Central Northside Neighborhood Council
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October 11, 2001

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

Docket No. 01-16, Communications Division
Public Information Room, Mailstop 1-5
Office of the Comptroller of the Currency
250 E. Street, SW
Washington, DC 20219

Robert E. Feldman
Executive Secretary
Attention: Comments/OES
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429

Docket No. 1112
Ms. Jennifer J. Johnson
Secretary
Board of Governors of the Federal Reserve System
20th and Constitution Avenue, NW
Washington, DC 20551

To Whom It May Concern:

The Central Northside Neighborhood Council (CNNC) is a non-profit organization in the City of Pittsburgh. The goal of CNNC is to strengthen and improve the quality of the neighborhood through the development of affordable housing, advocacy for the community, implementation of activities such as neighborhood clean-ups, and fostering activities such as community safety and programs for youth.

CNNC is also a member of the Pittsburgh Community Reinvestment Group (PCRG), a coalition of 23 neighborhood organizations. Through PCRG, our collective mission is to promote equitable patterns and practices of investment and the commitment of resources by private and public institutions in Pittsburgh's neighborhoods. Through PCRG, we have partnerships with 13 area financial institutions, including:

National City Bank
PNC Bank
Mellon Bank
Dollar Bank
Fidelity Savings
Northside Bank
Parkvale Savings
Three Rivers Bank
Allegheny Valley Bank
Laurel Savings
Promistar Bank
Iron and Glass Bank
ESB Bank

Through these partnerships, PCRG assists the financial institutions in meeting the needs of low and moderate income communities as well as addressing their individual CRA requirements.

PCRG and its member community organizations are strong supporters of the Community Reinvestment Act. CRA's goal of assigning accountability and directly linking the lending activities of financial institutions to the needs of low- and moderate-income neighborhoods is vital. We feel, however, that the Community Reinvestment Act needs to maintain a growth pace that is at least equivalent to the changes that are taking place in today's financial environment. We view this particular Advance Notice of Proposed Rulemaking (ANPR) as an opportunity for the Federal Government to expand the Community Reinvestment Act to a position where it matches current and projected trends in the financial sector.

Through PCRG we are also members of the National Community Reinvestment Coalition (NCRC) and National People's Action (NPA), and we endorse their comments on the ANPR.

Central Northside Neighborhood Council's comments on the ANPR are as follows:

Large Institution Evaluations

Lending Test

· Purchased loans should receive less credit than those that are originated by a financial institution. The strategy of purchasing and repurchasing CRA eligible loans for the purpose of boosting an institution's rating should be discouraged. At a minimum, institutions should be required to hold purchased loans for a specific period of time (eg., five years) if they are to receive CRA credit for these loans.

· Subprime lending should be evaluated separately from prime lending. **The Federal Reserve has proposed the addition of interest rate and fees to the information that is presently required under HMDA. Addition of this information is critical if regulators and community groups are to be able to distinguish between prime, subprime and predatory loans.** With the proposed addition of annual percentage rates and fees to the HMDA data, examiners would be able to evaluate prime and subprime loans independently. Lenders should be encouraged to provide as many prime loans as possible.

· Predatory loans or practices should receive negative credit. The negative impact of predatory loans and practices should be clearly accounted for within the CRA examination by subtracting any credit that would otherwise be gained from making a loan in an underserved area. Banks are not serving the needs of low- and moderate-income communities by making predatory loans.

Investment Test

· The investment test should be retained as part of the CRA evaluation. Low and moderate-income communities have need for both loans and investment by financial institutions, either through bank owned community development corporations (cdc's) or other appropriate means. The financial needs of CRA eligible neighborhoods are substantial, and financial investment is an integral part of that need.

Service Test

· Physical locations of branches in low- and moderate-income neighborhoods should be weighted heavily. There is no substitute for the presence of bank branches, that serve as anchors to a neighborhood's commercial district and adjoining residential communities. The importance of bank branches is demonstrated by the presence of financial institutions in any thriving commercial district, and the same is true for commercial areas in CRA eligible neighborhoods.

· Innovative programs and innovative/alternative service delivery methods supported by quantitative data should be weighted heavily. The importance of continued innovation within LMI neighborhoods in order to meet its needs should be reflected by additional CRA credit for programs that achieve a level of success as determined jointly by community groups and the institutions.

· The presence of free checking with no minimum balance for low and moderate income residents should be an integral part of every evaluation.

Small Institution Evaluations

· No change recommended. The 13 financial institutions with which PCRG has relationships all qualify as large retail institutions. The CRA requirements do not appear to be a burden for any of these financial institutions.

Assessment Area

· The assessment area should include areas where the institution has offices, branches, deposit-taking ATM's, and areas where they have more than one-half of a percent of the market share in loans. The current assessment area definition falls short in capturing the expansion of lending activities beyond traditional brick and mortar locations as institutions learn to reach beyond home markets making physical location less important. Expanding the assessment area to include areas where they have one-half percent market share will make lending institutions responsible for their business practices in the majority of areas they serve.

· Create local CRA ratings. The current system should be reformed to be more specific in terms of location. A financial institution might be performing well in one MSA but not in others. Rating the institution on a macro level only makes it difficult to pinpoint specific problem areas, thus impeding the ability to create strategic solutions for that MSA.

Affiliate Activities

· Extend CRA to cover all affiliate activities. The passage of the Gramm-Leach-Bliley Act of 1999 (Bank Modernization) allowed for mergers of banks, insurance companies and securities firms. The CRA exam should cover all affiliate activities without exception. Under current regulations, institutions have the option of including affiliates in the exam. This clearly allows room for manipulation of their rating. <u>The nature of the financial arena has changed, and CRA should be amended to coincide with those changes.</u>

Data Collection

· Small business lending should include the same information that is presently included in HMDA for residential lending. Full disclosure of all small business loans and practices including, but not limited to race, gender, annual percentage rate, census tract, denial data, and denial reason should be required. Over the past 20 years or so, HMDA data has resulted in huge strides in lending in low and moderate-income neighborhoods. Inclusion of small business lending data could produce the same result in the small business lending field. Small business is essential to the health of CRA eligible neighborhoods, and inclusion of this data would allow for easier analysis of lending practices as well as development of new and more effective lending initiatives.

In addition to the issues outlined in the ANPR, Central Northside also suggests expanding CRA to cover all residential mortgage lenders and insurance companies. CRA has been a very effective tool in urging banks to do lending in low- and moderate-income areas. By holding insurance companies and other mortgage lenders accountable to CRA, low- and moderate-income individuals would have greater access to improved services, but more importantly CRA would be recognizing the arrival of financial modernization.

Sincerely,

Joan Kimmel

Joan Kimmel, President
Central Northside Neighborhood Council