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April 29, 2005

Jennifer J. Johnson
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington DC 20551

RE: Docket No. R-1225

Dear Ms. Johnson:

Edgemont Neighborhood Coalition, Inc. urges you to enhance your proposed changes to the Community Reinvestment Act (CRA) regulations so that banks do not reduce their levels of branches, and community development loans and investments to low- and moderate-income communities. Your proposal is an improvement from the one FDIC issued in the fall, but serious issues remain.

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, Montgomery County, Ohio, where we are located, leads the state in mortgage foreclosures. There were more than 4,300 foreclosures in Montgomery County in 2003, and nearly 4,000 filed through 2004, and 1363 to date in 2005. This is up 250% in six years.

Minority homeowners, particularly women, have frequently been the targets of predatory mortgage lenders. Subprime mortgage lending is more prevalent in minority neighborhoods. A recent study by ACORN found that 23% of all refinance loans to African-Americans in the Dayton/Springfield area were made by higher cost subprime lenders, as opposed to 6% to whites. A study by the National Community Reinvestment Coalition found that African-Americans are more likely to get a subprime loan than whites even if the borrowers' credit scores are the same.

The University of Dayton based study report Predation in the Sub-Prime Lending market: Montgomery County - 2001, examined of a random sample of mortgages associated with foreclosure filings and found that a significant minority of sub-prime loans involved with foreclosures exhibit interest rates or other features that are predatory in nature.

Studies from Pennsylvania and North Carolina showed that more than 20% of subprime mortgages will end in the filing of a foreclosure, and most of those will result in loss of a home. Foreclosed homes add to the problem of abandoned properties which blight the neighborhood and contribute to crime.

The Federal Reserve Board has found that the median value of financial assets for non-whites is only 1/5 of that of whites. The equity in a family home is the most common financial asset for African Americans. Unreasonably high cost mortgage loans attack the equity in the home, prevent upward mobility and ultimately can result in losing the home and what the home means to the American dream.

Our neighborhoods also suffer from the proliferation of payday lenders who charge high interest rates for short term loans. They thrive in part because more reasonably priced lenders, including banks, are no longer as present in the neighborhood. A number of bank mergers have affected lenders with branches here, and their impact on access to financial services remains unclear.

The community is also in severe need of business development and jobs which businesses provide. Dayton has suffered job losses in the manufacturing and particularly the automotive areas. These job losses are expected to continue into the future. Business lending is an important part of neighborhood revitalization.

COMMENTS ON THE PROPOSED CHANGES

Edgemont is pleased that FDIC has dropped the proposal to allow mid-size banks with assets between \$250 million to \$1 billion to offer community development loans, investments or services. Banks must be expected to engage in all three of these essential community development activities in order to pass their CRA exams as your current proposal requires. We still believe that the current exam structure of separate lending, investment, and service tests is the most effective structure for maximizing the level of community development financing.

If you move to a new exam format, you must ensure that significant declines of community development financing do not occur. You could compare past levels of community development financing to future levels after any changes to the CRA exam structure so that banks are penalized if they significantly decrease their level of community development activities.

The role of investments in communities cannot be belittled. Investments in affordable housing and economic development build wealth for families and communities and thus open up new markets for bank lending and services. The importance of investments is one reason why you must carefully develop any final proposal regarding the CRA exam structure.

We are also concerned that deleting a separate test for services will result in CRA exams no longer holding mid-size banks accountable for the provision of bank branches and low-cost accounts in low- and moderate-income communities. Payday lending and other high cost credit has increased in our community the last several years, while bank branches remain scarce, and become more so as banks merge. The last thing we need are CRA exams that no longer look at the number of bank branches in traditionally underserved communities. Please add the provision of bank branches as a clear factor on your proposed CRA exams for mid-size banks.

We urge you to drop your proposed elimination of public data disclosure requirements regarding community development, and small business and small farm lending. Mid-size banks are vital in many communities, particularly in medium-sized cities and rural communities. The only way to hold mid-size banks accountable for providing credit to small firms and for affordable housing and community development is if the CRA data remains publicly available. The public as well as regulatory agencies will have no way to systematically measure the responsiveness of these banks to critical credit needs if you eliminate this data.

You should not change the requirement that community development in rural areas must benefit low- and moderate-income areas and distressed communities.

We also urge you to apply your revised test to only banks with assets between \$250 million to \$1 billion.

If you use an inflation factor each year to increase the number of banks subject to the new and abbreviated CRA exam, you will reduce the range of bank financing and services flowing to communities that need them the most.

If you have any questions, please call me at 937-535-4410. Thank you for your consideration.

Truly yours,

A handwritten signature in cursive script, appearing to read "Stanley A. Hirtle".

Stanley A. Hirtle
Attorney for Edgemont
Neighborhood Coalition

cc: Robert E. Feldman
Office of the Comptroller of the Currency
Edgemont Neighborhood Coalition
National Community Reinvestment Coalition