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Working In Neighborhoods

October 16, 2001

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

Dear Regulator:

Working In Neighborhoods (WIN) is a nonprofit organization dedicated to strengthening neighborhoods in the Mill Creek Valley located in Cincinnati, Ohio. WIN educates and trains residents to work together on issues of concern in their own communities and improve the quality of their own lives. WIN has worked in partnership with local banks to lend more in low & moderate income communities and to develop programs which increase home ownership opportunities. These efforts have resulted in commitments from local banks of over $500 million for home mortgages. This speaks to the importance of this law to ensure credit to our neighborhoods.

However, financial institutions still make excuses for not lending to low and moderate income individuals and today they are also faced with problems of gained profits from predatory loans. Improvements need to be made to the CRA, which would encourage lenders to offer better financial services to low and moderate income individuals. WIN makes these proposals in response to the ANPR:

1. 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. Banks should be required to have an anti-predatory lending policy. The anti-predatory lending policy should include:
   - Banks will not originate or purchase loans with more than a five point mark-up.
   - Banks will not make loans where the loans are based only on equity in the property not on the borrowers ability to pay.
   - Banks will not do loans with short-term balloon payments - loans with at least 15 years or above.
   - Banks will not originate or purchase loans where flipping has occurred.

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- Banks will not originate loans where borrowers purchase credit insurance (including life, disability, & unemployment) and a premium is paid up front and/or financed into the loan.

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.

2. CRA should require banks to provide home improvement loans that are not based solely on credit score and with high interest rates that force individuals to use home equity loans and often predatory loans. Banks should create a home improvement loan that meets the needs of the service area including those with less than perfect credit. This type of home improvement loan would provide an alternative to a predatory loan.

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. Additional 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.

5. 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.

6. 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.

Thank you for your attention to these matters. If you have questions or require additional information please contact me at 513-541-4109.

Sincerely,

Sr. Barbara Busch

Sr. Barbara Busch
Executive Director