe that falls outside the scope of the current ANPR.)

Ten of the 16 uncovered lenders were insured depositories (or their subsidiaries) that did not have banking offices in Massachusetts. Three depositories were among the top six lenders: Washington Mutual Bank (ranked #3), Ohio Savings Bank (#4), and Bank of America (#6). Two subsidiaries of depositories ranked among the top five lenders: North American Mortgage (#2; a subsidiary of Dime Savings Bank), and Wells Fargo Mortgage (#5). Other subsidiaries of depositories were: National City Mortgage, Greenpoint Mortgage, PNC Mortgage, Chase Manhattan Mortgage, and ABN AMRO Mortgage.

Even the smallest of these 16 uncovered lenders, ABM AMRO Mortgage, made 1,954 home purchase and refinance loans in Massachusetts in 2000, thereby accounting for 1.27% of the 154,108 loans made in the state by all lenders combined. These are major players in the Massachusetts mortgage market; their current exemption from CRA coverage for their lending here works to the disadvantage of traditionally underserved borrowers and neighborhoods that the CRA was designed to help obtain fair and adequate access to credit.

To remedy this situation, the assessment areas for insured depositories should be extended to include both the areas where they have banking offices and the geographical areas where they account for a significant amount of mortgage lending. Exactly how best to do this is a matter deserving careful consideration, but one possible starting point is to include MSAs where a lender plus all of its affiliated lenders accounts for 0.5% of all home-purchase and/or refinance loans.

In Massachusetts, at least, there seems to be relatively little mortgage lending by affiliates (as opposed to subsidiaries) of insured depositories. I believe that lending by subsidiaries is treated, for purposes of the CRA, the same as lending by the depositories themselves. But I have been told that affiliates play a greater role elsewhere in the nation, and it is certainly possible that affiliates will play a greater role in the future. I urge you to treat affiliates the same as subsidiaries under the revised CRA regulations – that is, treat lending by subsidiaries and affiliates that same as lending by the insured depositories to which they have corporate links.

My studies have also noted the rapid growth of subprime lending in Boston and Massachusetts (as elsewhere in the country). This cries out for revising the CRA regulations to consider issues of the nature and quality of loans made, and not just the quantity of loans. In particular, loans with predatory features should hurt a lender's CRA evaluation. Regulators should determine and consider the nature

of loans as part of the exam process.

Thank you for the opportunity to comment on your ANPR. I look forward to the opportunity to comment further as the process continues. I urge you to hold public hearings as part of that process.

Yours sincerely,

James T. Campen

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[on leave, Fall Term 2001]
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