

Evans, Sandra E

From: Hoffmann, M Lou on behalf of Public Info
Sent: Tuesday, October 09, 2001 9:38 AM
To: Evans, Sandra E
Subject: FW: NLC Comments on CRA

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If this should go to someone else in Regs & Legs, please forward and cc: me (so I will forward future Comments correctly). Thanks, Lou

-----Original Message-----

From: John Buttersworth [mailto:syrupman@puremaple.com]
Sent: Wednesday, October 03, 2001 5:52 PM
To: Director of Thrift Supervision Ellen Seidman
Subject: NLC Comments on CRA

John Buttersworth
25 Maple Lane
Sugartree, VT 76324

October 3, 2001

Director of Thrift Supervision Ellen Seidman
1700 G St NW
Washington, DC 20552

Dear Director Seidman:

October 2, 2001

Ms. Jennifer J. Johnson
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551

RE: Docket No. R-1112

Dear Ms. Johnson:

On behalf of 138,000 local elected officials, the National League of Cities (NLC) appreciates the opportunity to submit comments on the Advanced Notice of Proposed Rulemaking (ANPR) as the federal agencies begin to review Community Reinvestment Act (CRA) regulations.

NLC believes that the federal government, and all financial institutions involved in municipal finance and lending, must remain committed to the spirit and application of the CRA. NLC supports vigorous enforcement of

the CRA and other related laws and regulations that encourage productive

investments in cities and ensure that the banking and credit needs of low- and moderate-income areas are met.

The major changes in the CRA that took effect in 1990 have given municipal officials significant new leverage to ensure that deposits in federally insured banking institutions are reinvested locally to meet housing, community and economic development needs and goals. In particular, those changes allow local officials to take part in decisions affecting the

investment of billions of dollars, while creating public-private partnerships to rebuild neighborhoods in municipalities nationwide.

However, NLC believes that further changes to the CRA regulations are warranted. Specifically, NLC supports efforts to strengthen CRA to reflect shifting trends in the financial services industry created by the Gramm-Leach-Bliley (GLB) Act of 1999. Municipal officials have been concerned that the GLB Act, which allows financial institutions to merge with other financial institutions like securities and insurance with few restrictions, will significantly erode the scope of CRA.

It is important that community reinvestment keeps pace with the affiliation of banks, securities firms, and other financial service providers, as allowed under the GLB Act. NLC has endorsed legislation since 1999 that would subject non-bank affiliates of bank holding companies, that engage in lending or offer banking products or services, to the same CRA requirements as depository institutions.

NLC also believes that CRA exams and ratings are an important tool to discourage institutions from engaging in predatory lending, other types of discriminatory lending, and other services that have a negative impact on the community. NLC has already written in support of Federal Reserve proposals earlier this year to enhance the reporting information in the Home Ownership and Equity Protection Act (HOEPA) to curtail predatory lending.

NLC is currently in the process of drafting policy language to encourage the federal government to coordinate with states and localities to identify predatory practices and develop appropriate regulations without undermining legitimate and necessary lending practices. Such coordination would include enhancing HOEPA and the Home Mortgage Disclosure Act (HMDA), curbing abusive loan terms, and strengthening enforcement of current CRA regulations.

In short, the CRA provides local officials with an opportunity to serve as a partner in the development and implementation of a comprehensive community investment program. It is our hope that Congress and the federal agencies will recognize the importance of strengthening the CRA to allow local officials to play an expanded role in improving the quality of our communities nationwide.

Sincerely,

Donald J. Borut
Executive Director

Sincerely,

John Buttersworth