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October 29, 2001

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

Docket No. 01-16, Communications Division
Public Information Room, Mailstop 1-5
Office of the Comptroller of the Currency
250 E. Street, SW
Washington, DC 20219

Robert E. Feldman
Executive Secretary
Attention: Comments/OES
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429

Docket No. 1112
Ms. Jennifer J. Johnson
Secretary
Board of Governors of the Federal Reserve System
20th and Constitution Avenue, NW
Washington, DC 20551

To Whom It May Concern:

Friendship Development Associates is a neighborhood-based nonprofit group based in Pittsburgh, Pennsylvania. Friendship Development Associates was organized to improve the quality of life in the east end neighborhood of Friendship through strategically planned, affordable housing rehabilitation and commercial development. Friendship Development Associates acts in response to concerns of Friendship Preservation Group (the neighborhood advocacy group) and Friendship residents at large. Friendship Development Associates strives to maintain social and economic diversity, distinctive architectural character and livability of the neighborhood. In recognition of its limited resources, Friendship Development Associates also encourages responsible private development.

As a member of the Pittsburgh Community Reinvestment Group (PCRG), our collective mission is to promote equitable patterns and practices of investment and the commitment of resources by private and public institutions in Pittsburgh's neighborhoods. PCRG also has partnerships with 13 area banks including Mellon Financial Corporation, PNC Financial, National City Bank of Pennsylvania, and Dollar Bank. Through these financial and community links, PCRG assists the goals of LMI communities and banks in reaching their CRA requirements.

Service Test

• Physical locations in low- and moderate-income neighborhoods should be weighted heavily. With quantitative data to support the use of its services, physical sites should receive more credit, as they often serve as anchors to a neighborhood's residential and commercial development.

• Innovative programs and innovative/alternative service delivery methods supported by quantitative data should be weighted heavily. The importance of continued innovation within LMI neighborhoods in order to meet its needs should be reflected by additional CRA credit for programs that achieve a level of success as determined jointly by community groups and the institutions.

• Deposit accounts from low- and moderate-income customers should receive additional credit. Along with the disclosure of checking and savings accounts by income level, race, gender, and census tract, institutions that hold significant deposits of LMI neighborhood residents should receive additional credit.

Small Institution Evaluations

Eliminate streamlined small bank evaluations

• There should not be any additional tiers added to ease a bank's transition from a small bank test to a large bank test nor should there be a small bank exam. All banks should be subject to the lending, investment, and service tests just as the large banks are currently. A smaller bank obviously cannot be expected to make as many qualified investments as a larger bank, but opportunities through participations, for example, do exist. The number of required qualified investments and other similar small vs. large bank disparities should be assessed relative to the institution's asset size.

Assessment Area

• The assessment area should include areas where the institution has offices, branches, deposit-taking ATM's, and areas where they have more than one-half of a percent of the market share in loans.

• The current assessment area definition falls short in capturing the expansion of lending activities beyond traditional brick and mortar locations as institutions learn to reach beyond home markets making physical location less important. Expanding the assessment area to include areas where they have one-half percent market share will make lending institutions responsible for their business practices in the majority of areas they serve.

Create local (neighborhood level) CRA ratings

• The current system should be reformed to be more specific in terms of location. Rating the institution on a macro level only, impedes the ability to pinpoint specific problem areas, thus impeding the ability to create strategic solutions for that institution as well as for that particular neighborhood or tract.

Affiliate Activities

Extend CRA to cover all affiliate activities

• The CRA exam should cover all affiliate activities without exception. Under current regulations, institutions have the option of including affiliates in the exam. We feel that the only time they would choose to do this is when the inclusion would benefit the CRA rating. This clearly allows room for manipulation of their rating. CRA ratings should be affected by affiliates when they engage in abusive lending as well as in fair lending.

Data Collection

Small business data should include the same information that is included in HMDA data

• Full disclosure of all small business loans and practices including, but not limited to race, gender, annual percentage rate, denial data, and denial reason should be required. This would allow for an easier analysis of lending practices and help create new and more effective lending initiatives.

The disclosure of interest rates in HMDA data

• The disclosure of interest rates in HMDA data would serve to more closely identify the predatory lenders within a census tract. If not full disclosure, categories of High, Above Median/Market Rate, Median/Market Rate, Below Median/Market Rate, and Low would be very useful.

In addition to the issues outlined in the ANPR, we would also suggest expanding CRA to cover all residential mortgage lenders and insurance companies. Although there are several ways to improve CRA, it is one law that has compelled banks to do lending in low- and moderate-income areas. By holding insurance companies and other mortgage lenders accountable to CRA, low- and moderate-income individuals would have greater access to improved services, but more importantly CRA would be recognizing the introduction of financial modernization.

Sincerely,

Cathy Rescher

Cathy Rescher
PCRG Member Representative
Friendship Development Associates