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**Inner City Press
Community on the Move
&
Inner City Public Interest Law Center**

July 5, 2000

Office of Thrift Supervision
Manager, Dissemination Branch,
Information Management and Services Division
1700 G Street, NW.
Washington, DC 20552

Re: Docket No. 2000-34

To Whom It May Concern at the OTS:

On behalf of Inner City Press/Community on the Move and its members and affiliates, including the Inner City Public Interest Law Center (collectively, "ICP"), this is a timely comment on the Office of Thrift Supervision's (the "OTS's") advanced notice of proposed rulemaking regarding "Responsible Alternative Mortgage Lending."

The Advanced Notice (the "ANPR") asks if the OTS should require federal thrifts "to conduct a due diligence review of potential loan purchases to determine whether the loans meet applicable federal or state rules relating to predatory practices," and if the OTS should "encourage thrifts to inquire whether securitizers from whom they purchase interests in loan pools have conducted their own due diligence efforts with regard to the underlying loans." ICP urges the OTS to take both of these actions. For the record, the OTS last year allowed Lehman Brothers to purchase Delaware Savings Bank, an institution that had been engaged in subprime lending. Lehman Brothers itself is engaged in subprime lending, both directly, and as one of the largest underwriters of pools of subprime loans, including loans originated by Delta Funding (which has been sued for discrimination and predatory lending, by a slew of regulatory agencies), and First Alliance (the subject of the New York Times / ABC News investigative report cited in the ANPR). These Lehman underwritings continued, even after Lehman had committed to the OTS (in connection with acquiring Delaware Savings Bank, and after ICP and the

Delaware Community Reinvestment Action Council had protested the application) to “adopt policies and procedures for purchasing and financial residential mortgage loans which seeks to identify predatory pricing practices by its clients” and that “Lehman Brothers will continue to include, in connection with its underwriting, loan purchase and financial activities, review procedures appropriate to the circumstances involved which seek to identify predatory pricing practices by its clients.”

The New York Times article of March 15, 2000 that the ANPR cites reports *inter alia* that First Alliance loan officer Greg Walling has said, in a sworn affidavit, that “customers with ‘A’ credit would pay the same high loan fees as customers with ‘D’ credit.” The article recounts a significant volume of litigation, including by state regulators, against First Alliance.

The article reports that First Alliance is funded by “\$103 million raised through Lehman Brothers *just three months ago*.” Emphasis added. “Three months ago,” at the time of the article, was at least five months after Lehman made the above-quoted commitment to the OTS. We have asked you to take action on this, and to keep ICP and DCRAC informed of the action you take. We re-offer this example, to urge the OTS to impose the due diligence and other safeguards discussed in the ANPR.

On the other issues in the ANPR, ICP concurs in the comments submitted by the National Community Reinvestment Coalition (“NCRC”), of which the undersigned is a member of the board of directors.

Respectfully submitted,



Matthew Lee, Esq.

Executive Director

Inner City Press/Community on the Move
& Inner City Public Interest Law Center

1919 Washington Avenue

Bronx, NY 10457

Tel: 718-716-3540

Fax: 718-716-3161

Web: <innercitypress.org>

E-mail: <mlee@innercitypress.org>