Evans, Sandra E

From: Kevin Stein [kstein@calreinvest.org]
Sent: Tuesday, September 10, 2002 6:08 PM
To: regs.comments@occ.treas.gov; regs.comments@federalreserve.gov; comments@fdic.gov; infocollection.comments@ots.treas.gov
Subject: crc comments on call report proposal

comments 9.9.02.txt

Please find pasted below and attached, comments of the California Reinvestment Committee regarding the proposal to expand Call Report reporting.
Thank you.

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Kevin Stein
California Reinvestment Committee
(415) 864-3980

September 9, 2002

Communications Division
Office of the Comptroller of the Currency
250 E St. SW, Public Information Room, Mailstop 1-5
Washington DC 20219
Attention: 1557-0081
regs.comments@occ.treas.gov

Jennifer J. Johnson
Secretary
Board of Governors of the Federal Reserve System
20th and C Streets, NW
Washington, DC 20551
RE: Consolidated Reports of Condition and Income, 7100-0036
regs.comments@federalreserve.gov

Robert E. Feldman
Executive Secretary
Attention: Comments/Legal Division
Federal Deposit Insurance Corporation
550 17th St, NW
Washington DC 20429
RE: Consolidated Reports of Condition and Income, 3064-0052
comments@fdic.gov

Information Collection Comments
Chief Counsel's Office
Office of Thrift Supervision
1700 G St., NW
Washington DC 20552
RE: TFR Revisions, OMB No. 1550-0023
infocollection.comments@ots.treas.gov

Dear Officials of Federal Financial Institution Regulatory Agencies:

The California Reinvestment Committee (CRC) writes this comment letter regarding the
proposal to impose additional reporting requirements for Call Reports

relating to subprime lending. Generally, CRC supports the intention to collect additional information, given the safety and soundness, as well as CRA implications, of significant subprime lending. However, CRC has concerns regarding certain specifics of the regulatory proposal. Specifically, CRC believes that such data should immediately be made available to the public, and the definition of subprime should conform to existing regulatory standards.

The California Reinvestment Committee

The California Reinvestment Committee ("CRC") is a nonprofit membership organization of more than two hundred (200) nonprofit organizations and public agencies across the state of California. We work with community-based organizations to promote the economic revitalization of California's low-income communities and communities of color. CRC promotes increased access to credit for affordable housing and community economic development, and to financial services for these communities. During the past few years, CRC's membership and board of directors have identified predatory lending as a priority area in light of the devastating effects such practices have had on California's communities.

The Need For Further Regulation of Subprime Lending

With the recent and alarming failures of certain institutions engaged in subprime lending, most notably Superior Bank, the regulators and the public are increasingly concerned about the safety and soundness of our banks and thrifts. This trend is not likely to dissipate. According to the Mortgage Bankers Association of America, the overall delinquency rate for home loans increased modestly and the number of home loans entering foreclosure hit a record high in the second quarter. CRC believes that the increase in defaults, delinquencies and foreclosures is attributable, at least in part, to the increase in subprime lending over the last few years.

Further, CRC understands from representatives of Countrywide Home Loans and Treasury Bank, that the OCC conditioned approval of Countrywide's purchase of Treasury Bank on the requirement that Treasury Bank not originate any subprime loans in the first few years of operation, due to safety and soundness concerns. CRC supports this intervention on the part of the regulators.

Yet subprime lending will continue to grow and pose a threat not only to low income communities and communities of color, but also to the institutions that are engaged in that activity. Quarterly call report data is vital to quickly intervening in order to safeguard the FDIC insurance fund and to protect consumers in minority and low- and moderate-income communities. Enhanced and frequent Call Report data disclosure provides regulatory agencies and the public at large with the tools to detect and halt problematic lending activity before it endangers institutions and communities.

Publicly Available Data

CRC is troubled by the current proposal's plan to keep this important data confidential, presumably because the public cannot be trusted with the information. Perhaps the corporate scandals currently rocking the confidence of the nation provide a useful analogy. There, the conventional wisdom is that it is the job of the regulators to ensure that corporations accurately report and share information to the public to ensure that people can make informed decisions. The banking regulators would be wise to follow this lead. Publicly available data will hold institutions engaged in subprime lending accountable for safe and sound, as well as responsible, lending. With community based organizations, public agencies, stockholders, and other community leaders fully informed, banks and thrifts will have greater incentive to shun predatory practices, and will certainly hear from these stakeholder if they do not.

More Consistent Data Disclosure

CRC supports the analysis of the National Community Reinvestment Coalition on this point. The most effective method for disclosing performance data would be on a loan-by-loan basis. In that manner, lending institutions would submit databases that would include Annual Percentage Rates (APRs), information on borrower characteristics such as creditworthiness, and information on loan characteristics such as debt-to-income ratios. Included in the database would be loan performance including delinquencies, defaults, and recoveries.

For closed-end home loans, the federal regulatory agencies should require performance data to be submitted for loans that the Federal Reserve Board has ruled must have price information as part of their HMDA data submissions. In other words, performance data would be submitted for first lien loans with APRs three percentage points greater than Treasury security rates and for subordinate lien loans with APRs five percentage points greater than Treasury rates. The regulators should also look to conform these reporting requirements to the definition of subprime lending as put forth by the regulators last year.

Conclusion

CRC continues to believe that publicly available data on subprime lending is a powerful tool for deterring predatory lending. The regulators should push forward the proposal to require banks and thrifts to include in Call Reports subprime lending data that is consistent with recent changes to Regulation C, and to make this data

publicly available.
To do less will only further the public's lack of trust in financial institutions. Thank you for your consideration of our views.

Very Truly Yours,

Kevin Stein
Associate Director