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**Manufacturers**  
BANK

October 17, 2001

Ms. Jennifer Johnson  
Secretary  
Board of Governors of the Federal  
Reserve System  
20<sup>th</sup> Street & Constitution Ave. NW  
Washington, DC 20551  
Docket No. R-1112

Mr. Robert E. Feldman,  
Executive Secretary  
Attn: Comments/OES  
Federal Deposit Insurance Corporation  
550 17<sup>th</sup> Street, NW  
Washington, DC 20429

Communications Division  
Public Information Room  
Mailstop 1-5  
Office of the Comptroller of the  
Currency  
250 E Street, SW  
Washington, DC 20219  
Docket No. 01-16  
Regulation Comments  
Chief Counsel's Office  
Office of Thrift Supervision  
1700 G Street, NW  
Washington, DC 20552  
Attn: Docket No. 2001-49

Dear Ladies and Gentlemen:

The following comments are provided on behalf of Manufacturers Bank, a \$1.8 billion bank headquartered in Chicago, Illinois.

Manufacturers Bank has demonstrated our commitment to our communities and to the Community Reinvestment Act both in spirit and practice through our active support of programs and policies that meet the CRA rules. In the past two CRA evaluations our regulator has rated us as Outstanding in our performance evaluations.

Although there has been significant debate about the rules themselves, we believe that the banking industry has adapted to the rules changes in the past several years. More substantial changes would cause the industry and the public to lose the ground that has been gained through the changes that the industry has made to adapt to the new rules. Needless to say the examiners also now have a firm grip on the most important elements of the rules and that has helped the industry to improve methods, practices and programs to address the credit needs of the markets in which they serve.

Although the current rules still cause some confusion to the industry we feel that one major adjustment that could be made would be to ensure that the examination process includes the review of the business strategies that vary from institution to institution. This should be included as a part of the environmental scan that needs to be conducted to determine the performance of the institution. Although the examination rules take into consideration the market that the institution serves we believe that more emphasis needs to be placed to include the market vagaries and economic situations that face the individual institution.

## **1. Large Retail Institutions: Lending, Investment and Service Tests**

### **A. Lending Test:**

*Comment:* There must be some room within the CRA regulation to allow for differences in business strategies among financial institutions. Some institutions have business strategies that focus on particular products or market segments. Institutions that have a focus on small business loans, for instance, should not be criticized for lack of home mortgage loans if others already serve that market. Some institutions can, and do invest in mortgage loans and support local efforts for home ownership. Therefore, it is important for the regulatory agencies to consider both loan origination and purchases when evaluating CRA lending performance. Additionally, there has to be recognition that by purchasing loans, capital is freed up to the seller, allowing for more loan origination to take place. Finally, the "Other Loans" category needs to have the same emphasis for performance review as the reportable (HMDA/Small Business) transactions. In an environment like Chicago where loans made secured by real estate

for business purposes contains retail space and residential space the financing of those properties needs to have the same performance effect as HMDA/Small Business transactions. Often these loans require more effort and contain more liquidity risk than HMDA loans that fit into a pigeonhole and can be easily sold in the secondary market.

The current definition of what constitutes a Community Development Loan is too narrow and even with the Q&A from the FFIEC the examinations still question loans that are near to, but do not specifically fit the profile. A broader definition with more flexible conditions will help create an environment where loans that help stimulate economic impact for low- and moderate-income employment prospects will be easier to categorize as CDLs.

Although our institution has been in the forefront of fighting the abusive practices of predatory lenders (mainly the mortgage brokerage industry) we feel that the issue of those practices needs to be addressed in the Fair Lending component of the examination. The regulators have made a substantial effort to warn the industry that investing in loans and programs that promote abusive practices will not fare well in Fair Lending reviews.

#### **B. Investment Test**

*Comment:* The Investment Test is clearly still the most misunderstood portion of the rules. Despite the Q&A from the FFIEC and the efforts of the securities industry to create CRA qualifying investments it seems as though the category is dominated by Low Income Housing Tax Credits (LIHTC), grants for CRA qualifying purposes and securities formed by third parties to conform to the rules. Clearly there are markets where the availability of those investments is limited and opportunities for investment are rare. A broader definition to include additional CRA Qualifying investments will help develop capital for CRA-qualifying purposes.

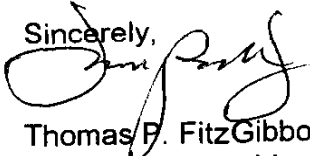
#### **5. Performance Context**

*Comment:* The whole genesis of the performance context was to develop a method to judge performance "by the numbers". However, there are many instances where the development of credit products, delivery systems and methods, partnerships and responses to credit demand requires significant lead-time and leadership. Often, the Service Test (the lowest of the numerical contributors to the score) gets overlooked in the rush to establish a numerical answer to the test. We realize that it is hard to put a numerical outcome to the leadership provided to answer a need for capital to meet a local demand, but the rules need to be expanded to do just that. Without some advanced recognition for the development of answers and leadership time we run the risk of failing to recognize the critical elements of time and talent required to succeed in Investing and Lending.

**8. Data Collection and the Maintenance of Public Files**

*Comment:* The data collection, file maintenance and reporting requirements are more than sufficient to perform the required examination process.

Sincerely,

A handwritten signature in black ink, appearing to read "Tom FitzGibbon, Jr.", written in a cursive style.

Thomas P. FitzGibbon, Jr.  
Senior Vice President