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January 7, 2006

Office of the Comptroller of the Currency
250 E Street SW, Mail Stop 1-5
Washington DC 20219
RE: Docket No. 05-17
via facsimile: (202) 874-4448

Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington DC 20551
RE: Docket No. OP-1240
via facsimile: (202) 452-3819

Robert E. Feldman
Executive Secretary
Attention: Comments, RIN 3064-AC97
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington DC 20429
via e-mail: comments@fdic.gov

Re: Proposed "Question and Answers" - Community Reinvestment Act

Dear Secretary Johnson, Secretary Feldman and the Office of the Comptroller of the Currency:

Western Center on Law and Poverty, Inc. is a non-profit organization in California. With offices in Los Angeles, Oakland and Sacramento, we represent low income households throughout the state with regard to their affordable

housing needs and community development, among other things. We are pleased that the Community Reinvestment Act (CRA) "Questions and Answers" proposed by the federal banking agencies emphasizes the importance of low-cost banking services for low-income consumers.

To encourage new guidelines, and clarification of existing guidelines, that will meaningfully increase banking and lending opportunities to lower income households, we appreciate the opportunity to make the following comments regarding the proposed "Questions and Answers":

Meaningful Banking Services for Low-Income Households

Low income communities are inundated with payday lenders and check cashers and often must utilize, with little or no choice, wire transfers and other high cost fringe products. Low cost checking accounts and accessible bank branches and remittances provide critical alternatives for these communities.

Low cost banking services and products provide low-income consumers with opportunities to become part of the financial mainstream and to accumulate assets. CRA points should be awarded to banks for providing low cost banking services and products.

Meaningful Lending Services for Low-Income Households

Predatory loans and fringe financial services are expensive and strip wealth from vulnerable consumers. CRA examinations should penalize banks for abusive lending practices, such as

- offering inequitable, discriminatory and/or abusive products
- financing check cashers and payday lenders
- investing in mortgage-backed securities that may contain higher priced mortgage or home loans with deceptive terms.

CRA Points for Much Needed Lower-Income Housing Developments — Not Mixed Income Housing

We oppose providing CRA points for the financing of middle and upper income housing developments in distressed rural moderate-income census tracts. We also oppose giving credit for mixed-income housing developments. Mixed-income housing does not meet the severe housing needs of lower-income families. The few units that are provided in such developments are often targeted to moderate

income households with the highest incomes, *i.e.* those households with incomes as high as 120% of the community's median income.

The lack of housing affordable to lower-income families has reached crisis levels in this country. The CRA can be extremely effective in addressing this crisis by providing meaningful avenues to promote financing for the development of affordable housing. To this end, CRA points should only be awarded if an entire development is designated for low-income families or, in the alternative, there is designation of a large majority of low-income units in a low and moderate income (only) development. Please eliminate any possibility for banks to receive CRA points for financing middle and upper income housing.

Clear CRA Examinations Criterion for Mid-Size Banks

For mid-size banks with assets between \$250 million to \$1 billion, regulators should clarify that the CRA exam criterion that assesses their branch distribution and other facilities throughout their assessment area. Mid-size banks should be required to have an equal percentage of branches in low and moderate income communities as to the percentage of low and moderate income census tracts in that particular assessment area. Without branches in their communities, low and moderate income consumers are more susceptible to high cost lending through brokers and have no other choice but to rely on a fringe financial system.

We applaud the reiteration in the "Questions and Answers" that mid-size banks must offer community development loans, investments and services. Mid-size banks cannot ignore one or more of these activities. While we recognize that qualitative factors on CRA exams can be important, we request further clarification in the "Questions and Answers" that qualitative factors will *not* be used by examiners to excuse low levels of community development lending, investments or services.

Fair Lending Requirements for Subprime Lenders

The "Questions and Answers" should declare 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 subprime loans to minorities, the elderly, women, low-income borrowers or to communities recovering from natural disasters and experiencing shortages of credit.

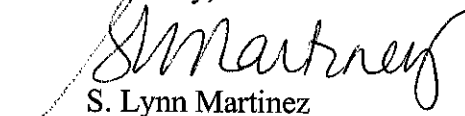
Community Development in Natural Disaster Areas

The "Questions and Answers" document clarifies how banks will receive favorable consideration in their 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 opposed to the diversion of bank financing to middle and upper income housing.

We are pleased with the proposal to provide banks with 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. We commend the agencies for providing more credit to community development activities that are most responsive to the needs of low and moderate income individuals that have been impacted by natural disaster. We also support giving CRA points for investments that benefit low income families displaced by disasters.

As you are aware, implementing rigorous and comprehensive CRA exams is the most effective way to expand access to credit, and needed financial services and products for underserved borrowers. Thank you in advance for your careful consideration of our comments and for ensuring that equitable and non-abusive lending, investment and financial services opportunities are available to lower-income households and their communities.

Sincerely,



S. Lynn Martinez

Attorney at Law

cc: California Reinvestment Coalition