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PCRG

PITTSBURGH COMMUNITY REINVESTMENT GROUP

MEMBERS

Allegheny West Civic Council
Bloomfield-Garfield Corporation
Central Northside Neighborhood Council
East Allegheny Community Council
East End Neighborhood Forum
East Liberty Development Inc.
Economic Development Group East Inc.
Fineview Citizens Council
Friendship Development Associates
Garfield Jubilee Association
Glen Hazel Citizens Association
Hill Community Development Corporation
Highland Park Community Development Corporation
Homewood Brushton Revitalization & Development Corporation
Lincoln-Larimer Community Development Corporation
Lincoln Park Community Center, Inc.
Manchester Citizens Corporation
Mt. Washington Community Development Corp.
North Side Civic Development Council
Northside Leadership Conference
Oakland Planning and Development Corp.
Perry Hilltop Assoc. for Successful Enterprise
South Side Local Development Company
South Pgh. Economic Revitalization Team
Spring Garden Neighborhood Council

September 9, 2002

Communications Division
Office of the Comptroller of the Currency
250 E St. SW, Public Information Room, Mailstop 1-5
Washington DC 20219
Attention: 1557-0081

Jennifer J. Johnson
Secretary
Board of Governors of the Federal Reserve System
20th and C Streets, NW
Washington, DC 20551
RE: Consolidated Reports of Condition and Income, 7100-0036

Robert E. Feldman
Executive Secretary
Attention: Comments/Legal Division
Federal Deposit Insurance Corporation
550 17th St, NW
Washington DC 20429
RE: Consolidated Reports of Condition and Income, 3064-0052

Information Collection Comments
Chief Counsel's Office
Office of Thrift Supervision
1700 G St., NW
Washington DC 20552
RE: TFR Revisions, OMB No. 1550-0023

To Whom It May Concern:

Under the guidance of the Community Reinvestment Act (CRA), the Pittsburgh Community Reinvestment Group (PCRG) has been working to improve the vitality of low- and moderate-income neighborhoods and the welfare of the people in those neighborhoods since 1988. During this time, PCRG has worked with the region's major financial institutions to develop reinvestment programs and assist them in meeting their obligations under CRA. We have seen many of our efforts undermined by a strengthening segment of the subprime market that operates with great disregard.

In our current initiatives against predatory lending, the names of subprime lending institutions are predominant. This in conjunction with a disproportionate number of banking institutions on the FDIC's "problem institution" list during the past two years being engaged in subprime lending, leads us to question the long term safety and soundness of the subprime market under current regulations.

The following comments represent those of PCRG and it's 21 community organization members. As a member of the National Community Reinvestment Coalition (NCRC), PCRG supports their comments.

Publicly Available Data
The current proposal considers the disclosure of subprime lending activities for qualifying institutions; a step PCRG feels is vital. However, the proposal suggests maintaining confidential treatment of the data for up to two years followed by a reevaluation period to consider if it should retain such treatment. The impetus being that the data is not standardized or consistent across institutions, therefore increasing the risk of misinterpretation by the public. PCRG believes that it is possible to considerably improve the consistency of the data, thereby removing the dangers of misinterpretation.

Publicly available data is indispensable in holding institutions engaged in subprime lending accountable for safe and sound lending. While confidential data disclosure to regulatory officials and examiners may deter some predatory and unsafe practices, it will not be very effective if regulatory enforcement is not rigorous and swift. (In recent years, PCRG has observed too many inconsistencies in regulatory enforcement within agencies as well as across agencies). Therefore, we are not confident that confidential data disclosure will substantially diminish unsound and predatory lending. In contrast, if the public had access to data on subprime lending performance, lending institutions would know that community organizations, public agencies, stockholders, and other community leaders would have instantaneous access to data on the soundness of subprime loans. The mere act of data disclosure to a concerned and engaged public is more powerful in stopping unsafe and predatory practices than confidential disclosure to regulatory agencies.

More Consistent Data Disclosure
The most effective method for disclosing performance data would be on a loan-by-loan basis. In that manner, lending institutions would submit databases that would include Annual Percentage Rates (APRs), information on borrower characteristics such as creditworthiness, and information on loan characteristics such as debt-to-income ratios. Included in the database would be loan performance including delinquencies, defaults, and recoveries. In contrast to the current proposal, lenders would not have to guess which of their loan programs had the characteristics of subprime lending programs. Instead, they would have the more straightforward task of creating and submitting databases with objective criteria of loan characteristics and borrower characteristics. For closed-end loans subject to HMDA data disclosure, the most effective approach would have been to add data fields to HMDA to include loan performance information. This approach would create the most consistent and rigorous database.

Recognizing that the agencies are unlikely to amend HMDA in this manner, PCRG suggests the following options:

1) For closed-end home loans, the federal regulatory agencies could require performance data to be submitted for loans that the Federal Reserve Board has ruled must have price information as part of their HMDA data submissions. In other words, performance data would be submitted for first lien loans with APRs three percentage points greater than Treasury security rates and for subordinate lien loans with APRs five percentage points greater than Treasury rates.

2) Instead of using the five proposed criteria for classifying lending programs as subprime, the agencies should use only one or two criteria. As the agencies admit, lending institutions may use different combinations of the five criteria or even use other criteria in deciding which of their lending programs are subprime for the purposes of submitting loan performance data in the Call Reports. The result will be inconsistent data reporting by the lending institutions. In contrast, the agencies could adopt one or

two criteria and mandate that banks and thrifts submit loan performance data if their subprime loans include those criteria. This would be more straightforward for the lending institutions and would result in more consistent data that could be publicly reported. PCRG believes that the one or two criteria should be broad and capture most subprime lending made by depository institutions. For example, a FICO score criterion of 660 or below would capture the great majority of subprime loans. The rationale for capturing most subprime loans is that an institution engaged in predatory and unsound subprime lending is likely to be making predatory loans across the board to "A-" borrowers as well as "B," "C," and "D" borrowers. PCRG has observed predatory lending to borrowers with a wide range of risk characteristics. If the criteria effectively confined reporting to a narrow range of subprime borrowers (say, only to D borrowers), and those borrowers constituted a small portion of a bank's subprime business, the Call Report data would miss indications that a predatory lender was making unsafe loans. In this case, the bank would not be reporting detailed Call Report data on delinquencies, defaults, and recoveries because the criteria only covered a small part of its subprime business (less than the proposed threshold of 25 percent of Tier I capital for detailed reporting).

PCRG believes that either of these options would create a standardized database ready for public dissemination and free of inconsistencies that could cause misunderstandings. One year confidential treatment of the collected data would provide enough time to resolve any reporting issues and would approximately coincide with the beginning of price data collection on HMDA data in 2004. If Call Report data on subprime loan performance also became publicly available in 2004, regulatory agencies and the public at large would be able to compare the performance of closed-end subprime home loans in Call Report data with HMDA data on subprime loans. This would add to the ability of regulatory agencies and the public at large to enforce the fair lending laws.

Conclusion

In Allegheny County, the top 50 subprime lenders accounted for 36.5% of all loans to African Americans and 11.6% of all loans to Caucasians. Mandatory reporting and public disclosure of delinquencies, defaults, and other details of subprime loans should exist to help lessen the incentive for lenders to partake in activities that are predatory and unsafe. The proposed changes with the inclusion of our comments would be a powerful to in achieving a healthier subprime market. PCRG urges the federal agencies to swiftly enact requirements for the collection and public dissemination of subprime loan performance data on call reports and thrift financial reports.

Sincerely,

Richard Swartz
First Representative

Starr Marshall Cash
Executive Director