Inner City Press
Community on the Move
&
Fair Finance Watch

April 5, 2004

By fax to 202-452-3819

Docket No. R-1181
Jennifer J. Johnson
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington DC 20551

Dear Secretary Johnson and *others* in the FRS:

On behalf of Inner City Press / Community on the Move ("ICP") and the Fair Finance Watch (the "FFW"), this is a timely comment in response to the Notice of Proposed Rulemaking on the Coininunity Reinvestment Act ("CRA"). In brief, we believe that the proposed definition and treatment of predatory lending is insufficient; we are opposed to exempting banks with assets up *to* $500 million from *the* normal CRA examination; and, we believe that CRA is being under-enforced, particularly in connection with applications for mergers and other expansions.

Predatory lending is a scourge, and is being conducted by affiliates of some of the largest banks arid thrifts in the county. The proposal defines predatory lending too narrowly, and only proposes that it be considered if done by some but not all bank affiliates. In fact, activities that banks and their affiliates fund, lend *to,* securitize *or* act as trustee for, and otherwise enable, should be considered under the CRA, including but not limited to during the public comment period on merger and expansion applications.

The penetration of predatory lending practices into the banking industry is reflected by, among other things, Citigroup's ownership of CitiFinancial, subject to a $240 million predatory lending settlement; HSBC's ownership of Household International, subject *to* a $484 million predatory lending settlements; the issues swirling around Wells Fargo; Bank of America's ownership of Oakmont Mortgage and its securitization

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activities; National City's ownership of First Franklin; Washington Mutual involvement in standardless subprime lending; various banks involvements with payday lending (including as funders and enablers of payday lenders). In this light, the agencies' proposal with regard to predatory lending is woefully inadequate.

Likewise, to exempt banks with assets up to $500 million from normal CRA exams would be an error. As set forth in the comments of NCRC, of which ICP is a members and on whose board of directors the undersigned serves, the proposal would reduce the rigor (and meaning) of the CRA exam for 1,111 banks accounting for $387 billion in assets. It would particularly negatively impact rural areas: but urban areas as well. ICP notes, in terms of substantive issues raised at banks with assets below $500 million, that the FDIC's associate director Steven D. Fritts, at a recent conference of the payday lenders' trade association CPSA, disclosed that 11 banks insured by the FDIC are currently making payday loans through third parties (he said that the number has doubled in the last year, and that the FDIC expects the trend to continue. These payday lending banks, he said, have average assets of $300 million -- that is, the type of bank that would be removed from meaningful CRA scrutiny under this proposal. ICP joins in the rest of NCRC's 45 page comment.

Thank you for your attention. I can be reached, at ICP, at (718) 716-3540.

Sincerely,

Matthew Lee, Esq.

Executive Director
Inner City Press/Community on the Move
Fair Finance Watch