



# DELAWARE COMMUNITY REINVESTMENT ACTION COUNCIL, INC.

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**Founded in 1987**

October 10, 2001  
Regulation Comments  
Chief Counsel's Office  
Office of Thrift Supervision  
1700 G Street NW  
Washington, DC 20552

Re: Docket Number 2001-49

Dear Mr. Feldman:

As your agency reviews the Community Reinvestment Act (CRA) regulations, the Delaware Community Reinvestment Action Council strongly recommends and appeals for a strengthening of the CRA.

In our 15 years as a local advocacy agency we have found this legislation to be critical in increasing lending to underserved minority communities and low- and moderate-income communities throughout Delaware.

As a result of our efforts, the rate of denials to African-American and Hispanic mortgage applicants in the Wilmington MSA is significantly lower than the national average. Nationally, half of all African-American applicants and one-third of Hispanic applicants were denied mortgages in 2000, compared to just one-fourth of white applicants. In our MSA, 23.6 percent of African-American applicants and 14.14 percent of Hispanic applicants were denied mortgages last year.

The plague of predatory lending continues to devastate our communities because CRA regulations have chosen to ignore it. The banking landscape is changing in the post Gramm-Leach-Bliley Act. The CRA must be adopted to address these emerging issues.

Our mission is "to ensure equal access to credit and capital for the under served populations and communities throughout Delaware through Education, Advocacy, and Legislation."

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We urge the regulatory agencies to adopt the following policies:

- CRA exams should cover all lending and banking activities of non-depository affiliates as well. These affiliates could be engaged in redlining by making loans only to the affluent Americans, or at the other extreme, preying upon the vulnerabilities of the lower income families.
- In the CRA exam, specifically include an examination of those communities in which a great majority of a bank's loans are made. Banks are increasingly using brokers and other non-branch platforms to make loans.
- CRA exams must be conducted concurrently with fair lending and safety and soundness exams to ensure that lending is conducted in a non-discriminatory and non-abusive manner that is safe for the institution as well as the borrower. DORAC applauds a recent change to the "Interagency Question and Answer" document stating that lenders will be penalized for making loans that violate federal anti-predatory statutes. This Question and Answer must become part of the CRA regulations.
- The CRA exams must have more stringent criteria for evaluating lenders that make both prime and subprime loans. The subprime lender must demonstrate that no credit worthy borrower was offered a subprime loan.
- The CRA exam must begin taking into account a HMDA analysis of lending to minorities. Race-based discrimination in lending continues to exist.
- The investment test should NOT be eliminated. Low- and moderate-income communities continue to experience a shortage of equity investments for small business and other pressing economic development needs.
- Purchases of loans must not be given the same weight as loan originations. Much work, both outreach and underwriting, goes into originating a loan.
- The emphasis on quantitative criteria must be maintained. An "innovative" program does compensate for the bank's otherwise poor performance.
- The Federal Reserve Board must enact its proposed HMDA reform to include information on interest rates and fees.
- The CRA small business data must include information on the race, gender, and specific revenue size of the borrower and the specific census tract location of the business.

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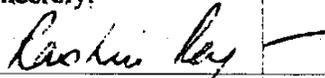
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- The service test must be enhanced by data disclosure regarding the number of checking and savings accounts by income and minority level of bank customer and census tract.
- The cost of services must be a factor on CRA exams; high fee services do not meet deposit needs and strip consumers of their wealth and savings.
- The service test must award the most points to banks that provide a high number of affordable services to residents of low- and moderate-income communities.
- Low and high satisfactory ratings must be made a part of the overall CRA exam. Banks should be required to submit improvement plans if they have ratings of low satisfactory or below.
- Gramm-Leach-Bliley prohibited banks with failing CRA ratings from expanding into the insurance and securities business. This provision of the statute must apply to the bank acquiring another institution as well as a bank being acquired. The Federal Reserve Board's interpretation provides no incentive for a good CRA rating.
- The CRA exam process must be sincere. Rubber-stamping a bank's proposed grading of its own CRA exam must stop. Community outreach to those that the bank directs the examining officer to is in no way an objective assessment of how a bank meets its obligations. Recently, DCRAC was not at all surprised to see an Outstanding CRA rating for an institution that denied minority borrowers a home mortgage loan much more frequently than a non-minority borrower.

We urge regulatory agencies to hold public hearings throughout the country when they propose specific changes to the CRA regulations. DCRAC believes the federal banking agencies need to hear the diverse voices of America's communities as they consider a regulation so vital to ensuring that community credit needs are being met.

On behalf of our constituents, the underserved and minority communities of Delaware thank you for consideration of our comments.

Sincerely,



Rashmi Rangan

Cc: National Community Reinvestment Coalition