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September 21, 2001

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

Attention: Docket No. 2001-49

Dear Sirs:

Unidos Para La Gente believes that the Community Reinvestment Act (CRA) has increased lending and investing to our community and many other communities in our country. Regulatory changes to CRA in 1995 strengthened the law by emphasizing bank performance in making loans and investments and in providing services. In order to further reinvestment in low-income and moderate-income communities and underserved minority communities, the federal banking agencies must now update the CRA regulations. Changes to the CRA regulation in 1995 have had positive results. It has been found in the Department of Treasury's study on CRA that banks in communities examined under CRA have a higher lending rate to the low- and moderate-income community. Here in **San Marcos, Texas** more housing loans have been made to this segment.

As a result of the Gramm-Leach-Bliley Act of 1999 banks and thrifts with insurance company affiliates are now aggressively training insurance brokers to make loans. Securities affiliates of banks offer mutual funds with checking accounts. Mortgage company affiliates of banks continue to make a significant portion of the total loans. The CRA regulation now allows banks to choose whether the lending, investing, or service activities of their affiliates will be considered on CRA exams. **Unidos Para La Gente** strongly urges the regulatory agencies to mandate that all lending and banking activities of non-depository affiliates must be included on CRA exams. This change will stop the manipulation of CRA exams and make exams more consistent in their scope.

Currently, CRA exams of large, non-traditional banks look at only a small part of bank lending, and often leave out the affiliates on CRA exams if they make predatory loans or if they make loans primarily to affluent customers. **Unidos Para La Gente** believes that the CRA regulations must specify that a bank's CRA exam will include all communities in which a bank's loans are made. CRA exams must be conducted concurrently with fair lending and safety and soundness exams to insure that lending is conducted in a non-discriminatory and non-abusive manner safe for the bank and safe for the borrower. A recent change to the "Interagency Question and Answer" document stating that lenders will be penalized for making loans that violate federal anti-predatory statutes deserves the applause of **Unidos Para La Gente**. That Question and Answer must become a part of the CRA regulation.

Lenders should be encouraged to make as many prime loans as possible since prime loans are more affordable for minority and low-and moderate-income borrowers. It is known that too many creditworthy borrowers are receiving over-priced and discriminatory subprime loans. **Unidos Para La Gente** urges that lenders making both prime and subprime loans will not pass their CRA exams unless they pass the prime part of exams. Minorities must be considered on the lending test as well as income, since subprime lenders in refinance and home equity lending dominate in minority communities.

Unidos Para La Gente opposes the elimination of the investment test since low- and moderate-income communities continue to experience a shortage of equity investments for small business and other important economic develop needs.

Allowing more banks to qualify for streamlined exams will weaken CRA enforcement. The present CRA exams are reasonable and are not burdensome for banks.

We urge the regulatory agencies to adopt these additional policies:

1. Loan purchases must not count as much as loan originations on CRA exams. The lending test must receive primary emphasis because redlining and reverse redlining, or predatory lending, remain serious problems in working class and minority neighborhoods.
2. Banks must not receive an inordinate amount of credit for "innovative" program or practice that does not produce much in terms of loan volume.
3. The Federal Reserve Board must enact proposed HMDA reform to include interest rate and fees information so that subprime lending can be assessed on CRA exams. CRA small business data must include information on race, gender, and specific revenue size of the borrower and specific census tract location of the business.
4. Payday lending is abusive and must not count on CRA exams. The service test must be enhanced by data disclosure regarding number of checking and savings accounts by income level and minority customer and census tract, and must award the most points to banks that provide a high number of affordable services to residents of low- and moderate-income communities.
5. Low and high satisfactory ratings should be possible overall ratings as well as ratings for lending, investment, and service test of large bank exams. Banks must be required to submit improvement plans subject to a public comment period, if they have ratings of low satisfactory or below. Currently, banks are required to submit improvement plans only if they fail CRA exams.
6. The Federal Reserve Board's interpretation of the Gramm-Leach-Bliley Act of 1999 allows a bank failing its CRA exam to be acquired by another institution, and thus, provides little incentive to abide by CRA obligations, if a bank's chief executives and board are contemplating a sale of their bank. Both the acquiring bank and one being acquired must be required to have passing CRA ratings in order to expand into the insurance and securities business.

Using these suggestions of **Unidos Para La Gente** for updating the CRA regulation will produce exams that are more consistent and performance-based which will better capture the lending, investment and service activity of rapidly changing banks. We urge the regulatory agencies to hold hearings around the country when they propose specific changes to the CRA regulation. It is vital that the diverse voices of America's communities be heard by the federal banking agencies as they consider regulation that ensures meeting community credit needs.

Thank you for the people.

Sincerely yours,

Mary Compton
Mary Compton, president