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October 9, 2001

Regulation Comments
Chief Counsel's Office
Office of Thrift Supervision
1700 G Street NW
Washington, DC 20552

RE: Docket Number 2001-49

Dear Sir or Madam:

The Community Reinvestment Act has been extremely helpful as we have worked with local financial institutions to extend economic opportunities here in the Lehigh Valley in eastern Pennsylvania. While the Office of Thrift Supervision's Advance Notice of Proposed Rulemaking creates some anxiety among those of us who have worked closely with local banks, it is our hope that the OTS will use the opportunity to make some needed improvements in the regulations in order to further strengthen the law.

Here in the Lehigh Valley, community development organizations have developed an impressive range of community development products, including loan products for small businesses, affordable rental housing development, and mortgages. We have virtually eliminated the mortgage approval differential among whites and racial and ethnic minorities while dramatically expanding the number of minority households applying for mortgages. We have convinced banks to more carefully scrutinize loan applications from government-sanctioned landlords. We have agreements with two specific banks to expand their loans, investments, and services. Simply stated, CRA has been the most important tool for community development in the low- to moderate-income neighborhoods of Allentown, Bethlehem, and Easton.

We are deeply concerned that the huge changes in the financial services industry resulting from passage of the Gramm-Bliley-Leach legislation in 1999 have weakened the effectiveness of CRA. Some sub-prime affiliates are engaged in predatory lending activity, insurance companies can "cherry-pick" customers without making affirmative efforts in LMI census tracts. Securities companies are weakening CRA-regulated banks by appealing to customers to use their banking services.

To address these and other concerns, the Community Action Committee of the Lehigh Valley offers the following suggestions:

- The regulatory agencies should mandate that all lending and banking activities of non-depository affiliates be included on CRA compliance exams;
- Regulations should apply in all geographic areas in which the bank does business, not just where the bank has branches and deposit-taking ATMs;

Community Action Committee of the Lehigh Valley

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- CRA exams should cover the entire bank's market, not just selected areas (too often a bank is performing well in some markets but not all);
- The agencies should much more carefully scrutinize the sub-prime operations of banks and their affiliates, including penalizing banks for making subprime loans to borrowers who qualify for prime loans;
- Banks should be prohibited from providing safe havens for payday lenders who skirt state laws by using national banks;
- The agencies should enforce CRA agreements between banks and their communities;
- Because charitable contributions for non-profits such as community development corporations and home ownership counseling agencies are so critical to community capacity-building and the ability of banks to make loans, such contributions should be given far more weight under the investment test than they currently receive;
- Bulk purchase of loans should qualify under the investment test but should not count as much as loan originations under the lending test;
- Information on interest rates and fees should be included on reports under the Home Mortgage Disclosure Act;
- Small business lending data collection requirements should include information on race and census tracts;
- The agencies should find ways to encourage better branch-type services in LMI census tracts;
- Banks should be required to submit plans to improve their CRA ratings when they receive "needs to improve" or "low satisfactory" ratings and these plans should be subject to a public comment period;
- When a bank acquires a bank with a "needs to improve" or "low satisfactory" rating, it should be required to submit a plan to the agencies for improvement and subject the plan to a public comment period.

We believe that these improvements will strengthen communities while improving the profitability of the financial services industry, since such companies cannot make money in depressed, credit-starved communities.

We appreciate the opportunity to offer these recommendations and look forward to more progressive regulations. If we can be of any further assistance, please contact us.

Sincerely,

Alan L. Jennings
Executive Director

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