

**UNIDOS PARA LA GENTE
P. O. Box 341
San Marcos, Texas 78667**

March 1, 2004

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 Officials **of** Federal Bank and Thrift Agencies:

As a member of the National Community Reinvestment Coalition, Unidos Para La Gente urges **you** to withdraw your proposed changes to the Community Reinvestment Act (CRA) regulations. The CRA has increased access to homeownership, boosting economic development, and expanding small businesses in minority, immigrant, and low- and moderate-income communities of the nation. Your proposed changes will halt progress made in community reinvestment.

The proposed changes would facilitate predatory lending and reduce the ability **of** the general public to hold financial institutions accountable for compliance with consumer protection laws,

Considering the three major elements of proposed changes, the investment and service parts of the CRA exam for banks and thrifts with assets of **\$250** to \$500 million would be eliminated and the rigor of CRA exams for banks accounting for more than \$387 billion in assets would be reduced. This elimination and reduction **would** result in much less access to banking services **and** capital for underserved communities. And banks **would** no longer be accountable for provision of bank branches, checking accounts, IDAs, or debit card services, therefore diminishing the effectiveness of the current Administration's **housing** and community development programs.

Proposed changes contain an anti-predatory screen that will actually perpetuate **abusive** lending. Banks are proposing packing of fees into mortgage loans, high prepayment penalties, loan flipping, mandatory arbitration, and other abuses. Rigorous fair lending audits **and** severe penalties on CRA exams for abusive lending are necessary **to** assure protection for new home owners. These standards should be extended to all loans made by **a** bank and all of its affiliates.

The proposed enhanced data disclosure will improve ability of the general public to determine the performance of banks serving traditionally neglected neighborhoods with small business loans. But these **proposed** enhancements do not make up for the significant harm caused **by** the first two proposals. **And** the banks must use the new data to provide **less** weight on CRA exams to high cost loans than **prime** loans and assign **less weight** for purchases than loan originations.

Also the gaping holes in CRA regulation must be closed. Banks should not be allowed to manipulate their CRA exams by excluding affiliates not **servicing** low- and moderate-income borrowers **and** excluding affiliates engaged in predatory lending. All affiliates must be included on exams. And **banks** must include geographical areas beyond **their** branches where many **loans** are made.

CRA is a law that makes capitalism **work** for all Americans. It is **too** vital **to** be gutted by harmful regulatory changes and neglect. **Thank** you for **your** attention **to this** critical matter.

Sincerely yours,



Mary Compton, president
Unidos Para La Gente

cc :

National Community Reinvestment Coalition
President George W. Bush
Treasury Secretary John W. Snow