



October 16, 2001

COMMUNITIES UNITED FOR ACTION
3726 Llewellyn Avenue
Cincinnati, Ohio 45223
513-541-2709

150

Office of Thrift Supervision
Regulation Comments
Chief Counsel's Office
1700 G. Street, NW
Washington, D.C. 20552
Attention Docket No. 2001-49

Dear Regulator:

Communities United for Action is writing to comment on the Advanced Notice of Proposed Rulemaking on the Community Reinvestment Act that was published in the Federal Registry in July 2001. Communities United for Action (CUFA) is a grassroots coalition of 46 community groups representing 13 neighborhoods in the Millcreek Valley located in Cincinnati, Ohio. CUFA has worked on neighborhood reinvestment since 1985 and has negotiated reinvestment programs for the Millcreek neighborhoods. CUFA also increased the number of loans in the Mill Valley from 8 in 1989 to 3,000 in 1997. CUFA maintains monitoring partnerships with 4 local banks.

Since CRA was passed, some have estimated that a \$500 million has been lent in low and moderate-income neighborhoods. This speaks to the importance of this law to ensure credit to our communities. The truth of the matter, though, is that financial institutions still make excuses for not lending to low and moderate income individuals. Improvements can be made to the CRA, which would encourage lenders to offer better financial services to low and moderate income individuals. CUFA makes these proposals in response to the ANPR:

1. The principle of the lending test should focus on the quality of loans as well as the quantity. Therefore, more information regarding the loan terms should be disclosed as part of the Home Mortgage Disclosure Act (HMDA) data. We are pleased that there is a proposed addition of the annual percentage rate and fees to the HMDA data. Any abusive terms and credit scores should be accounted for in this disclosure, as well. Again, the quality not just quantity is important when considering a bank's lending performance. Since HMDA data is so important in evaluating a bank's performance if there are HMDA reporting violations, it should automatically prohibit a bank from receiving an outstanding rating on its CRA exam.

2. Banks are not serving the credit needs of low and moderate communities by making predatory loans. We have seen many examples of banks steering low/moderate income people to their subprime subsidiaries, even in cases where individuals have prime credit ratings. This serves to create two tiers of lending in the United States, with the people who can least afford it, being the ones paying the most for financial services.

CRA exams should evaluate a bank's subprime loans for any predatory practices. Banks should get points subtracted from their CRA test if they are making predatory loans.

Under the current CRA, institutions have the option to count affiliate activity in or out of their CRA exam. This leads to a bank's potential to manipulate its CRA rating. Currently, a bank can own a predatory lender and use those loans to affect its CRA rating. First, in order to differentiate between the loans we need the aforementioned increased HMDA disclosure. Secondly, all non-bank affiliates of bank holding companies that engage in lending should be covered under the CRA. Understanding that CRA only covers depositories, we believe that any financial institution (like mortgage companies) that receives depository money should be covered under CRA. After all, HMDA was amended in 1988 and 1991 which expanded the reporting to cover most mortgage banking subsidiaries of bank and thrift holding companies and independent mortgage companies not affiliated with depository institutions.

3. CRA ratings should be localized. A localized rating system could require the top 10 banks in the state's market to have separate MSA based and rural area ratings and performance evaluations.
4. Banks receiving CRA credit for a multi-family loan that is not serviced properly is another example of the quality vs. quantity principle. Servicing the loan is of equal importance to making the loans. For instance, in a housing market where property values are on the rise landlords may decide to refinance a property. Banks saddle a building with excess debt by loaning out the maximum money that they feel a property can sustain. In neighborhoods that this trend is prevalent, the housing stock begins to deteriorate. For this reason, a bank's record of servicing the non-owner occupied properties that it finances is a community reinvestment issue and should be considered under the lending test.
5. Small business disclosure should be increased. More people are able to get home mortgage loans through non-depository institutions, but depository institutions are still primarily the lenders for small business. Therefore, banks should be equally scrutinized for their small business lending and they as they are for home mortgage lending. Small business lending has always been incredibly important to the health of our neighborhoods. Small business lending should be held to as equal scrutiny as home mortgage lending. CUFA proposes that CRA data would more closely

mirror HMDA by including the status of the application, whether it is denied, withdrawn, incomplete, approved but not accepted, and originated. Also included in small business disclosure should be the race, gender of the applicants, and the actual census tract that the business resides.

6. Every bank should still be required to maintain a public file at each branch. Under no circumstances should this be weakened due to the claims that the public does not utilize the files. In fact, the data disclosure should be that banks are responsible for should actually be expanded. As mentioned before, the specific score for e each test should be made available to the public. For example, the public exam should include if a bank get 10 points on the lending test. Also, banks and regulators should be required to make exams available from 1990. Every CRA exam should also summarize basic past and present HMDA data denial rates with peer comparison.
7. CRA should require that banks provide service in the neighborhoods where they are located. All bank products should be advertised in all branches and not just select branches to priority customers. Banks should provide at least one account that provides minimum services for reduced fees. This type of account would be particularly helpful to low income and senior users.

Thank you for your attention to these matters. If you have questions or require additional information please contact me at 513-541-2709.

Sincerely,



Marilyn Evans
Executive Director