

**HAMILTON COUNTY
COMMUNITY REINVESTMENT GROUP**
1823 Andina Ave, Cincinnati, Ohio 45237(513) 641-5446, hccrg05@aol.com

January 6, 2006

**Office of the Comptroller of the Currency
250 E Street SW, Mail Stop 1-5
Washington DC 20219
RE: Docket No. 05-17**

**Jennifer J. Johnson
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington DC 20551
Docket No. OP-1240**

**Robert E. Feldman
Executive Secretary
Attention: Comments, RIN 3064-AC97
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington DC 20429**

To Whom It May Concern:

The Coalition of Neighborhoods (CN) and the Hamilton County Community Reinvestment Group (HCCRG) are affiliates, and send this joint letter of comments. We are members of the National Community Reinvestment Coalition, and we appreciate that the federal banking agencies have clarified how banks will receive favorable consideration in their Community Reinvestment Act (CRA) exams for financing community development activities in geographical areas impacted by natural disasters. While we are pleased that the federal agencies direct banks to focus on low- and moderate-income families in areas impacted by disasters, we are concerned that other proposed questions divert bank financing to middle- and upper-income housing developments in distressed rural middle-income census tracts. The agencies must implement CRA in a manner that maintains the law's central objective of ending redlining and expanding access to credit for low- and moderate-income families and communities.

We are pleased that the agencies are proposing that banks will receive points on their CRA exams for financing community development in geographical areas impacted by disasters for up to one year after the expiration of official federal or state designation of disaster status. Community development financing takes considerable time to plan and implement, meaning that the one year of additional time is important for geographical areas like the Gulf Coast region that have been devastated by natural disasters. We also applaud the agencies for providing more "weight" or credit to community development activities that are most responsive to the needs of low- and moderate-income individuals that have been impacted by the natural disaster. Your proposal to provide CRA points for investments that benefit families displaced by disasters promises to be very beneficial to areas receiving a large influx of families resettling in the wake of Hurricane Katrina and future natural calamities.

The proposed questions on community development services provide an important emphasis on low-cost banking services for low- and moderate-income consumers. Low-cost checking accounts, electronic transfers, and remittances provide critical alternatives to payday loans and other high cost fringe products. Low cost banking services enable low-income consumers to save and build wealth in contrast to usurious products that strip wealth. Once these proposed questions are finalized, we hope that the agencies provide CRA points for low cost banking services and also penalize banks on CRA exams for abusive products such as bounce protection, whose wealth stripping features are not advertised clearly to consumers.

We ask that you clarify the CRA exam criterion for mid-size banks with assets between \$250 million to \$1 billion that assesses their provision of services through branches and other facilities. You must clarify that this exam criterion includes an examination of the number and percent of branches in low- and moderate-income communities. Placing branches in low- and moderate-income communities is vital since a recent Federal Reserve study shows that racial disparities in high cost lending is less when banks conduct the lending through branches as opposed to using brokers.

We oppose the proposed question and answer that provides CRA points for financing middle- and upper-income housing developments in distressed rural middle-income census tracts. **Of Special Note:** We have three concerns regarding the implications of this regulation. One, a recent NCRC study found that the black middle class in Cincinnati, Ohio, were denied loans at a higher and disproportionate rate than their white counterpart, all things being equal. So, as you focus on rural middle class census tracts, we encourage you to also give closer review to black middle class census tracts and loans/denials to black applicants rural and urban. Two, points to lenders for financing middle- and upper-income housing developments may have the outcome of "providing incentives and even steering" the middle class out of urban communities throughout the country. This would create a wave of disinvestment that too many urban cities could not survive. And three, what needs to be encouraged in examinations are the points given to encourage LMI housing developments in middle-to-upper income census, urban and rural.

Elsewhere in the existing Question and Answer document and in your proposed questions, the agencies provide credit for mixed-income housing developments. Mixed-income housing helps to overcome segregation by income and is an activity worthy of

CRA points if the housing contains a significant number of low- and moderate-income families. We therefore urge you to eliminate the possibilities of banks receiving significant CRA points for financing middle- and upper-income housing. We urge you instead to provide points for mixed-income housing.

We applaud your proposed question and answer that reiterates that mid-size banks must offer community development loans, investments and services. Mid-size banks cannot ignore one or more of these activities. We also recognize that qualitative factors on CRA exams can be important, but we ask that you add a provision to your proposed questions stating that qualitative factors will not be employed by examiners to excuse low levels of community development lending, investments or services.

Finally, we previously applauded your decision to add an anti-predatory provision to the CRA regulations that will penalize banks for illegal, abusive, and discriminatory loans. We ask that you add a Question and Answer indicating that a bank will automatically undergo a fair lending exam to test for compliance with federal anti-predatory and anti-discrimination law when the bank or one of its affiliates makes a high concentration of sub prime loans to minorities, the elderly, women, low-income borrowers or to communities recovering from natural disasters and experiencing shortages of credit.

The most effective way to expand access to credit to underserved borrowers is implementing rigorous and comprehensive CRA exams and fair lending exams that maintain the focus on meeting the credit and deposit needs of low- and moderate-income borrowers and communities. If you are responsive to our comments on the proposed Question and Answers, CRA exams will stimulate the increase in fair and equal access to capital, credit, and financial services.

Sincerely,



Morris Williams
Convener, HCCRG
President/CEO, CN

Cc: National Community Reinvestment Coalition
Mayor Mark Mallory
County Commissioner, Todd Portune
Congressman, Steve Chabot
NAACP - Cincinnati Branch
National Society of Real Appraisers - Cincinnati/Northern Kentucky Chapter
The National Association of Real Estate Brokers - Cincinnati Chapter
Affiliated organizations