

N A A H L

NATIONAL ASSOCIATION OF AFFORDABLE HOUSING LENDERS

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NAAHL GOLD MEMBERS

Bank of America
Bank One
Century Housing Corporation
Countrywide Home Loans
JPMorgan Chase
Massachusetts Housing
Investment Corporation
WAMU

NAAHL SILVER MEMBERS

ABN AMRO North America
Bank of New York
California Federal Bank
Fannie Mae
Federal Home Loan Banks
First Boston Financial
Harris Bank
Merrill Lynch Community
Development Company
Neighborhood Reinvestment
Corporation
The Northern Trust Company

NAAHL BRONZE MEMBERS

Capital One
California Community
Reinvestment Corporation
Charter Mac
Citigroup CCDE
Community Investments Corporation
Community Preservation Corporation
HSBC Bank USA
Local Initiatives Support Corporation
RED CAPITAL GROUP
Shorebank
The Enterprise Foundation
Wells Fargo

President & CEO

Judith A. Kennedy

September 10, 2002

Ms. 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

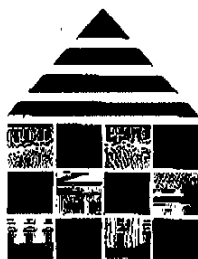
Communications Division
Office of the Comptroller of the Currency
250 E Street, S.W.
Public Information Room
Mailstop 1-5
Attention: 1557-0081
Washington, DC 20219

Robert E. Feldman
Executive Secretary
Attention: Comments/Legal Division
Federal Deposit Insurance Corporation
550 17th Street, N.W.
Washington, DC 20429
Re: Consolidated Reports of Condition and Income, 3064-0052

Information Collection Comments
Chief Counsel's Office
Office of Thrift Supervision
1700 G Street, NW
Washington, DC 20552
Re: TFR Revisions, OMB No. 1550-0023

Ladies and Gentlemen:

The National Association of Affordable Housing Lenders (NAAHL) is the only association devoted to supporting private capital investment in low- and moderate-income communities: in affordable housing, small business, microenterprise and community development to create and preserve sustainable communities. Representing the nation's leaders in community investment, NAAHL today encompasses nearly 200 organizations, including 64 insured depository institutions, 45 non-profit providers and 800 individuals as members.



NAAHL Office

1300 Connecticut Ave., NW, Suite 905 / Washington, D.C. 20036 / Tel. (202) 293-9850 Fax (202) 293-9852 / naahl@naahl.org

Member organizations include banks, thrifts, insurance companies, community development corporations, mortgage companies, loan consortia, financial intermediaries, pension funds, and foundations.

We greatly appreciate the opportunity to comment on the addition of a proposed new schedule to the Reports of Condition and Income (Call Report) that would collect data on consumer loans in subprime lending programs of regulated banking institutions. The consequences of the definitions proposed are potentially far-reaching.

Our concern is that if the definition of "subprime loans" is overly broad in coverage, it could adversely affect lending activities that are consistent with the Community Reinvestment Act (CRA). For example, two of the specific characteristics used in the guidance to define the term "subprime" – a FICO score of 660 or below and a debt service-to-income ratio of 50% or greater – appear to be setting unrealistically high benchmarks. Intended or not, the result will be that many more borrowers will be defined as subprime, whether or not they possess other credit characteristics that would qualify them as prime borrowers. Ultimately, this will limit access to credit from regulated lenders for low- and moderate-income (lmi) families and neighborhoods.

These numbers tend to take on a life of their own. As you know, the characteristics of "subprime", including the FICO score of 660 or below and the debt service-to-income ratio of 50% or greater, were incorporated in the Expanded Guidance for Subprime Lending Programs adopted January 21, 2001. NAAHL and many other organizations expressed strong concern then to community affairs' staff of the agencies that these characteristics should not be interpreted as suggesting higher degrees of credit risk that are associated with "subprime" borrowers. Yet 17 months later, these numbers reappeared.

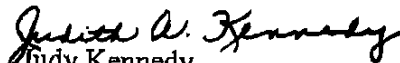
So to reiterate, experienced community investment lenders still continue to believe that a list of unrealistically high standards for the definition of "subprime" will both make it harder for truly creditworthy lmi borrowers to get credit on prime terms and drive consumers to unregulated lenders for credit.

To ensure that deserving borrowers are not denied credit and that supervision is efficiently focused, the agencies' proposed definition should be modified, and the 660 or below FICO score and 50% or greater debt service-to-income ratio should both be reconsidered. We also recommend that the guidance should emphasize that a borrower should not be considered subprime just because he or she has one or two of the characteristics listed in the notice.

Finally, in addition to reconsidering the proposed FICO score and the debt service-to-income ratio, you may also want to reassess whether a "bright line" definition of these characteristics is even necessary or desirable. As you know, in today's automated underwriting environment, lenders consider a host of factors to determine a borrower's creditworthiness. For example, the mortgage marketplace has developed multi-factor, risk-assessment underwriting standards that can qualify borrowers with blemished credit for lower cost financing associated with the prime market. Suggesting specific indicia of creditworthiness could not only impede capital flows to lmi borrowers and neighborhoods and penalize some borrowers, but also penalize lenders that have developed sophisticated underwriting systems that account for many indicia.

We are happy to discuss our concerns with you in greater detail. We look forward to continuing our dialogue with you on these important matters.

Sincerely,


Judith A. Kennedy
President