MANCHESTER
CITIZENS
CORPORATION

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October 9, 2001

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

To Whom It May Concern:

The Manchester Citizens Corporation (MCC) is a not-for-profit organization that provides housing and supportive service programming for low- and moderate-income families and individuals in Pittsburgh, Pennsylvania.

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. As well, through PCRG, we have partnerships with 13 area banks including Mellon Financial Corporation, PNC Financial, National City Bank of Pennsylvania, and Dollar Bank, who we assist in meeting the needs of LMI communities as well as meeting their CRA requirements.

PCRG and its member community organizations are advocates for the Community Reinvestment Act. It's goal of assigning accountability and directly linking the lending activities of financial institutions to the needs of low- and moderate-income neighborhoods is vital. We feel, however, that the Community Reinvestment Act needs to maintain a growth pace that is the same or faster than the evolutionary rate of today's financial environment. We therefore view this particular Advance Notice for Public Rulemaking (ANPR) as an opportunity for the Federal Government to advance the Community Reinvestment Act to a position where it matches current and projected trends while assigning greater accountability.

Through PCRG we are a member of the *National Community Reinvestment Coalition*, a non-profit organization with over 700 community group members, and *National People's Action*, a non-profit coalition of 302 community group members; we support their comments.

Our comments on the ANPR are as follows:


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## Large Institution Evaluations

### *Lending Test*

- Purchased loans should receive credit, but not as much as an originated loan.

  The strategy of purchasing and repurchasing CRA eligible loans for the purpose of boosting an institution's rating should be discouraged, but not to the point of restricting the willingness to purchase subprime loans on the secondary market.

- Subprime lending should be evaluated separately from prime lending.

  With the proposed addition of annual percentage rates and fees being added to HMDA data, examiners could evaluate subprime and prime loans independently. This would help to award more credit to the firm that does mostly prime loans in an LMI neighborhood than to a similar firm that does mainly subprime loans in the same neighborhood.

- Uncovered predatory loans or practices should receive negative credit.

  The negative impact of predatory loans and practices should be clearly accounted for within the CRA examination by subtracting any credit that would otherwise be gained from making a loan in an underserved area. Banks are not serving the needs of low- and moderate-income communities by making predatory loans.

### *Investment Test*

- Contracting for the services of community-based organizations should receive CRA credit under the investment test.

  The right to contract with a janitorial company, a catering company, a local printer, etc. might do more to stabilize and stimulate business and jobs in the neighborhood than a loan to a business that then has no regular customers. As well, defining contracts for services to small, community-based start-up businesses as an investment would be beneficial to CRA.

### *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,

Rhonda Brandon

Rhonda Brandon
Executive Director