

March 29, 2004

Docket No. 04-06
Communications Division
Public Information Room, Mailstop 1-5
Office of the Comptroller of the Currency
250 E St. SW,
Washington 20219

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

Robert E. Feldman
Executive Secretary
Attention: Comments
Federal Deposit Insurance Corporation
550 17th St NW
Washington DC 20428

Regulation Comments, Attention: No. 2004-04
Chief Counsel's Office
Office of Thrift Supervision
1700 G Street NW
Washington DC 20552

Dear Officials of Federal Bank and Thrift Agencies:

West End Development Corporation urges you to withdraw the proposed changes to the Community Reinvestment Act (CRA) regulations. The CRA plays a pivotal role in increasing access to homeownership, boosting economic development, and expanding small businesses in low- and moderate-income communities throughout the U.S. The proposed changes to CRA will **halt** the progress made in community reinvestment rather than **improve** them.

The proposed **CRA** changes will thwart the Administration's goals of improving the economic status of immigrants and creating **5.5** million new minority homeowners by the end of the decade. Instead, the proposed CRA changes would facilitate predatory lending and reduce the ability of the general **public** to hold financial institutions accountable for compliance with consumer protection laws.

The proposed changes include three major elements: 1) provide streamlined and cursory exams for banks with assets between \$250 million and \$500 million; **2)** establish a weak predatory lending compliance standard under CRA; and 3) expand data collection and reporting for small business and home lending. The beneficial impacts of the third proposal are overwhelmed by the damage imposed **by** the **first** two proposals. In addition, the federal banking agencies did not: update procedures regarding affiliates and assessment areas in their proposal, and thus missed a vital opportunity to continue **CRA's** effectiveness.

We are particularly troubled by the following:

Streamlined and Cursory Exams, The proposed changes will eliminate the investment and service parts of the CRA exam for banks and thrifts with assets between \$250 and \$500 million. The proposed changes would reduce the rigor of CRA exams for 1,111 banks that account for more than \$387 billion in assets,

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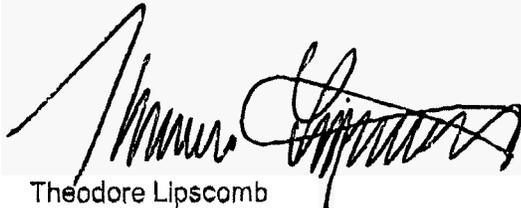
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Predatory Lending Standard. The proposed CRA changes contain an anti-predatory screen that will actually perpetuate abusive lending. For example, abusive lending would not result in lower CRA ratings when it strips equity without leading to delinquency or foreclosure. In other words, borrowers can have the necessary income to afford monthly payments, but they are still losing wealth as a result of a lender's excessive fees or unnecessary products.

Missed Opportunity to Update Exam Procedures: The agencies also failed to close gaping loopholes in the CRA regulation. Banks can still elect to include affiliates on CRA exams at their option. They can thus manipulate their CRA exams by excluding affiliates not serving low- and moderate-income borrowers and excluding affiliates engaged in predatory lending.

The proposed changes to CRA will directly undercut the intent and effectiveness of CRA. In short, these changes will effectively mark the end of improved lending and signal the decline of investment in our low-moderate income neighborhoods.

Sincerely,



Theodore Lipscomb
Director of Community Development

cc:

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