

**A.J. SMITH FEDERAL SAVINGS BANK**

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September 9, 2002

Information Collection Comments
Chief Counsel's Office
Office of Thrift Supervision
1700 G Street N.W.
Washington DC 20552

REF: TFR revision, OMB No. 1550-0023.

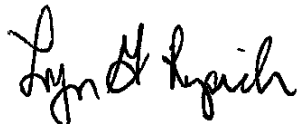
We have reviewed the proposed data collection of consumer loans in sub-prime lending programs, and have the following comments.

- ❖ The proposed notice indicates a guide to define sub-prime lending. Fannie Mae guidelines define good credit as 2 X 30 days late on revolving credit line, or 1 X 30 days late on installment loan, 0 X 30 days late on mortgage for the past twelve months. The proposal has defined sub-prime loans as 2 X 30 day delinquencies in the last twelve months, without indication as to the nature (revolving, installment, mortgage) of the debt, contradicting established industry practices. We feel that the suggested OTS guidance of sub-prime loans should more closely follow Fannie Mae – Freddie Mac underwriting guidelines. In addition, it should be mentioned that sub-prime lending should be indicative of a credit history that is chronically late, not of a catastrophic event that has occurred to a person that has historically had an excellent payment record. Finally, OTS has indicated a FICO credit score of 660 or below, which can be affected by having credit established that is unused or by those having an incomplete or inadequate credit history. Credit scores are used by our institution, but are not the sole basis for acceptance or rejection of an applicant. Underwriting standards are applied to each file on a case-by-case basis, as each consumer represents a unique situation, and credit scoring in and of itself, should not be used as an absolute determination of their creditworthiness.
- ❖ It should be understood that not all, and sometimes not many, community development loans such as those defined in the Community Reinvestment Act are granted based upon government programs that mitigate the risk. In fact, as pointed out in the proposal, many sub-prime loans may indeed be Community Reinvestment Act loans. The increased burden that this proposal represents may in fact reduce the availability of credit to the very groups that CRA wishes to protect. In addition, most thrifts, and or banks operating under discrimination and non-predatory guidelines may offer more attractive and less costly programs to the needy, then their less regulated counterparts. A soundly capitalized and well-managed institution may well make the decision to cease their sub-prime program altogether. We would suggest rather than collection of additional data, the current

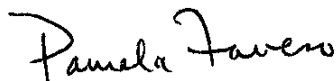
data on delinquent loans and overall review of capital adequacy as well as seasoned management is sufficient to provide enough data to make an informed decision as to whether a institution is in trouble.

In closing, we feel collection of balance information for sub-prime loans may be appropriate, but detailed stratification should not be necessary unless the institution shows that increased delinquencies threaten the well being of the institution.

Respectfully submitted,



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