

**From:** Hirtle Stanley [shurtle@ablelaw.org]  
**Sent:** Friday, January 19, 2007 6:12 PM  
**To:** Comments, Regs  
**Cc:** Edgemont@ameritech.net  
**Subject:** No. 2006-44. Uniformity of CRA Regulations  
January 19, 2007

Regulation Comments  
[regs.comments@ots.treas.gov](mailto:regs.comments@ots.treas.gov)  
Chief Counsel's Office  
Office of Thrift Supervision  
1700 G Street NW  
Washington, DC 20552

Attention: No. 2006-44. Uniformity of CRA Regulations

Dear Sir/Madam:

Edgemont Neighborhood Coalition Inc. supports the Office of Thrift Supervision (OTS) proposal to align your CRA regulations and examinations with those of the other three federal banking agencies. We believe that your proposed changes to Community Reinvestment Act (CRA) exams will increase lending, investing and bank services in low- and moderate-income communities. We urge your agency to implement your proposed changes as soon as possible.

**EDGEMONT NEIGHBORHOOD COALITION, INC.**

Edgemont Neighborhood Coalition, Inc. is a nonprofit community organization located at 919 Miami Chapel Road, in Dayton, Montgomery County, Ohio. The group consists of residents of the Edgemont neighborhood, a low-income African American neighborhood in Dayton, who have associated in order to foster pride in their neighborhood and address the issues of crime, youth and adult joblessness, inadequacy of educational opportunities, affordability of utilities, and business and community development.

One issue of importance of the Edgemont Neighborhood Coalition, Inc. has been the availability of affordable financial services in the community. Edgemont has been active in Community Reinvestment Act activities in order that residents have access to mainstream financial services at mainstream prices, and not be relegated to high-cost "fringe lenders" such as payday lenders, "subprime" mortgage lenders, rent-to-own vendors and pawnshops.

In furtherance of these goals, Edgemont has commented on proposed regulations by federal agencies and has appeared as amicus curiae in court cases involving payday lending and predatory mortgage lending. Edgemont has been a party in proceedings in the Public Utilities Commission of Ohio, and has also cosponsored conferences concerning payday lenders and their effects on the community. Edgemont supports the work of the

National Community Reinvestment Coalition and of the Community Reinvestment Institute Alumni Association here in Dayton.

In addition to being a community organization, Edgemont Neighborhood Coalition, Inc. functions as a small business, operating an office, community garden and community computer center.

#### LOCAL CONCERNS

Ohio is the center of the mortgage foreclosure epidemic, and is at or near the top in foreclosures. Montgomery County, Ohio, where we are located, has been at or near the top of the state in mortgage foreclosures. There were approximately 4,000 mortgage foreclosures filed here in 2004 and 2005, and a staggering 5076 in 2006. This is up 260% in seven years.

Thrifts and other prime mortgage lenders have been replaced by subprime mortgage lenders. One in five subprime loans result in foreclosure. Minority homeowners, particularly women and the elderly, in our community have frequently been the targets of predatory mortgage lending. Predatory mortgage lending is primarily found embedded in the subprime mortgage market. Even when subprime loans do not contain obvious predatory features, their cost appears to be higher than is justified by the increased risk of loss that the lender faces. Freddie Mac also found that a good percentage of people who got subprime loans were eligible for prime loans. These features suggest that credit markets are segregated in practice and this segregation contributes to high loan cost.

Subprime mortgage lenders are the tip of an iceberg of personal debt, whose high cost threatens the homes in our community. This iceberg also includes payday loans, refund anticipation loans, high interest credit cards, high cost personal loans and costly services like check cashers. High cost debt prevents the building of wealth. We need more prime lenders with accessible branches in our community.

Ohio, the Dayton area and our neighborhood also suffer from high unemployment and loss of higher paying jobs, caused by withdrawal of investment needed to keep up with a changing economy. There are not enough mainstream financial services in our community for either individuals or businesses. This results in less employment of local residents by local businesses and less success by local businesses.

PLEASE RETURN TO THE CRA EXAM STANDARDS OF OTHER AGENCIES

All four federal agencies should establish the same CRA exams so that the public can effectively compare the CRA performance of banks and thrifts. Currently, banks and thrifts with similar assets have very different CRA exams. Both large and midsize thrifts are allowed to do less than their bank counterparts. This has been a mistake. The weaker CRA standards for thrifts make it difficult to hold thrifts accountable for responding to community needs. The difference also muddies the water, preventing meaningful comparisons concerning the way all the financial services industry serves the community.

The CRA tests for banks have worked better than the OTS standards. The National Community Reinvestment Coalition and the Economic Justice Project of the Justice Action Center based in New York Law School have conducted research demonstrating that the new OTS exam regime has resulted in declines in community development lending, investments, and branches in low- and moderate-income communities. Please review their research carefully. Institutions have been able to manipulate the “weights” so as to inflate their scores while reducing their lending and branches.

OTS should also add an anti-predatory lending screen to its CRA regulation. Savings and loans should be penalized severely through lower ratings on CRA exams if they engage, actively or passively, in illegal, discriminatory, and abusive lending practices. Instead thrifts should provide less costly alternatives to subprime loans and break down the segregative barriers between the prime and subprime markets that permit exploitative practices.

For these reasons we support your proposal to align your CRA regulations and examinations with those of the other three federal banking agencies.

Thank you for your attention.

Truly yours,

Stanley A. Hirtle  
Attorney for Edgemont Neighborhood Coalition  
Advocates for Basic Legal Equality  
333 W. First St. #500  
Dayton OH 45402  
Office 937-228-8014  
Fax 937-449-8131

Cc: Edgemont Neighborhood Coalition

