COMMUNITY REINVESTMENT ACT

HEARINGS

BEFORE THE

SUBCOMMITTEE ON

FINANCIAL INSTITUTIONS AND CONSUMER CREDIT

OF THE

COMMITTEE ON BANKING AND FINANCIAL SERVICES

HOUSE OF REPRESENTATIVES

ONE HUNDRED FOURTH CONGRESS

FIRST SESSION

MARCH 8, 9, 1995

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COMMUNITY REINVESTMENT ACT

WEDNESDAY, MARCH 8, 1995

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON FINANCIAL INSTITUTIONS
AND CONSUMER CREDIT,
COMMITTEE ON BANKING AND FINANCIAL SERVICES,
Washington, DC.

The subcommittee met, pursuant to notice, at 9:45 a.m., in room 2128, Rayburn House Office Building, Hon. Marge Roukema [chairwoman of the subcommittee] presiding.

Present: Chairwoman Reukema, Representatives McCollum, Roth, Lucas, Weller, Metcalf, Vento, LaFalce, Maloney, Barrett of Wisconsin, Wynn and Watt.

Also present: Representatives Chrysler, Frank and Hinchey.

Chairwoman ROUKEMA. The subcommittee will come to order, please.

And because of scheduling arrangements, and so forth, at the discretion of the Chair, I have determined that we will have our opening statements after our colleague, Mr. Kennedy, gives his testimony. We welcome you here today, Congressman.

Mr. KENNEDY. Thank you.

Chairwoman ROUKEMA. And we are looking forward to hearing your testimony. You have a long history, of course, of association and advocacy on this particular subject, so we are anxious to hear your testimony today.

I yield to my colleague, the ranking minority Member.

Mr. VENTO. I would just ask your consent that all of the testimony and statements of witnesses be made part of the record in their entirety today without objection.

Chairwoman ROUKEMA. Without objection.

Mr. VENTO. Welcome, my colleague.

Mr. KENNEDY. Thank you, my colleague.

Chairwoman ROUKEMA. Will you proceed?

Mr. KENNEDY. Do you want me to proceed?

Chairwoman ROUKEMA. Please.

Mr. KENNEDY. First of all, Madam Chairwoman, let me thank you very much for the opportunity to come and address the subcommittee this morning——

Woman DEMONSTRATOR. Madam Chair, we are from ACORN Association.

Chairwoman ROUKEMA. I am sorry, but you are out of order, and that is not appropriate.

Woman DEMONSTRATOR. We want to save the CRAs.

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Chairwoman ROUKEMA. I will tell you that—the subcommittee will be in order. I will have order in the hearing room.

This is the last time I am asking for order. The subcommittee will come to order.

[Recess.]

Chairwoman ROUKEMA. Will everyone please be seated and the subcommittee come to order, please?

Mr. KENNEDY. I wonder, Madam Chairwoman——

Chairwoman ROUKEMA. Excuse me, Mr. Kennedy, colleague. I do want people in this room and our colleagues to know—can you hear me? We will wait until the doors are closed.

I want those here at the hearing and my colleagues to know the procedure here. The people who were representing that community group had been informed by staff as well as by the Capitol Police about what the rules were of the subcommittee and of the House. And the rules were explicitly stated to them that they would jeopardize themselves to the point of being arrested if they did not comply with the requirement that they must come to order and after three notifications that they would be subject to arrest.

I believe that they—well, obviously, they chose not to understand the warning or not to comply with the warning. And whether or not their intention was to cause the confrontation and action on behalf of the police, you can make your own judgment.

But, in my opinion, I had no alternative but to comply with the rules, and after a repeated fourth and fifth time of informing their leadership what would happen, they still directly opposed my order to come to order. And I felt, in the confrontation here at the Chairman's platform, that they were purposely provoking that confrontation and insisting on an arrest order.

I want you also to know that they were informed, and they knew this before they arrived, but they were informed again that there would be other opportunities for them to testify, but they refused. They wanted to testify now on the spot and submit their testimony, and I had no alternative but to deny them that action. If we were to permit that of this group or any other group there would be continuous chaos at any subcommittee hearing. So there was no alternative.

Mr. FRANK. Madam Chairwoman.

Chairwoman ROUKEMA. Yes, Mr. Frank.

Mr. FRANK. I just want to say that I think you behaved appropriately. I think the people who orchestrated that made a very grave error on a number of grounds. And as someone who will fight very strongly to protect CRA, I hope that people will not continue to make the mistake of thinking that this helps their cause. I think it, in fact—although it should not it—may detract from it. And I hope both sides will be able to forget about that and deal with this on the merits.

Chairwoman ROUKEMA. Thank you, Mr. Frank.

I do also want the group to know here today that there is a panel scheduled for 2 o'clock tomorrow afternoon that is composed of various community groups and advocacy groups selected on the basis of recommendations from Members of this subcommittee.

Mr. FRANK. And we hope it will not be interrupted by chanting members of the Independent Bankers Association.

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Chairwoman ROUKEMA. Touche, Mr. Frank. Touche.

Thank you. I think now, with the disruption, shall we go back to our asserted purpose of delaying or postponing the opening statements?

I think if the opening statements can be short and to the point, Mr. Kennedy, unless you would prefer to testify, perhaps we will give our opening statements now? It is your call.

Mr. KENNEDY. If you want the Members of the subcommittee to have opening statements, it is fine with me, Madam Chairwoman.

Chairwoman ROUKEMA. All right.

Mr. KENNEDY. I thought you were telling me to keep mine short. I might start chanting, save CRA.

Mr. FRANK. That is because you are a witness. Come up here, and you can talk longer.

Chairwoman ROUKEMA. All right, we will come to order now and proceed in an orderly fashion. It sounds like an anticlimax here, but I think we will have opening statements.

The subcommittee is considering today one of the obviously contentious issues facing the industry, the Community Reinvestment Act. CRA has been on the books since 1978, and it was set up to ensure that the banks lent to their communities. However, I do have concerns as to whether or not it is fulfilling its original purpose. Indeed, this review today of the regulations—revised regulations implementing CRA, is a consequence, ironically, of the concerns expressed by President Clinton in 1993 when he ordered a comprehensive review.

Since that time, at least one previous set of regulations came under increasing question, and this is the second set of regulations, proposed regulations, that we have that we are going to be reviewing today. I would expect and hope, it is my intention, to have a full airing of the Act and the previous proposed regulations, the continuing questions and the now newly proposed regulations.

And I am anxious to hear from the experts in the field, the regulatory agencies who are here today. And if the results from these hearings and the final regulations do not meet the objectives, Congress may indeed have to take another look.

But we are doing this without prejudice. I want everyone to know, whether they are the industry or the consumer groups, I am doing this without prejudice, and we want a complete and objective and open airing in the same spirit in which the President originally asked for this comprehensive review.

It is well known to us that some of the banking industry argue that the Act's present implementation amounts to little more than legalized credit allocation forced on banks by community groups, while many community groups believe quite the contrary, that the CRA acts as a paper tiger with little enforcement capabilities. Strong opponents advocate its repeal while others want the Act's mandate expanded to other financial service providers.

I guess, simply put, the dialog over the merits of CRA is diverse and covers a broad spectrum of intense viewpoints. Notwithstanding this fact, it is not the intention of this subcommittee, certainly not my intention, to advocate outright repeal. But it is our intention to strike a proper balance that fairly addresses the needs of all parties involved in this process.

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We will be looking at a revised proposal put forth by the banking regulators that could represent a dramatic and complex change in the administration of CRA, and I think we will find shortly that there is wide divergence of opinion even among the regulators.

The proposed revisions originally contained provisions to gather race and gender data on small businesses and farm loan borrowers. These requirements are very controversial and may indeed go beyond the intent of the law. That is yet to be determined.

But it is the duty and responsibility of this subcommittee to decide whether these and other provisions are actually moving CRA toward a role of credit allocations to small business in urban areas and away from the original purpose of fairness and eliminating implied race or gender bias.

In addition to focusing on the specifics of the new regulations, the subcommittee will examine the CRA in a number of broader contexts. We will look at whether the act is fulfilling its original purpose of ensuring that banks and thrifts are meeting the credit needs of the communities, including low and moderate income neighborhoods. If not, I want to know what can be done about improving the situation without invoking the law of unintended consequences.

I am also concerned that the law conflicts or overlaps with other existing fair housing and equal credit laws such as the Equal Credit Opportunity Act and the Fair Housing Act. We must also examine whether the proposed changes to the law will address the bankers' concerns that the existing rules are vague, subjective and require excessive paperwork. Is the law continuing to meet its intent of encouraging institutions to meet the credit needs of their communities, or is it resulting in de facto credit allocation?

Finally, I am concerned about what the impact of the race and gender reporting requirements will be for small business and farm loans, whether such collection is consistent with the purposes of CRA. Reforms of the CRA range from wholesale repeal of the statute to expanding its application to other financial service providers, a real question that has not really fully been explored. This hearing should help provide us with a better sense on how to resolve some of these issues, hopefully without any congressional action being necessary.

I welcome the panelists today. I welcome our colleague, Mr. Kennedy, and I defer now to our ranking Member, Mr. Vento.

Mr. VENTO. Thank you, Madam Chairwoman.

And I very much regret the start of this hearing. I had a couple of constituents in attendance. They related to me their wish to testify and have the participation of ACORN and other groups concerned with CRA. I think it fairly represents the importance of CRA and regret that this incident occurred the way that it did and hope that it can be satisfactorily resolved.

It did set us back 10 or 15 minutes. I don't think that is inordinate, but I do realize we have to—and I think that everyone has to realize that we have to have order in terms of conducting the hearings, in terms of providing an opportunity for Members to deliberate and to consider, and I am pleased that you have indicated that there will be an opportunity for additional testimony.

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I might say with the three panels and our response to witnesses that we had talked about, I have been happy to try to work with you and with others that want to provide testimony. I recognize—I think all of us recognize, that have had roles in terms of chairing committees or subcommittees, that it is impossible to hear from everyone. It becomes sort of the reiteration of the self-evident, is one of the problems. In fact, I would say that that has become one of the problems with CRA in terms of the number of statements and comments made about it.

I am very concerned about the future of CRA. And I indeed think, because of the procrastination we are now facing, about 21 months of time in terms of implementation, I think it has now exceeded the gestation cycle for the African elephant, Madam Chairwoman, and I think it is time to make a decision.

The effort, of course, to revise the regulations has been by sort of trial and error. In the main, the regulators have attempted to move toward streamlining, clarifying and improving the implementation of the CRA to better serve the communities and reduce compliance complications from financial institutions, moving from paperwork to performance, as the rhetoric is.

As legislators, we must, of course, examine and evaluate this performance, which is a requisite aspect of public trust implicit in the financial institution franchise, which I might say I don't think it receives much consideration or had received much consideration other than the initial establishment of the financial institution. And, of course, I think against the backdrop of safety and soundness of such performance that is at least relevant to the deposit insurance responsibility.

Furthermore, of course, I think looking at the statements of the regulators—and they suggest the 1977 date and Senator Proxmire's efforts along with some other matters that were on the agenda in 1977—I was here.

But the thing that really, of course, has accelerated and brought the CRA from the back burner to the front burner, of course, was the Kennedy amendment in 1989, which all of a sudden provided an open and clear disclosure of what was happening. And, unfortunately, I think that many financial institutions felt, after disclosure, that they unjustifiably have received a black eye with regards to the disclosure of information in the manner that it took place. This, of course, is greatly exaggerated.

I might say that some, ever since then, they do not seek really changes in regulations to streamline CRA; they are seeking the elimination of it. They are not acting, I might say, in good faith in this process. I think, without any further delay or procrastination, it is time to issue the regulations following this set of hearings. It is of paramount importance to the regulators to make a decision in accordance with the March 31 goal, publicly underscored by Vice President Gore, for one.

This has been an extensive effort to accommodate participation, involvement in open regulatory process. These agencies have received thousands of comments about CRA regulations—in fact, more than I can recall occurring in most regulatory matters. In this process the regulators have made a strong effort to achieve balance. The revised regulations, the final product, must now be put

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into effect. The regulators' credibility demand such, and the good-faith effort and participation of all involved merit conclusion.

The regulators have been more than deliberate, and the core of the CRA regulation proposals has evolved to embrace and to respond to most questions and concerns. The regulators should not and need not expect total consensus. They have not now, nor will they in the future, publish the absolute final regulations. They have not worked themselves out of a job.

This is something that needs to be continually addressed. There will be plenty of work in years ahead, and regulators should create some anxiety in their role, but the banks need certainty and predictability today, not further uncertainty, which will invite yet a different solution.

The threads of the Community Reinvestment Act become a major component in the whole plot of consumer relations. I think CRA is more important now than ever before. I think we rely more on the credit extension activities of financial institutions in our local communities to make up for the shortfall in terms of what the Federal and State governments have the ability to do today. Working together with the other consumer laws, they can create credit—they can develop credit, I should say, and service to community.

Madam Chair, I ask unanimous consent to place in the record the community development lending successes, 33 examples from around the country, of both community development corporations and banks, which I think reflects on some of the positive achievements of CRA. Without objection, Madam Chairwoman?

Chairwoman ROUKEMA. Without objection, so moved.

Mr. VENTO. Thank you, Madam Chairwoman.

[The prepared statement of Hon. Bruce F. Vento can be found in the appendix.]

Chairwoman ROUKEMA. Mr. McCollum.

Mr. MCCOLLUM. Thank you very much, Madam Chairwoman.

CRA was enacted, as everyone knows, in 1977, to address the concerns of Congress about the practice of redlining certain neighborhoods that were thought to be areas of high risk and were, therefore, avoided regardless of the qualifications of the individual borrower. Deposits from these areas were siphoned out for lending to other low-risk localities. These redlined areas were then starved for credit, and blame was perpetuated.

I think it is very appropriate that CRA was enacted in 1977, but, in my judgment, a lot of things have changed since 1977 that make the current CRA outdated and make the proposed rules wrong in general.

Banks and thrifts at that time, in 1977, controlled virtually all deposits in home loans. Since enactment of CRA, money market funds have captured more than 50 percent of the consumer deposits. Credit unions have grown from small corporate community groups to large regional conglomerates. The majority of one to four residential loans are funded today through secondary mortgage markets. A substantial volume of mortgage originations are generated by unregulated brokers. None of these intermediaries are subject to the Community Reinvestment Act.

In addition, when CRA was enacted, it was not to increase paperwork for banks, but, indeed, that is precisely what has happened.

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We have had an onslaught of paperwork. A recent Senate report said that agencies already have enough information to enforce the Act without additional red tape. Yet what I see in these regulations right now is the likelihood we will have considerably more.

The current CRA enforcement and the proposed rule go far beyond the original intent of CRA. Instead of investing in redlined communities, CRA today, and under these new rules, is credit allocations, pure and simple.

I intend to introduce legislation in the next couple of days that would restore CRA to its original purpose of expressing Congress' intent to assure that institutions invest in their communities without unnecessary red tape and credit allocation. I certainly hope that, as a result of these hearings today, there will be considerable support for this legislation that I am about to introduce.

And I also hope that the regulators refrain from enforcing and imposing and making final the regulations that are under consideration until this body has had an opportunity, and this subcommittee in particular, to address major reform legislation that would restructure the way the CRA operates.

Thank you, Madam Chairwoman.

Chairwoman ROUKEMA. Mr. Wynn.

Mr. Frank, I believe that you are not on the subcommittee, so we will give priority to Members of the subcommittee, and then we will come back to you.

Mr. Wynn.

Mr. WYNN. Thank you, Madam Chairwoman. I would be happy to defer to Mr. Frank.

Mr. FRANK. No. I forgot I was not on the subcommittee. I will defer an opening statement, but if I can ask questions, I will appreciate that. But I will not make an opening statement.

I was looking for my name tag, but now I know why it wasn't here.

Mr. WYNN. Thank you, Madam Chairwoman.

Let me begin by associating myself with the earlier comments of Mr. Frank with regard to the situation that occurred this morning. I, too, agree that you handled the situation in an appropriate manner.

I think the existence of this kind of demonstration, however, reflects the intensity of feelings surrounding this issue. There is, obviously, a great sense at the community level that the legitimate credit needs of low-income, moderate-income communities are not being met, and it is my hope that as a result of these hearings we can address that concern.

I think the one thing on which there is substantial agreement is that the current CRA regulations do not work. The bank industry views it as excessive paperwork, excessive regulation. The community, as I think was pointed out earlier, views it as somewhat of a paper tiger that has not really resulted in any substantial increase in lending in the affected communities.

I, too, have a piece of legislation, which probably goes in the opposite direction of that of Mr. McCollum, which I think is key to addressing the concerns that have been expressed in the community. The legislation that I would introduce would require the collection and disclosure of race and gender data on the number of

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applicants for small business loans—minority small business loans. And I believe the disclosure of that data, I think, is absolutely essential.

The model for my approach is what we found in the HMDA data, and that is by having a mechanism to collect certain data we could then identify whether, in fact, redlining or other discriminatory patterns were occurring. The HMDA data has proved very useful—not conclusive for purposes of EEO cases or indictments—but useful in terms of identifying where there are problems.

The problems may not even have been of a malicious or malevolent nature but may merely reflect a lack of training or outreach. Whatever the case may be, the data was useful in establishing the existence of the problem and enabling the banks themselves to take corrective action.

We were assured last year by the regulators that they intended to include this in the regulations, and initially I believe that was the case. On reviewing the current regulations before us, however, its appears that that approach has been watered down and that, while the data would be collected, it would be reserved for internal use with the exception of the disclosure of outstanding loans.

Outstanding loans can create a misleading impression that a lot of activity is occurring. Whereas, without the context of how many applicants actually tried to get loans, it is impossible to determine whether or not there is really a fair amount of lending occurring. I do not view this as credit allocation. I view this as meeting the credit needs, the legitimate credit needs, I would emphasize, of affected communities.

So I would say that, at a time when we are looking to expand the authority of banks and removing glass ceilings and allowing them to engage in a variety of additional services which require additional paperwork, that the fairly modest requirement that they collect race and gender data on small business loans and small farm loans and make that information available is not unduly burdensome and would enable us to get to the core of the problem by identifying institutions that have not been making loans and enabling them to examine internally what they can do to change those lending patterns.

I hope that that aspect of the CRA review will be considered and given reasonable weight and that we not place all of our emphasis on merely relieving the paperwork burden, but we will focus on the obligation that banks have under their charters based on the fact that they are federally insured, that they have an obligation to serve these legitimate credit needs.

Thank you, Madam Chairwoman.

Chairwoman ROUKEMA. Thank you.

Mr. Roth.

Mr. ROTH. Madam Chairwoman, I shall endeavor to be brief.

Let me say I commend you for having these hearings on the revised proposed regulations for our banks operating under the Community Reinvestment Act. There is a good deal of controversy about that Act, of course.

Let me say that the State that I represent, Wisconsin, I will note has the best CRA record in the Nation, according to the new book on the subject. "Wisconsin is clearly the Nation's highest CRA-

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rated State," writes Dr. Ken Thomas in his book, "Community Reinvestment Performance."

Mr. KENNEDY. Not from Wisconsin, by any chance, is he?

Mr. ROTH. As I have often pointed out to the subcommittee, Wisconsin's outstanding financial industry service to its community could be a pattern for the Nation. In Wisconsin, banks' CRA experience should be carefully studied, I think, before the new CRA regulations are adopted.

Having said that, let me say this. I think CRA is not needed and is unworkable. It is too much government, and that is what people said last November 8th. I am for the repeal of the CRA. It serves no purpose but to harass people who pay taxes, work hard and have to fill out a lot of forms.

Our society is regulated to death. CRA has no useful purpose. It is time for some commonsense government again. That is the way people back home voted, and that is how we should vote in Congress.

This public outcry this morning again shows that legislation by demonstration, I hope with the Republicans in power, is a thing of the past. I am tired of being intimidated.

I am not going to get out the crying towel for people who demonstrate here. The people I represent are hard-working people. They cannot come to Washington to demonstrate. Why? Because they are working from morning till night to pay their taxes, the huge taxes this government demands and pulls out of them.

You know, everybody today in our society is a victim. Everybody is a victim. Everybody is supposed to get out the crying towel. Pass legislation. This or that group is a victim. Well, people who fill out the forms and comply with the harassment from CRA are victims, too. They are taxpayers. And the taxpayers of America are the most victimized people in America.

So I say let us return some common sense to our government again. Let us repeal CRA.

Chairwoman ROUKEMA. Thank you.

Are there other opening statements? All right, fine.

Mr. Kennedy, thank you for your patience.

Mr. KENNEDY. Thank you very much.

Chairwoman ROUKEMA. We are ready to hear you.

STATEMENT OF HON. JOSEPH P. KENNEDY, II, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MASSACHUSETTS

Mr. KENNEDY. Madam Chairwoman, I appreciate the fact you have agreed to hold these hearings, and I think that I understand from the various panels that you have indicated that there is going to be a balanced approach that you are talking in terms of hearing from varied points of view.

I appreciate the fact that you allowed me to offer some testimony to start this series of hearings off. You know, I took it as a great compliment, in a certain way, that the one panel that the Republicans chose to eliminate on this subcommittee was the panel that I chaired that covered CRA last year. And I figured that it is a demonstration of just how effective CRA can actually be in terms of making certain that people who need credit can get credit in this

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country and how often that is fought by many of the institutions of this country.

So I think, in that light, while I do not condone the kind of demonstration that took place, on the other hand, as Mr. Wynn indicated, I certainly can understand the motivation behind the individuals that participate. They do not feel that their voice is heard in these so-called halls of justice of Washington, and often they do not.

And I think, contrary to the statements that we just heard by Mr. Roth, the fact of the matter is that there are whole groups of people that are denied access to the institutions that are vitally necessary to gain any kind of economic clout in America. And I think one of the jobs we have in the Congress is to make sure there is open and free access to all of the American people to our institutions and to our government.

In any event, I want to talk specifically this morning about the need for CRA reform and the fact that I think that President Clinton voiced the needs for that CRA reform when he was running for President.

And as someone who has started seven companies before I came to the Congress, despite my strong advocacy for CRA, I do not want to ever confuse strong advocacy for CRA with strong advocacy for paperwork. I think that the needless, ridiculous amount of paperwork that has been associated with this Act has to come to an end, and I think there are ways to accomplish that.

But the fundamental premise of the Community Reinvestment Act is very simple, and that is that communities in this country are denied credit simply because of their geography or because of the makeup of the individuals that happen to live in those communities. Banks are given areas that they are licensed to serve in this country, and what we have found is a systematic pattern of banks eliminating credit from whole groups of individuals as well as whole geographic areas. That has been demonstrated in study after study after study.

In the Boston Fed study that has initiated much of the CRA reform talk that has gone on in recent years, every single possible factor was included in the study that could eliminate the conclusion that racial prejudice is at work and alive and well in the bank lending of this country. It indicated quite firmly that you are two to three times more likely, coming from the same neighborhood with the same income level, to be turned down for a home mortgage loan if the color of your skin is black or brown than if it is white, irrefutably demonstrating that, in fact, racial prejudice may be not overt but nevertheless exists in bank lending in America.

This, I believe, is an indication that there is a concrete, demonstrable need for a Community Reinvestment Act.

We are not asking banks for charity. Bank after bank after bank testified before my subcommittee last year. I met with Terry Murray of Fleet Bank yesterday, largest bank in New England, who says that their CRA loans are a profit center. CRA is not a message to banks that we are asking them to go out and take risky loans where they lose money. We are simply saying that there are communities within their licensed area that they are not serving.

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You take my home city of Boston, Massachusetts. Where I live, in Brighton, Massachusetts, is a blue collar working class neighborhood, made up largely of white families. They pay the same rents as people in the black neighborhoods. And yet homeownership rates are much, much lower in Brighton than they are in Roxbury, Dorchester and Mattapan, other areas of my district that I also represent.

The fact is that it is much more difficult to get a home mortgage loan because there are very few banks in the black, brown or yellow districts. It has improved a great deal in recent years, and it has improved as a result of the Community Reinvestment Act, but there are many cities and areas of this country where there simply are not any banks.

Toby, you said in your testimony that you think there is no longer a need for CRA. Mr. McCollum, you said the same thing. The fact of the matter is—you said that you thought it could be reformed significantly.

The fact of the matter is, you can drive around—you can drive around any major city in America and come to a conclusion very, very quickly that there is one thing that characterizes the poorest neighborhoods and the neighborhoods of color, and that is there are a lot of check-cashing operations but there are no banks. There are very few banks and branch offices in the poorest neighborhoods of America.

And that does not mean there are not deposits to be made and that does not mean there are not creditworthy individuals located in those communities that can gain access and actually have the ability to rebuild those neighborhoods.

We talk about how we want to rebuild the Third World through capitalism. We have a Third World in America that is denied access to our capitalist system. They cannot get small business loans. They cannot get home mortgage loans. And then we look at whole races of people and blame them, who are the very victims of the system that we have created. And then we talk about the fact this is somehow the notion that we are somehow forcing credit allocation.

What we are doing is we are saying that there is a subterfuge taking place in existing credit allocation which denies access to whole communities in this country. And they have every right to as much credit, not that they cannot pay back but credit that they do pay back.

Recent studies indicate time and time again that where these loans are made to people that are poor, they pay back their loans better, at better rates, than people that are wealthy.

As recent studies will indicate, as you will hear in testimony later today, the majority of CRA loans actually go to whites and go to moderate income people.

So the conclusion that I have is, yes, we need to get rid of paperwork. We ought not to eliminate 90 percent of the banks, as Mr. McCollum's legislation would do. We ought not to provide for people to have a self-test for banks with assets of $500 million or more. That is 93 percent of the banks. Every bank in this country opposed the legislation, which we got some Republican support for, to indicate that we ought to make the home mortgage data public.

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That is where we draw the conclusions. That, in fact, there is racial prejudice, and there is geographic prejudice in where banks lend money. All we are trying to suggest is that, yes, in fact, it is time for a change.

In dealing with the fact that there are different institutions that now provide credit into the local community, credit unions, the secondary mortgage market and mortgage brokers, let us include them. Let us include them under the CRA. Let us make certain that it does not just stick to banks. Banks ought not to be singled out.

If there are other depository institutions or people that get access to the Fed window or access to Federal tax dollars, such as Fannie Mae and the like, let us include them under CRA. Let us include the big credit unions, where all you have to do is live in a geographic area to be a member of 300 or 400 companies. Let us include them. Let us not back off.

Let us recognize that we have an opportunity to avoid using tax dollars to force investments in these communities and, instead, provide them with the same capitalist system that we take for granted in white middle class and upper middle class and wealthy America.

That is essentially the point of CRA, and that is what I would like to see this subcommittee endorse as a result of your hearings, Madam Chairwoman.

I appreciate the fact you have allowed me to testify, and I wish you the best of luck in the further hearings you are going to have.

[The prepared statement of Hon. Joseph P. Kennedy can be found in the appendix.]

Chairwoman ROUKEMA. Thank you, Mr. Kennedy.

Are there questions of our colleague?

Mr. ROTH. A short question, Madam Chairwoman.

Chairwoman ROUKEMA. Mr. Roth.

Mr. ROTH. Mr. Kennedy, did I understand you correctly in your testimony—and I appreciate how strongly you feel about this particular issue—did you say that you were in favor of extending it to credit unions?

Mr. KENNEDY. Yes, sir, absolutely. To the larger credit unions.

Mr. ROTH. How large? What would be the line of demarcation?

Mr. KENNEDY. I think there are about 800 very large credit unions in this country. I think that you can look at those that no longer stick to the common bond methodology of collecting deposits and find that they have expanded well beyond any reasonable notion of a singular purpose that brings all the people that make the deposits in the credit union together.

Mr. ROTH. Thank you very much.

Chairwoman ROUKEMA. Mr. Vento.

Mr. VENTO. Madam Chair, I want to comment to my colleague from Wisconsin that is here. I know the constituents of mine that were here that behaved improperly really are people that came here—that are people in the communities, and that they did not come on Lear Jets or airplanes. They probably, most of them, drove. And, really, I think the message and the concern they have toward this, I think, is genuine, and so it should be considered. I hope it does not affect the debates in the sense of the disruption.

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To my colleague from Massachusetts, he has really, I think, done yeoman's service in the subcommittee on which he chaired. Do you agree now, Joe, we should move ahead and issue the regulations that have been considered for some time? Is that correct?

Mr. KENNEDY. Absolutely. I think it has been too long—it has been 23 months, or 21 months, as you indicated, Mr. Vento. I think it has been too long in coming. I think there are a couple of issues that need to get resolved, and I would urge the regulators to get together and issue the regulations.

Mr. VENTO. I think it has created a lot more uncertainty, is the feeling I have had. Obviously, the intent or design was good, but the result, in effect, has not been positive.

I think now we are suggesting maybe these issues are irresolvable in some minds' eyes, but almost all the regulators point out, and I point out to my colleagues, to look through the testimony and point out the utility and importance. If anything, I believe CRA has become more important now in terms of the community.

We intend to follow up with some questions for the regulators so they can speak for themselves, but I appreciate your work and hope that you will stay involved in this matter.

Mr. KENNEDY. Thank you very much, Mr. Vento.

Mr. VENTO. Thank you, Madam Chairwoman.

Chairwoman ROUKEMA. Are there further questions of our colleague?

Thank you, Mr. Kennedy, for all your work over these many years.

Now I welcome our panel. Ms. Ricki Tigert Helfer, if you will please come forward—Mr. Ludwig, Mr. Fiechter and Mr. Lindsey. I thank you. I will recognize you in the order of your titles, and then we will hear from you, and we will try to comply with our 5-minute rule.

Ms. Tigert Helfer, Chairman of the FDIC; Mr. Eugene A. Ludwig, Comptroller of the Currency; Mr. John Fiechter, Acting Director, OTS; and Lawrence Lindsey, Governor of the Federal Reserve. We welcome you all and look forward to your testimony.

Ms. Tigert Helfer.

STATEMENT OF RICKI TIGERT HELFER, CHAIRMAN, FEDERAL DEPOSIT INSURANCE CORPORATION

Ms. HELFER. Thank you very much, Madam Chairwoman and Members of the subcommittee. I appreciate this opportunity to testify before you today on the Community Reinvestment Act [CRA] and the interagency proposal to reform implementation of the Act.

The Federal Deposit Insurance Corporation [FDIC] is strongly committed to carrying out its responsibilities under the CRA. The FDIC is the primary Federal supervisor of approximately 7,100 insured financial institutions. Between 1990 and 1994, the FDIC conducted an average of 3,200 examinations per year for compliance with the CRA.

Last year, the FDIC strengthened its examination and supervision efforts in the compliance area through the creation of the Division of Compliance and Consumer Affairs. The new division consolidates the compliance examination and enforcement responsibil-

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ities previously carried out by the Division of Supervision with the community outreach, consumer protection and civil rights oversight functions of the former Office of Consumer Affairs.

The FDIC is not alone in taking CRA responsibilities seriously. The regulatory agencies on this panel have spent the last 21 months in an extensive effort to reform CRA regulations.

This effort has included a series of seven public hearings across the country where hundreds of witnesses addressed some of the same issues and concerns raised in your letter of invitation. While I am relatively new to the process, I want to commend my colleagues on this panel for their intensive efforts to make the CRA regulations less burdensome and more effective.

Madam Chairwoman, I have prepared a detailed written statement that addresses the questions raised by your letter of invitation. In the interest of time, I submit that statement—along with the joint testimony of all the regulators here today on the history of the CRA—for the record, And this morning I will briefly discuss three issues: first, what led to the effort to reform CRA regulations; second, the substantial effort that regulators have made to address concerns both about the burden the CRA imposes on lenders and about performance under the law; and, third, the issues the regulators are addressing in the reform efforts.

Federally insured financial institutions perform a vital intermediary role in the communities in which they operate. In making loans with the money that depositors leave with them, they fuel economic growth. The CRA was enacted to encourage banks to make the opportunity for economic growth available to qualifying borrowers throughout their communities. It did so by expanding the convenience and needs criteria that regulators have long used in weighing charter and branch applications to cover credit.

The record shows that the CRA has improved access to credit in communities across the country. The regulations implementing the CRA have encouraged many institutions to make substantial commitments to increase lending and services, particularly to low- and moderate-income residents of their communities.

When he introduced the Community Reinvestment Act 18 years ago, former Senate Banking Committee Chairman William Proxmire said that it was, "intended to establish a system of regulatory incentives to encourage banks and savings institutions to more effectively meet the credit needs of the localities they are chartered to serve, consistent with sound lending practices."

In somewhat less formal language at hearings on the legislation 3 months later, he said: "What this bill would do would be to try to make the banks more sensitive than they have been in the past to their responsibilities to provide for local community needs." These needs, he had noted when introducing the bill, included "domestic economic development, housing and community revitalization."

The built-in latitude in the CRA—the legislative directive to "encourage" but not "require" banks to meet the credit needs of their communities and the lack of specificity on how to go about it—prompted regulators to hold public hearings across the country in 1978 for guidance prior to drafting implementing regulations.

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The legislative history is clear, however, that CRA was not intended to force banks to make unprofitable loans. The law specifically states, "In connection with its examination of a financial institution, the appropriate Federal financial supervisory agency shall assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with the safe and sound operation of such institution."

The banking agencies have found the CRA a difficult law to administer, in large part because it was intended to change the attitudes of lenders—not simply draw distinctions between legal and illegal behavior—and thereby increase lending for community development, a broadly defined target.

The CRA complements, but is different than, the Federal fair lending laws, such as the Fair Housing Act and the Equal Credit Opportunity Act, which specifically prohibit discrimination by all lenders, not just insured financial institutions, in a broader range of housing and credit transactions.

The CRA does not require that institutions make specific types or amounts of loans and does not allocate loans to particular persons or geographic areas. Consequently, there are no hard data to quantify how much lending and investment is directly attributable to CRA. There is, nevertheless, evidence that suggests the CRA has focused attention on lending opportunities that otherwise might have been overlooked.

Since the passage of the CRA, FDIC compliance examiners report that lenders have demonstrated a willingness to offer new lending products and services that benefit low-income households. Financial institutions have expanded their marketing, often advertising through the use of media targeted to specific underserved neighborhoods and, in some cases, in languages other than English.

Many FDIC-supervised institutions identify lending opportunities by working closely with community groups and State and local governments, often participating in special programs in conjunction with these groups. The FDIC has 24 Community Affairs Officers in eight regional offices that try to be catalysts for encouraging this interaction.

The banking industry itself has acknowledged that CRA has helped to put billions of dollars into low- and moderate-income communities, as indicated by the Consumer Bankers Association in its 1993 testimony at interagency public hearings.

In addition, this organization stated that the CRA has allowed many financial institutions to recognize that there is a market in the revitalization of their communities and has led to creative ways to address the needs of underserved neighborhoods.

Despite positive results, the CRA examination process has long been the subject of criticism from both the banking industry and community organizations. Bankers repeatedly have claimed that guidance from the agencies is unclear, examination standards are applied inconsistently, and the current evaluation system is burdensome and emphasizes paperwork rather than a bank's record of making loans. Community organizations have complained that the current evaluation system is inconsistent and focuses too much on paperwork rather than performance.

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Overall, almost all of the comments called for change, although there was much disagreement about the specifics of how change should be accomplished.

In July, 1993, these concerns gave rise to a letter from the President to banking and thrift regulators that called for reform of CRA regulations. In response to that letter and to the widespread criticism of CRA regulations, the regulators have put substantial effort into reforming CRA regulations.

In 1993, the agencies held a series of seven public hearings around the Nation, noted earlier, in order to understand the criticisms and concerns of interested parties, including representatives from financial institutions, the business community, consumer and community groups and State and local government officials.

Following the hearings, the banking agencies in December, 1993, issued a proposed rule that substituted a more performance-based evaluation system for the 12 assessment factors in the existing CRA regulations.

The agencies received over 6,700 written comments on the 1993 proposal. The FDIC alone received 2,400 comment letters.

On October 7, 1994, in response to those comments, the agencies published a revised proposal. This proposal addressed concerns raised in the comments while retaining the basic structure of the 1993 proposal. Many of the revisions incorporated in the 1994 proposal would lessen burdensome requirements on financial institutions.

In general, the revisions simplified many of the 1993 proposed data reporting requirements and modified the tests for evaluating a bank's lending, investment and service performance to focus on community development. The comments received—7,100 by the agencies altogether and 2,059 by the FDIC alone—are discussed in detail in the agencies' joint statement.

Madam Chairwoman, over the past 21 months, the Federal banking agencies have worked to reduce regulatory burden on banks and to produce clearer and more objective standards, both to guide institutions in their CRA compliance and to assess their performance.

My participation in the process since October has led me to conclude that the FDIC and the other agencies represented here today are making a serious effort to wrestle with all of the difficult issues that CRA reform has presented. We are still considering those issues and are not yet ready to publish a final regulation, but the effort is sincere, and the results, I believe, will be an improvement over the current regulatory structure for CRA.

We are working to find a way to accomplish an effective and meaningful evaluation of an institution's CRA performance without burdensome paperwork and record keeping requirements on the one hand and without undue reliance on ratios or formulas on the other.

We must make very clear that the objective of CRA is for financial institutions to provide credit and service to customers throughout their communities, not to build a mountain of paperwork to justify their efforts. No interest is served if bankers spend more time filling out forms or printing brochures than they spend in making sound loans for their communities.

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While our examination standards need to be consistently applied, we must have the flexibility to assess the performance of an institution based on its capabilities and the needs of the community it serves. Each institution, like each community, is unique. We need to ensure that everyone understands the laws and standards under which institutions will be evaluated. To accomplish this, we must provide our examiners with the resources, training and clear guidance they need.

Finally, we regulators must keep in mind that we have a dual responsibility: to encourage institutions to help meet the credit needs of their entire communities, while at the same time assuring that they meet the standards for safety and soundness.

Thank you for this opportunity to address issues related to CRA reform, Madam Chairwoman and Members of the subcommittee. I look forward to responding to your questions.

[The prepared statement of Hon. Ricki Tigert Helfer can be found in the appendix.]

Chairwoman ROUKEMA. Thank you, Ms. Helfer.

Mr. Ludwig.

STATEMENT OF EUGENE A. LUDWIG, COMPTROLLER OF THE CURRENCY

Mr. LUDWIG. Thank you, Chairwoman Roukema and Members of the subcommittee. I appreciate this opportunity to testify on the efforts of the regulatory agencies to improve our administration of the Community Reinvestment Act. I want to commend you, Chairwoman Roukema, for your attention to this important issue. I have a detailed written statement that addresses the questions you raised in your invitation letter. I would like to submit that statement for the record and focus my remarks this morning on three key points.

First, CRA is working. Indeed, it is in some respects a model statute, involving, as it does, no public subsidy, no private subsidy, no massive bureaucracy, and tremendous local control, but achieving some miracles in communities all across America, to the aggregate tune of tens of billions of dollars.

The notion that CRA lending is necessarily bad business is a fading myth. Let me stress here what I have stressed in many other forums: CRA is not about losing money. CRA, like every other type of lending, is about making money. Community reinvestment lending, in reality, is just like other types of lending. Those with the commitment to doing it well generally profit, while those less committed sometimes struggle. Through the catalytic effects of CRA, lenders all across the country are making thousands of good loans to homebuyers of low- and moderate-income, to fledgling minority and women-owned businesses, and in communities that have long been underserved. This activity has had absolutely no detrimental effects on the safety and soundness of the banking system, nor, to my knowledge, on any bank.

Second, although CRA is working, the complaints about its workings are often well-founded. The Federal regulatory agencies have not administered this statute well. We got this message loud and clear in the seven full days of hearings we held in 1993 to begin the CRA reform process—more than 250 witnesses, thousands of

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pages of testimony, all filled with complaints born of the real experiences of those who must work with the statute day in and day out in banks and communities all across America.

Nearly every one of the 250 witnesses—from large cities to small towns, from bankers to community leaders—testified that what was needed was a results-oriented CRA regulatory approach that focused on performance, not on process. At a hearing in San Antonio, Robert Perryman, Sr., Vice President of the First State Bank in Clute, Texas, summed up the problem and the challenge. Let me quote Mr. Perryman. "The focus of CRA compliance has been on voluminous record keeping . . . [Y]our efforts to reduce CRA regulatory burden will be the most effective means of improved credit availability for consumers."

The hearings were followed with the proposed regulation, which received thousands of public comments—many of them positive, some not, but almost all of them helpful. Based on those comments, we were able to publish a substantially similar but refined second proposed regulation that has also drawn thousands of comments. These comments clearly support the direction we are taking. For about 21 months now, we have worked hard to be responsive to public comment, and we are now close to finalizing a CRA evaluation process in a way that makes better sense for lenders, their communities and the regulators.

In criticisms of the current CRA regulation, we have often been told that common sense gets trampled by the documentation requirements of the current regulation. The CEO of First National Bank of La Jara, Colorado, offered this story at our hearing in New Mexico. He said, and I quote, "We do not make loans out of our trade area, which is recognized as one of the heaviest poverty areas in the Nation. We make hundreds of tiny loans . . . Yet we received a 'needs to improve' on our first CRA examination. After attending a series of seminars on 'How to improve our CRA,' we generated a pretty file which netted a satisfactory rating on our next examination. What an insult to our low-income Hispanic community." I agree; it is insulting.

These complaints directly reflect the problems with the current CRA rule. Take a look at some of the unnecessary documentation burdens the current rule imposes on bankers. I have them listed here on a chart to my left. Lenders are expected to come up with a CRA statement, have it approved by their board, make sure CRA discussions are recorded in their minutes, justify how they define their service area and determine its credit needs, document their lunches and meetings with members of their community, and show us advertising copy and where they run it.

To my mind, this is Washington at its worst—paperwork burdens that have nothing to do with what really matters to America's banks and communities: Lending, investment, services. And remember that the current rule imposes these requirements on all bankers, without regard to size. As we all know, burdens like this can be especially difficult for community banks and bankers. We need to get off the back of our bankers and reward—not fluff—but the stuff that is most important.

Under the most recent proposed rule, we would eliminate all of these burdens, every single one. We would replace the existing 12

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assessment factors with three tests—tests focusing clearly on what matters to a community—lending, service and investment. We would recognize that one-size-fits-all is not a sensible approach to regulation in this area and distinguish appropriately between large and small banks, between inner city and rural banks, between statewide or regional and community banks. We proposed alternative ways to assess performance at small banks, wholesale banks and limited purpose banks. We accommodated lenders' interest in structuring their activities in accordance with a strategic plan, a specific request of many lenders.

These features of the most recent proposal reflect the diversity of today's banking system and the communities our banks and thrifts serve. While we do not yet have agreement on the details of a final rule, I am not aware of significant disagreements among the four of us with respect to the merits of these aspects of the most recent proposal.

While I believe the net effect of the most recent proposal, for most banks, would be to reduce regulatory burden significantly, it is important to recognize that the calculus is complex. The proposal would, in fact, relieve much burden, but it will not be burden-free.

In this connection, let me comment briefly on the data reporting requirements of the most recent proposal and, specifically, the proposed requirement for reporting of race and gender data on small business and farm loans. This aspect of the proposal reflects the fact that, currently, fair lending assessments must proceed almost exclusively on the basis of home mortgage lending, the only type of lending for which data are available to conduct equal treatment tests.

I believe collecting gender and race data on small business and farm loans would help banks monitor their own lending performance and enable examiners to make a more complete assessment of an institution's commitment to fair lending. It is hard to see how a lender can be helping to meet the credit needs of its entire community—the statute's requirement—if it discriminates against borrowers on the basis of race or gender. For this reason, I advocated the inclusion of this requirement in the second proposed rule. As you know, we have received a great deal of comment on this aspect of the proposal—both for and against. We are considering those comments very carefully.

Third, and finally, the regulatory agencies can successfully address and resolve many of the problems that have bedeviled implementation of the CRA in the past. It is true, as Governor Lindsey's testimony notes, that there are considerable risks associated with making changes in this area. We are all mindful of those risks. We are all committed to sensible administration of the law. We all oppose credit allocation. We have spent enormous time and effort taking care to understand and prevent a wide range of unintended ill consequences.

We agree that inflexible, mechanistic approaches should be avoided and recognize the importance of avoiding disproportionate burdens on small institutions. We all understand that any data reporting requirements in the final rule must be justified both legally and as a matter of public policy. And, most important, we are

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united in opposition to any proposal that would impair safety and soundness.

But with the benefit of many months of deliberation and constructive input from literally thousands of banks, thrifts, community groups, public officials, municipalities, elected officials and other interested parties, I believe we are now within striking distance of a final rule that will successfully address these risks, reduce paperwork burdens on America's banks and thrifts, and refocus CRA compliance efforts on the lending, services, and investments that make our communities strong and our banks profitable.

The final rule will not solve all the problems that trouble America's communities. That was not the purpose of the Act. It has not been a purpose of the reform effort. And the final rule will not be a panacea for the banking industry's complaints about regulatory burden. That, too, is a bigger problem than the reform effort can address.

But by improving our implementation of the Act, we can make an important, positive difference for our banks and thrifts, and for the communities they serve. That is an important goal in its own right. I am committed to its accomplishment. And working together, I am confident we will accomplish it.

Thank you, and I welcome your questions.

[The prepared statement of Hon. Eugene Ludwig can be found in the appendix.]

Chairwoman ROUKEMA. Thank you, Mr. Ludwig.

Mr. Fiechter.

STATEMENT OF HON. JONATHAN L. FIECHTER, ACTING DIRECTOR, OFFICE OF THRIFT SUPERVISION

Mr. FIECHTER. Thank you, Madam Chair and Members of the subcommittee, I appreciate your invitation to appear at today's hearing. My written testimony seeks to respond to your questions.

In my remarks this morning, I would like to discuss one of the fundamental concerns of our CRA reform initiative: will the reform effort produce a regulation that addresses the problems with the existing regulation?

As you know, the four banking agencies have been striving to develop a revised CRA rule since the summer of 1993. In the public hearings we held, as well as in the two public comment periods, we heard many complaints about the existing CRA regulation and the manner in which it is administered. As your invitation letter points out, three of the most prevalent complaints were vagueness, subjectivity and paperwork burden.

The objectives of the CRA, while broad in nature, are generally understandable. Translating those objectives into clear and unambiguous standards, however, to be used as the basis for judging the community reinvestment performance of thousands of differently situated insured banks and thrifts, has been challenging.

The OTS has been guided by three principles during the rulemaking process in an effort to ensure that the final CRA regulation we produce will provide a better evaluation system than exists today.

First, the final regulation must evaluate performance with objective data, but it must also allow for subjective adjustments based

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on differences in financial institutions and the communities they serve. Put simply, CRA will not work if we take a cookie-cutter approach.

A benefit of this country is the variety of different financial institutions, each responding to local economic conditions. These institutions cannot be expected to fulfill their CRA responsibilities in exactly the same way.

An institution in a small agricultural town faces a very different set of credit needs compared to an institution operating in the suburb of a large metropolitan area. The final regulation must both recognize these differences as well as encourage innovativeness and creativity. It must recognize that there are different ways for institutions to help meet local credit needs.

Similarly, examiners charged with the responsibility for developing public CRA performance evaluations and ratings should not be held to a rigid and unrealistic set of regulatory provisions that frustrate their ability to go about their job. Instead, we must retain for our examiners a reasonable degree of flexibility in interpreting the objective data.

Our second principle is that the final regulation should improve the ability of the industry and the public to evaluate CRA performance on their own. There should be few surprises as a consequence of compliance exams.

The existing regulation, which may be overly subjective, created the perception of inconsistent evaluations of similarly situated institutions and wide differences in perception among institutions and community groups over performance.

This CRA rule-making process has been truly evolutionary. Our first proposal was highly objective in nature, in response to the large volume of public criticism we received over the subjective application of the existing regulation. But the solution to this problem which we described in our December 1993 proposal, was criticized for being too objective and rigid.

Our more recent proposal sought to achieve a better balance of objective criteria and regulatory flexibility. It is my hope that the final regulation will strike the appropriate balance between subjective and objective evaluation factors. We must make it easier for the industry and the public to predict performance levels while avoiding the pitfalls of a one-shoe-fits-all approach.

Our third principle is that the final regulation should be presented in a clear manner. In our initial effort to address a myriad of conflicting objectives, we may have unwittingly added a degree of complexity that obscured our message. Clarity in presentation of the regulation eliminates guesswork and provides the industry, our examiners and the public with an understood set of ground rules. The most common complaint with the existing regulation is that it focuses too heavily on documentation of efforts and too little on actual performance.

The result was that we may have rewarded institutions that maintained extensively documented files and loose-leaf notebooks while not giving sufficient credit to institutions with creative and successful lending programs.

We have been mindful of this emphasis on process throughout our rule-making—rule-writing process. Both proposals eliminated

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much of the paperwork burden associated with the existing regulation.

It is important to recognize, however, that any CRA evaluation system that contains objective performance elements for lending will necessitate some collection of data. The agencies are trying to develop a balanced collection and reporting system that minimizes burden, provides us with necessary information to develop sound CRA assessments, and offers the public a reasonable basis on which to measure CRA performance.

While I believe we can develop a regulation that will produce a performance-based system, any final rule will not be and should not be viewed as a panacea for solving the problems of the Nation's communities. I believe that CRA has served as a catalyst by encouraging institutions to pursue methods for alleviating the credit needs of poorer communities.

The nature and depth of the Nation's community development problems, however, go beyond the abilities of banks and thrifts to solve on their own. A better way to address the credit needs of communities is to encourage partnerships of communities, financial institutions, and the government. No one party, or industry, can energize economic growth and revitalization of neighborhoods on their own. Our rules must support cooperative efforts.

Again, Madam Chairwoman, I would like to thank you for your interest in our reform efforts, and I would be pleased to respond to any questions you may have.

[The prepared statement of Hon. Jonathan Fiechter can be found in the appendix.]

Chairwoman ROUKEMA. Thank you.

Mr. Lindsey.

STATEMENT OF HON. LAWRENCE LINDSEY, GOVERNOR, FEDERAL RESERVE BOARD

Mr. LINDSEY. As you know, I submitted a written statement I would like included in the record.

I very much appreciate the opportunity to provide the Federal Reserve's perspective on the status of CRA and our efforts to reform our system of assessing CRA performance.

Although we have submitted a joint statement which I believe lays out in fair and comprehensive form the history of our efforts, I would like to take some time to emphasize a few additional points.

First, let me say that the Federal Reserve Board fully supports this effort to reform our CRA regulations.

I believe that our efforts to date have been on balance successful. Although there is some further work ahead, I think that our final product will be an important step toward providing greater clarity, more focus on lending and less paperwork.

It is no secret CRA reform has involved a longer process than any of us wanted, but I believe the issue before us is too important to rush. We are going to do no one any favors if we institute a set of regulations which are unworkable or produce bizarre anomalies as they are applied to the diverse markets with which we are dealing.

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Some of the central issues with which the agencies are now dealing, in fact, have existed from the beginning of CRA. In part, that is because those issues derive from the unusual content and structure of the law itself. There are, in short, inherent, unavoidable contradictions in any scheme to administer CRA.

In the absence of very much legislative direction, the agencies have been asked to: One, develop clear, more objective criteria without imposing credit allocation or compromising safety and soundness in institutions.

Two, assemble sufficient information to determine performance while minimizing the compliance burden on the institutions and protecting the confidentiality of the financial situation of the bank's customers.

Three, ensure consistency in CRA evaluations, while maintaining flexibility and reflecting the diversity of financial institutions in the community.

These goals are often contradictory. All the core issues involve important matters of public policy and difficult tradeoffs. Let me briefly elaborate on the inherently contradictory goals of these objectives.

Consistency and objectivity are laudable goals, but to be successfully implemented in a regulatory scheme, they require both sets of statistical data, and a formula for evaluation of that data. The more rigid the formulas which are applied, the greater the consistency, but the lower the variety of outcomes and allowance for local circumstances which is permitted.

I think my colleagues and I have confronted these issues head on and are evolving a set of rules that balances the maximum amount of flexibility in implementation with a spirit of objectivity and consistency in CRA enforcement which the President called for.

Getting to that point has not been easy. Under CRA, all of the legal requirements are for actions by regulators. Although CRA says we are to encourage banks to help meet community credit needs, the Act does not necessarily require any specific bank actions. Further, the Act does not tell us or the banks which specific measures define good performance or what the consequence of poor CRA performance will be.

On important matters such as what constitutes an institution's community, whether services should be included in the concept of helping meet credit needs, or whether banks should be judged on credit extended to low- and moderate-income persons or only to borrowers in low- and moderate-income neighborhoods, the act provides little help to regulators, bankers or community representatives. In the absence of such guidance, the agencies have been forced to add much more substance in regulations than is usual for agencies, to an extent that probably is unique for financial regulators.

CRA is also unusual in that it compels the agencies to look beyond the bank and assess the role the bank plays in the communities. This means going beyond the regulatory relationship by bringing a third party to the table, the public, and as Members of this subcommittee are well aware, it is a large and amorphous group of diverse interests.

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Further, the expectation about the CRA performance of banks has evolved considerably since inception of CRA in 1977. In CRA's early years, a commonly held view was that CRA's central purpose was geographic in nature: To help ensure that banks would not ignore the needs of low- and moderate-income areas in their communities.

Today, the emphasis is on dynamic, affirmative efforts. As a result, even institutions that have demonstrably increased mortgage and other credit extensions in lower-income areas, and expanded participation in community development, are not infrequently criticized for failure to do more.

Regulatory expectations of what banks should be expected to do to comply with CRA are similarly much more aggressive than they were 10 or 15 years ago.

I think that CRA has had a significant positive impact on the availability of credit in low- and moderate-income areas. Far too much emphasis has probably been placed on the problems of CRA rather than its strengths. Here is a government program that has entailed little bureaucracy, great local autonomy, and virtually no Federal tax dollars to administer. Yet, its impact on communities can probably be measured in billions of dollars in community and economic development activity benefiting the most distressed parts of our communities.

Finally, Madam Chairwoman, let me be clear about the Federal Reserve's position on a number of issues related to CRA and the reform process.

First, as indicated, in our view, CRA has had a beneficial effect on many communities and institutions. On balance, we believe that the law is worthy of being maintained, provided it is administered in a sensible fashion.

Second, one of the major risks in the reform process is that any change we may make to CRA's regulations could result in unintended and unwarranted consequences.

Let me assure this subcommittee that the Federal Reserve has no wish to produce a regulatory scheme that we believe would result in governmentally-imposed credit allocation driven from Washington.

Third, we must be very cautious in attempting any revision of the regulations, given uncertainties involved in how an entirely new set of regs will actually affect bank behavior. I am particularly concerned about the unintended consequences of regulation which may actually harm existing minority-owned or -oriented financial institutions, or undermine the effort of small community based banks or nonprofit institutions, or cause banks to leave markets, or avoid experimentation due to fear of increased risks. Wholesale or radical change invariably ends up as counterproductive.

Underserved markets do not need alternating periods of extreme policy activism followed by extreme neglect. They require steady, moderate, predictable and workable efforts.

Fourth, any pursuit of more objectivity must be tempered with an allowance for considerable agency judgment. I think that was brought home clearly in the response by many in the banking industry to the first reform proposal which proposed a formula market share test as the primary element in the rating system.

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Five, any reform structure must recognize the uniqueness of small institutions and the disproportionate burden they bear from any regulation, CRA or otherwise.

Six, any increased data reporting must be justified. It is important to bear in mind that the primary cost of detailed data reporting is not borne by banks but by their customers. The reporting of individual loans required under HMDA, for example, means applicants' incomes and other sensitive information are placed in the public domain. While Congress has determined that the benefits of such reporting outweigh the cost in that particular instance, the assumption that further detailed reporting is necessarily beneficial should be carefully scrutinized.

Seven, while we can understand the desire to develop additional incentives for good CRA performance, discussion of a variety of safe-harbor proposals over the years has generally provided protections to too many institutions whose performance may be barely satisfactory and too few where limited to those rated outstanding.

One solution Congress may want to consider is to establish a new rating category of strong satisfactory, and focus some benefits on institutions in that level or higher.

Finally, we believe it is especially important that the commitment to safety and soundness be maintained. Community reinvestment must be economically sound, and ultimately, profitable, I believe, if it is to be sustained. If CRA is to work over the long-term, economic sense, not shifting views about CRA obligations, must be the driving force.

Thank you Madam Chairwoman.

[The prepared statement of Mr. Lawrence Lindsey can be found in the appendix.]

Chairwoman ROUKEMA. Thank you very much.

I don't really know where to start, so let me start with what is foremost in my mind, because I have to tell you again, and I will repeat what I said at the beginning, I come to this subject without prejudice, and I am not convinced one way or the other, but when I hear the same questions being raised by people in the industry whom I value as good financial people and good community leaders, they keep repeating the same things to me, then I have to ask the questions over again.

That is, the question of credit allocation. Some of you have alluded to it and some have not. So I will just throw this out. I am concerned about the credit allocation. Let me put it in the context of this question of race and gender data, for example, just as one new element we have thrown into this mix.

I believe Mr. Ludwig was the only one who addressed himself to it with some specificity, that is, race and gender. I believe, Mr. Ludwig, you alluded to the fact that it must be administered well—yes, the data-reporting requirement you referenced and the—you approve of race and gender reporting requirements. And then that comes to mind, brings to mind my question of how in the world do you measure that? What criteria do you use unless you go to some implied or de facto allocation of credit based on arbitrary quota factors?

I hate to use the "Q" word "quota," particularly in the context of what is going on in affirmative action. But I don't know how you

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measure this with any specificity. Put that together with what I think Mr. Lindsey and Mr. Fiechter have said regarding wanting to be—to have fewer regulations, more objectivity, more local control—they don't mesh with me, in my opinion.

Yes, Mr. Ludwig and then——

Mr. LUDWIG. I think that is a very fair question. The race and gender reporting under the regulation was for the sole purpose of determining discrimination. The issue is how can you meet the statute's terms of serving the credit needs of your entire community if you have an institution that is affirmatively discriminating against one group?

Let me be clear, it was only for purposes of discrimination. I, like the rest of my colleagues, am firmly opposed to credit allocation. This isn't about allocating more credit to one group or another. It is simply to determine whether or not one group is being discriminated against in an unlawful fashion.

Chairwoman ROUKEMA. What do you compare it to? What is the standard you compare it to, an arbitrary number of an estimate in a given quote, "community of the minority grouping" or what? How do you set the standard?

Mr. LUDWIG. We do not use statistical evaluations when we evaluate whether there is discrimination. In our organization we determine whether there is intentional discrimination, in other words, some officer or executive said "We are not going to lend to that person." Also, we conduct a file comparison to determine whether or not one individual is treated differently from another individual simply on the basis of race.

Chairwoman ROUKEMA. A file comparison?

Mr. LUDWIG. A file comparison.

Chairwoman ROUKEMA. That is a lot of paperwork; isn't it?

Mr. LUDWIG. Well, it is the agency that looks at the files.

Chairwoman ROUKEMA. Anyone else on this particular subject? You don't want to touch it?

Mr. WYNN. Will the Chairwoman yield for a moment?

Chairwoman ROUKEMA. Be happy to.

Mr. WYNN. On this point, was there any evidence that the HMDA data was used for credit allocation on home mortgages?

Mr. LUDWIG. No. That is an interesting point you raise. I actually have a quote here from a bank president on the collection of HMDA data. He was talking about why a collection scheme of data like HMDA would be useful in the small business context.

This is a speech given last summer by Edward D. Miller of Chemical Bank, who said: "Let's look at disclosure, not as a weapon held over our heads, or that we hold defensively in front of ourselves but as an effective tool leading to actionable solutions and real impact. In 1991, the first release of HMDA data was broken out by race and gender, we had access for the first time to solid information on lending to minority home buyers. The numbers made clear that we did not have the right products and that we were not penetrating many of the markets we serve.

"Timely disclosure of information on home mortgage lending by race and gender has shown us where we need to step up our efforts and has given us the impetus to move forward. Disclosure of small business lending would encourage financial institutions to identify

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far more accurately the communities and potential borrowers that we are not reaching."

That quote from Mr. Miller, President of Chemical Bank, gives a good indication why the data can be useful.

Chairwoman ROUKEMA. Thank you.

I just want to conclude, I am out of time, I want to conclude by observing that I think you would all agree that people like me have large questions raised when we find that everyone is asserting they want to simplify the process and reduce paperwork. And having taken 2 years, it is still a hot topic. And if you can't come up with regulations that are somewhat acceptable from any portion of the constituency, whether consumer groups or financial institutions, you have to wonder whether or not this can ever be done. Maybe we are trying to do something that is impossible.

Mr. Lindsey, did you want to speak?

Mr. LINDSEY. Madam Chairwoman, let me say something about why it has taken so long.

Chairwoman ROUKEMA. Yes, please, will you help me?

Mr. LINDSEY. You won't find any four people, except possibly our spouses, who wish it would take less time than it has taken.

Chairwoman ROUKEMA. And me.

Mr. LINDSEY. And you.

We took a very serious look at this, and one of the inevitable challenges was to take a body of regulation that was largely in the form of examiner guidance and guidelines. You might analogize this to case law in the legal area, and take a look at it and say what should be put in regulatory language.

Well, when you do that, you take a set of instructions that are meant to be flexibly interpreted and put them down in black and white to be rigidly interpreted in every credit market, in every instance in America. When you do that, you better be darn careful about what you are doing. It has not been—I know the press has often characterized most of what we are fighting about—we are not even fighting—but most of what we are arguing about as big issues.

A lot of what we do has to do with what the public would probably consider little issues but which we think have to be administered correctly.

I know it has taken far longer than anyone wanted, but when you deal with a number of complex issues that are also interrelated that we have been working with, it has not been for want of effort or time on our part. It is that we are looking at 15 years or more of history of regulation, without a lot of either legislative guidance or, frankly, detailed regulatory language. That is what has taken so long.

Chairwoman ROUKEMA. Thank you.

My colleague Mr. Vento.

Mr. VENTO. Thank you, Madam Chairwoman.

Mr. Lindsey, you have been working on this for 21 months. Are you ready to approve these by the end of March? Are we going to get off the dime here, or aren't you ready yet?

Mr. LINDSEY. I don't know about the end of March.

Mr. VENTO. How much longer are you going to insist on holding these regulations under consideration?

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Mr. LINDSEY. Well, the stage we are in again is going through a lot of very detailed language and making sure that it is implementable. No one here is insisting on having them take a day longer than they have to.

Mr. VENTO. How long is that going to be? When are we going to get the regulations? I think the fact is that time is not our friend here. I think that you have held people in abeyance with these, with resulting uncertainty, unpredictability, obviously the result it is having is, of course, that Members want to repeal them. That is why we got this group chanting here.

Mr. LINDSEY. I am hopeful we can do it soon.

Mr. VENTO. I hope so. I really hope so. If you are looking for the perfect solution, you are not going to work yourself out of a job in this area. I hope not, anyway.

Mr. LINDSEY. I don't think so. But again, let me remind you that what we are doing is laying down a very complicated and complex——

Mr. VENTO. I know.

Mr. LINDSEY. Interrelated set of regs. We would have more groups chanting and more letters coming to both you and us if we implemented a reform that was not workable when it was applied in the field or created anomalies among areas.

Mr. VENTO. While you are looking for a fundamental change in terms of direction in terms of these regulations at this point—you said very small points, you know.

Mr. LINDSEY. No.

Mr. VENTO. So why don't you leave the small points, but publish the regulations on the big points then?

Mr. LINDSEY. They are not just the big points. A lot of specific instances, a lot of practice has been evolved that works in particular neighborhoods. For example, I was out talking at a Rural America Conference yesterday. What was striking to me was that most of CRA, frankly, is written for urban America and yet rural counties have as big, if not a bigger poverty challenge than do urban areas. I think there are more CRA-targeted areas out there.

Rules that might work, as far as administrative regulations, the rubber really hitting the road in writing a regulation that would work in an urban area, will not work in a rural area unless we craft them very carefully. I think—you are from Minnesota.

Mr. VENTO. That is right.

Mr. LINDSEY. You probably represent many of those areas.

Mr. VENTO. I represent almost an all-urban area, Governor Lindsey.

Mr. LINDSEY. Well, then some of your colleagues.

Mr. VENTO. Small bankers, yes, are in Minnesota, but obviously, in fact, I think the frustrating point of this, Mr. Fiechter, are you ready to go on these regulations or not? How much longer will we have to wait?

Mr. FIECHTER. Well, I would want to make certain that no one on the subcommittee had the impression that the four of us had a final rule and we were waiting to pick the day when we would release it. We have been putting in, all four of us and our staffs, a lot of time and I would really echo both for the staffs—they have

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gone off for weeks, closeted themselves and put in 12–14 hour days. We all take this very seriously.

Mr. VENTO. I take it there has to be a happy medium between the hundred-day march we are in and what you are doing in 21 months.

Mr. Ludwig, do you have any comments on this subject?

Mr. LUDWIG. Yes, I do. I am reasonably confident that working as hard as we are, we can complete this by mid-April. I think that March 31 is too short of a timeframe, but I am reasonably confident that we are close. If we continue this pace, we will be able to do it. I don't know whether my colleagues share that view.

Mr. VENTO. I hope so.

Chairman Helfer.

Ms. HELFER. I can tell you that looking at over 6,000 comments, which the agencies have received altogether, takes time and that is what, in fact, the notice and comment rule-making process is about.

I certainly share your frustrations, Congressman Vento, but I would point to the fact that the notice and comment rule-making process has worked in this case because people—all of the individuals at this table—heeded the comments to come up with the second proposal, which was actually published the day I was sworn in, October 7, 1994.

We have worked very, very hard since then to take account of the more than 6,000 comments we have received on the second proposal. But I believe that we are working very effectively. The staffs, as Mr. Fiechter has pointed out, have put in an enormous amount of time and I believe we are close to coming up with a final regulation.

Mr. VENTO. It doesn't work if you don't have a conclusion. My point is you don't solve problems by expanding them and, obviously, you have got some issues you are not going to take on that one group wants and others you won't be able to resolve and if you have to go into a further reiteration of the work, I think we need a final conclusion at this particular time.

I mean, I have another question, Madam Chairwoman. CRA has, in fact, caused any default or failure of financial institutions. Anyone at this table want to suggest that?

Ms. HELFER. No, there is no data that——

Mr. VENTO. It is more important now in terms of how it affects communities. I agree with the rural communities. One of the frustrations is they don't see it as meaningful to what they are doing, and that is, I think, an issue that has to be addressed. I hope the framework you have would be workable and if you have nuances you have to do to make it meaningful and workable and eliminate redundancy in terms of other consumer laws where it can correlate, fine. You ought to be doing that, but I don't think in this particular swatch you are going through now that you have done that. So to go back and try to do it at this point is not going to be workable. That is, at least, the impression I have.

Thank you, Madam Chairwoman.

Chairwoman ROUKEMA. Thank you.

Mr. McCollum.

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Mr. McCollum. Thank you, Madam Chairwoman. I take the opposite view. I am pleased you have not implemented these regulations and I hope you take plenty of time in looking at this.

I hear there are similar problems with them as I hear from people around the country such as you have in your comments. As I said in my opening remarks, in the next couple of days, I intend to introduce a bill that would radically alter CRA, the safe harbor provision. That is not intended to be in the bill. While it is not out here yet and not the subject of the hearing, if it were to be adopted, I would think that it would make a lot of the regs you are working with moot in that sense.

But assuming it is not, and working with what you are doing, I have some questions related to things that are raised.

I think the most constructive way to ask these questions is to take some of the points made by witnesses that are to follow you who critiqued it and simply ask for clarification.

In an effort to improve on what you are doing and highlight some of these things, one of them, you have talked about the data collection. Some of you addressed that issue as to its purpose.

One of the critics says that the CRA has not provided authority for any regulatory decisions based on such data and the potential use of this data is not identified in the proposed regulations.

Mr. Ludwig, you have commented that you do think you have the authority because you are determining this to see if somebody, a group has been discriminated against. You believe that authority exists in CRA to do that, I assume.

Mr. Ludwig. Yes.

Mr. McCollum. It is not spelled out, apparently, in the proposed regulations that were promulgated, the latest version, that that is what your use of this data would be. At least this critic doesn't see it there. Is that a fair criticism?

Mr. Ludwig. I don't think so. I or my staff will get back to you directly. There is only one purpose for which we collect the race and gender data and that is to determine whether there is discrimination for the purposes I stated. In other words, how can you be serving the credit needs of your entire community if you discriminate against one portion of it.

Mr. McCollum. If it is not spelled out I would urge you to spell it out. That would alleviate some indigestion perhaps some of the folks are having out in the field.

Also the comment has been made that the regulations proposed in 1993 had included statements that banks are not expected to make loans that are expected to result in losses, to expand branching network or operate facilities at a loss. This critic says these protections are not included in the proposed new regs. If that is a correct comment, I don't know if anyone here is prepared to answer that. Why are they not included?

Mr. Ludwig. The second proposal explicitly states that loans are not to be made at a loss. Indeed, I would like to quote from statements regarding the safety and soundness aspect of these loans. I quote both from Richard Rosenberg, Chairman and CEO, Bank of America, and Mario Antoci, Chairman and CEO of American Savings Bank.

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First, let me quote from the revised proposal, which would require institutions to collect certain race and gender data in connection with small business and farm loans. My staff just handed me this. Here is the quote: "This data was collected in order to support the fair lending component of CRA assessment." That statement of purpose is explicitly in the second proposal.

Now, let me quote from Mr. Rosenberg: "In fact when we compare the delinquency and foreclosure rate of the Neighborhood Advantage portfolio with our conventional home loans, it is about two-thirds lower—even during a period when residential real estate was falling in value. This tells us that when you extend the opportunity for home ownership in low-income neighborhoods, it is taken very seriously."

Mario Antoci from American Savings says, and I quote, "Loss severity was also not much different than what one would experience with the rest of the loan portfolio. . . . Delinquencies in the inner cities were only slightly higher than what you might expect in normal times, while delinquencies in more affluent areas in Southern California were three to four times as high as they were in the inner city. Add to this the fact that housing values fell 40 to 50 percent in higher priced areas, compared to 10 to 15 percent in the inner city, and you can see why lending in the inner city turned out to be the most profitable part of our business over the past few years."

Mr. McCOLLUM. If the chairwoman would indulge me, since I am the only one left on my side of the aisle over here, I would like to clarify one or two things to make a point. There are two other areas, I won't ask a question particularly, that strike me in looking at all the critics, the overriding concerns beyond the specific type things that I gave you. One is in the service test area.

I think the banking community out there, especially small bankers are very concerned that the definition of, while narrower than perhaps in the first promulgation of the service area is still too broad and that they are going to have to build brick and mortar in areas and going out and servicing beyond their normal local area. That is just an overriding thing I hear again, and again, and again either, A, the brick and mortar part even though you mitigated it, or, B, extending the service area.

Number 2, the other thing we keep hearing about, you have tried to address about credit allocation, but one of the witnesses says that the real problem in that regard is that you may not see that you are doing it, but that the problem rests on the fact that you are trying to go to a results test and not alter the process of the CRA. And that by doing so you were really having a model for affirmative action and the way this is described it says by omitting a review process and looking only at results the rules take a clear step toward allocating, banks and thrifts would be pressured by lending in numbers and dollars by location.

Although the proposal would take into account the market context of the bank, they would inevitably lead to standards developed on a national basis. That will be a starting point for assessing the lending performance. Experience shows us these standards will build into requirements and those requirements will begin to amount to credit allocation.

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So at least you hear me repeat to you, you can't read volumes of all this material personally, the essence of the credit allocation argument. That is the premise I see for most who have come to us and said they fear what you are doing is indeed going to lead to credit allocation.

Mr. LUDWIG. Let me assure you, Congressman McCollum, that we have been very mindful not to have credit allocation here. That is one of the reasons that we have subjective evaluative criteria and have moved away from a formulaic scheme that was partly involved in the first proposal.

I also can quote for you from the *Federal Register* on the point you were getting at earlier about safety and soundness. This is a quote from the proposed rule, "This part and the CRA do not require any bank to make loans or investments or to provide services that are inconsistent with safe and sound operations."

Mr. MCCOLLUM. Thank you.

Thank you, Madam Chairwoman.

Chairwoman ROUKEMA. Mr. Wynn.

Mr. WYNN. Thank you, Madam Chairwoman.

Let me, as I begin, reiterate a point I have tried to make and that is in advocating the collection of race and gender data that we are in no way suggesting, number 1, that loans should be made that would violate the safety and soundness standards of banks. I think that is a red herring.

I think the second red herring in this debate is probably the term, "credit allocation."

Mr. Ludwig, or any of the regulators, it appears to me that when you took out the language focusing on a specific loan-to-deposit ratio that you removed any threat of credit allocation in the actual regulations. Obviously, based on the comments of the gentleman from Florida there is lots of room for speculation about what might happen and how this might evolve, but in terms of the existence of hard numbers that can be linked to any sort of allocation, is it fair to say that that was removed in the second set of regs?

Mr. LUDWIG. That was removed in the second set of proposed regulations.

Chairwoman ROUKEMA. Mr. Ludwig, if you would wait a second, I didn't hear the question. It is a very important one. What was the ratio—removal of what? Could we be precise about it?

Mr. WYNN. What I said, Madam Chairwoman, was that in the regs that are before us now, it is my reading that the regulators actually removed the loan-to-deposit ratio, 60 percent loan-to-deposit ratio, in the previous regs, that was removed based on the statement of Mr. Ludwig on pages 7 and 8.

My question is by removing that hard loan-to-deposit ratio, haven't you actually removed any threat of credit allocation?

Mr. LUDWIG. We did eliminate that loan-to-deposit ratio in the second set of proposed regs. And we removed what is called the market share analysis for the sole purpose of avoiding any taint of credit allocation even though both cases were rebuttable presumptions. In other words, we recognized there couldn't be a hard and fast, one-size-fits-all test. Putting in that kind of formula raised people's concerns about credit allocation, and we were all very cau-

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tious to eliminate it in order to clearly move away from any such suggestion.

Mr. WYNN. Would you agree with that analysis, Mr. Lindsey?

Mr. LINDSEY. I certainly think it is factually true, we removed it. I think your question raises one of the key points and difficulties we have had with the reg.

As you noted, Mr. McCollum's concerns went not necessarily to what was stated in the reg, but how it will be implemented. That is why we are so careful in what we write because one could structure a regulation, which did not have any numbers in, but by prescribing a particular form of analysis or what have you, credit could end up being allocated.

We have worked very, very hard to make sure that that does not happen.

Mr. WYNN. So it is your position that you don't have any hard numbers, you don't have loan-to-deposit ratios and you are not going to have regs that require credit allocation. Is that your position?

Mr. LINDSEY. We are not going to issue regulations that have credit allocation.

Mr. WYNN. I don't think we can say it any clearer than that, but I don't think that that will stop the idle speculation.

Let me turn to another question and that was one of the new tests or new procedures that are being implemented.

Ms. Tigert Helfer, you talked about a new strategic plan test in lieu of the traditional tests that have been utilized. How would that strategic plan test work and would that reduce paperwork and provide more flexibility that the banks seem to be asking for?

Ms. HELFER. Congressman Wynn, under the proposal any bank will have the option of developing its own strategic plan for meeting CRA requirements. This would be a plan that the bank would develop because the bank understands its own community, understands the credit needs of its own community and is in the best position to make a judgment about how best to meet the CRA requirements.

Under the proposed regulation, that plan would be subject to 30 days of public comment which the bank would consider. The bank itself would then finalize the plan taking account of those comments. Then the plan would be the basis, for as long as 3 to 5 years, for an evaluation of how well the bank is meeting the CRA requirements.

Mr. WYNN. If I could jump in because my time is running. Therefore, the bank submits its plan of how it wants to solve the problem and you evaluate it based on the plan they submit as opposed to something, quote, unquote, "imposed on them."

Ms. HELFER. That is correct. That is a fair analysis.

Mr. WYNN. Has that approach been endorsed by the banking industry?

Ms. HELFER. Many representatives of the banking industry filed comments with us specifically approving that approach.

Chairwoman ROUKEMA. Would my colleague yield? I might point out—would the gentleman yield?

Mr. WYNN. Certainly.

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Chairwoman ROUKEMA. You will have the privilege and opportunity to ask that specific question to the representatives of the banking community who will be here tomorrow with a panel.

Mr. WYNN. Thank you, Madam Chairwoman. I see my time is up. Thank you very much.

Chairwoman ROUKEMA. Thank you.

Mr. Frank.

Mr. FRANK. Thank you for indulging me, Madam Chairwoman.

Let me ask each of you whether in the examinations divisions of each of your agencies, have they ever reported to you that CRA was in any way a factor in causing bank failures or was a significant reason for failure? Or even of nonpayment of loans?

Ms. Helfer.

Ms. HELFER. We have, at the FDIC, no evidence that CRA lending has caused a bank failure.

Mr. FRANK. Mr. Ludwig?

Mr. LUDWIG. I agree.

Mr. FIECHTER. No.

Mr. FRANK. Mr. Lindsey.

Mr. LINDSEY. No, I would point out from the experience, one of the complaints we have——

Mr. FRANK. Wait, we have 5 minutes. If you have another point, we will get to it later, but this is specifically whether there is evidence that this has been a factor in bad loans being made.

Mr. LINDSEY. That is a different question. There, as you know, one of the complaints that we have from bankers is that the CRA folks come in and say this is a great loan—it is a terrible loan, but as far as bank failures go, you are absolutely right.

Mr. FRANK. We will get to the complaints later, but the question is whether your examiners have reported to you that this is a significant cause, and I am delighted it is not a failure thing, but is it even cause of any significant number of bad loans being made? I would ask you to report back in writing about that. I take it the evidence is it has not or we would have heard from them.

Next, I have heard from people who talk about this and CRA and about fair credit and HMDA. The argument for bankers is this is silly. Why would we as a banker ever turn down a good loan, therefore none of this is needed. That is an argument against all civil rights laws.

I remember in 1972 when I was running for the State legislature the first time in Massachusetts and some friends approached me to tell me they could not get a loan to buy the house they were living in which they were renting and which was up for sale because the bank would not give any credence to the salary of the wife and in that couple the wife worked and the husband didn't.

I talked to a very social and good banker and he told me it was true. So if it is true that banks don't make decisions based on discrimination, at what point in history did that millennium arrive? If we are in that case—I know in 1972, if you were a woman married to a man, no matter how much money you made in Massachusetts the banks discounted it patently, totally.

So was that an aberration in Massachusetts then in 1972? Has there, in fact, been discrimination in bank lending practices, Ms. Helfer, over the years?

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Ms. HELFER. You point to 1972. In 1977, 1976, in fact, the Equal Credit Opportunity Act was passed which specifically prohibited that.

Mr. FRANK. I understand. My question is whether we were just doing that for no good reason. If you take the argument that I get from some bankers that all of this is unnecessary because, of course, they would make any loan on which they make money, the Act was unnecessary. Do you think it was unnecessary?

Ms. HELFER. We have found actually that, by and large, banks do not discriminate. There are examples, however, of banks discriminating and the FDIC in the last 3 years has made 26 referrals to the Department of Justice under the Equal Credit Opportunity Act.

Mr. FRANK. Mr. Lindsey, what is your sense of this?

Mr. LINDSEY. I was thinking the same happened to me when I moved to Massachusetts in 1984. There we had a situation where my wife had a job down here and it was unclear she had a job in Massachusetts and I suppose one of the actions of the banks would be to say, gosh, you know,——

Mr. FRANK. I am not talking about that, that is ambiguous. My question is whether there was——

Mr. LINDSEY. It is ambiguities——

Mr. FRANK. There is no ambiguity in my question.

Mr. LINDSEY. Not in your question.

Mr. FRANK. I don't doubt there are ambiguities, you and I can find them. I am talking about a case where the woman worked in Massachusetts and they told me it is not the policy to do that. Do you think we need antidiscrimination laws in banking?

Mr. LINDSEY. I think, yes, yes, we do.

Mr. FRANK. Do you support the CRA staying on the books?

Mr. LINDSEY. I certainly—I wouldn't have spent 23 months——

Mr. FRANK. We all spend time, that is a separate question. We are, you are a law-abiding type of person. You would do what the law required even if you had nothing to do with it.

Mr. LINDSEY. Yes, I support.

Mr. FRANK. I am distressed at how long it is taking. As I listen to you, Mr. Lindsey, you sound like we have a will of the wisp you are pursuing. Yes, it is somewhat ambiguous that if we made it more specific we would be told we are overspecifying the legislation. But, no regulation can be promulgated in advance that will anticipate every problem.

I think the time has come for you to put the regulation out there. It is a regulation that can, it can be changed, but you cannot anticipate every problem.

I am particularly concerned, frankly, about what seems to me, and you use legal analysis and there is, the heckler's veto. That is, as non-lawyers may not know, is when you stop someone from saying something because you anticipate that the response will be too violent. You, therefore, stop someone's free speech because you don't want a violent response.

I think that is always wrong.

You are getting the equivalent, it seems to me, of a heckler's veto; that is, you can worry too much about people in the banking community who will misinterpret the regulation and you therefore

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try and get a regulation that will anticipate every tremor of nervousness and every form of regulatory hypochondria that the regulator can feel.

At some point you have got to move. If, in fact, you have been unable to do this after all this time, you confirm the bank regulatory structure really is dysfunctional. There is simply no reason why it should take 2 years to get this done.

Mr. LINDSEY. I don't think any of my colleagues would disagree—they are free to—with what I am about to say. I don't detect that we have delayed this 1 minute because of a fear of a heckler's response from the banking industry.

My sense is that we have been working in good faith and our staffs have been toiling endlessly for 23 months to get it done as quickly as possible. I don't detect any sense of obstruction from any of these on this policy.

Mr. FRANK. I have to disagree. One, I don't think everybody is united on that. Second, there are different degrees to which you can anticipate all possible problems. We have four separate regulators and the longer you delay the more you make for regulatory consolidation. It is simply unacceptable we should have to wait this long for something this important.

Thank you.

Chairwoman ROUKEMA. Have you concluded?

Mr. FRANK. Yes, ma'am.

Chairwoman ROUKEMA. I would like to make an observation. I don't know that you were here, Mr. Frank, when I observed, but maybe came to a different conclusion or at least came from a different perspective that if you are trying to do this, write these regulations and you are running into so many insurmountable problems with them so you have to go back and revise, and revise, and revise in order to adhere to your standards of safety and soundness as well as nondiscrimination and avoid the credit allocation, then maybe you are trying to do the impossible. Maybe this is not feasible under these circumstances. I mean under this law.

Maybe what we are trying to do is simply in conflict, irreconcilable conflict with some of the goals that are here, especially if you are trying, again, protect the viability of the banking system.

That, again, leads to another question that many have raised and it was alluded to in Mr. McCollum's question and I think maybe, Mr. Wynn, that is the question that arises particularly on the subject of race and gender reporting.

Why shouldn't the credit discrimination question be enforced under the Equal Credit Opportunity Act and the Fair Housing Act rather than trying to reinvent a new wheel through CRA if we are having so much trouble with it? I don't know what the answer to it is, but it is a legitimate question to respond.

Mr. FRANK. May I respond?

Chairwoman ROUKEMA. I would be happy to have you respond, but I would prefer to have them respond.

Mr. FRANK. I am sure you would, but I have an answer.

Chairwoman ROUKEMA. And it is an honest and open question. It is a legitimate question that arises.

Mr. LUDWIG. I can respond.

Chairwoman ROUKEMA. Mr. Ludwig.

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Mr. LUDWIG. First, I think at this point we fundamentally agree on reform. So is this doable? I think everybody at the table would say, yes, and I think we will have a better regulation.

Second, the proposed race and gender data collection, interestingly enough, arises because a bank on the West Coast asked to collect the data in order to monitor its own fair lending. That is how this issue first came to my attention, anyway. It is currently prohibited under Federal Reserve Board Regulation B. No lender in this country can collect that data.

I oppose that. I think financial institutions ought to be free to collect such data to monitor their own fair lending. There is no way we can monitor fair lending in the small business area fully without it.

Let me make clear, CRA is not fundamentally a race and gender law. It is about extending credit throughout the community. As Congressman Kennedy indicated, most CRA loans to low- and moderate-income individuals, are, in fact, to white individuals. It is not fundamentally a race and gender law.

Chairwoman ROUKEMA. Thank you.

Anyone else? Thank you very much.

Mr. Frank.

Mr. FRANK. I learned something here. There is apparently a Federal Reserve Board regulation that bans——

Mr. LINDSEY.Under the Equal Credit Opportunity Act.

Mr. FRANK. And it is not statutorily compelled.

Mr. LINDSEY. Beginning in 1974 we were assigned the authority to write the regs for the Equal Credit Opportunity Act. At that time, we had an example in mind, very similar to the case you cited. The case that I described is Mary Jane Smith could not get a credit card, but M.J. Smith could.

So we adopted, I guess, nowadays we say don't ask, don't tell and we prohibited the banks from collecting race and gender information on credit. That provision has been part of reg B as a means of enforcing ECOA since then.

I would add that as part of our discussions, although it is not a part of CRA, we are under intensive review of that regulation.

Mr. FRANK. I gather it is a nationwide all inclusive, all financial institutions that you have responsibility for, all credit? Pretty sweeping regulation.

Mr. LINDSEY. It is all creditors. It is all——

Mr. FRANK. All institutions under your jurisdiction? Under the jurisdiction of the Fed?

Mr. LINDSEY. It is all lenders. Even nonregulated lenders.

Mr. FRANK. So Fed sensitivity to fine tune regulations has grown substantially over the years. That sounds like the exact opposite of the process you describe in terms of the breadth of its application.

If I could respond to the Chairwoman, I agree with the point she made, but that reinforces my view that the main reason for holding this up is that you don't think that CRA is a good law.

You think it is impossible.

If you don't like the law, then obviously you don't want to see the regulations that do it. I say to the gentlewoman her remedy in this case is obviously repeal it or substantially amend it. But as long

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as it is on the books, it seems to me we have the right to have the regulations promulgated.

Chairwoman ROUKEMA. Thank you very much. This is the beginning of what may be a long and fruitful analysis. I don't know whether it will lead to repeal. There have been a couple of Members here today who——

Mr. FRANK. But I would——

Chairwoman ROUKEMA. That have suggested that. Certainly, I am not advocating that at this point in time, but I do think it requires a very scrupulous analysis of what we are doing here before we act.

Mr. FRANK. If I could say, Madam Chairwoman.

Chairwoman ROUKEMA. Yes.

Mr. FRANK. The fundamental differences and criticisms of people should not hold up promulgation of the statute as long as the law is on the book.

Chairwoman ROUKEMA. I agree with that. We thank you for your patience and it has been long and deliberative, but very productive in my opinion.

Thank you very much.

This subcommittee hearing is closed. We will meet this afternoon at 2:00 p.m. for the second panel.

[Whereupon, at 12:00 p.m., the subcommittee was recessed, to reconvene at 2:00 p.m., this same day.]

Chairwoman ROUKEMA. If the subcommittee will please come to order, given the frequency of the votes in the last hour or two, I think we had best get under way.

We had a very productive hearing this morning. Many members of the subcommittee were here and had the opportunity to ask questions, and now we are looking forward to this second panel and seeing how I'm sure you are able to add to our wisdom and understanding on this perplexing issue.

In no particular order, I will introduce the panel in the order in which I see them seated, and I think that will be fine.

I would like to welcome Mr.—I'm sorry I can't pronounce your name, I apologize. I've known it over the years, but I've never had to pronounce it, I've only had to listen to it and to read it. Yes, please, I want the official pronunciation.

Mr. NISKANEN. Madam Chairwoman, it's Nis-KAN-en, and I'm called lots of things so anything——

Chairwoman ROUKEMA. Yes, particularly as the chairman of the Cato Institute. I understand.

Mr. NISKANEN. Your approximation is good.

Chairwoman ROUKEMA. No.

We are very pleased to have you with us today, and I apologize for not pronouncing that correctly. But Mr. Nis——

Mr. NISKANEN. Niskanen.

Chairwoman ROUKEMA. Niskanen—I put the accent on the right syllable—Niskanen is chairman of the Cato Institute and is a strong advocate of repeal of CRA. His well known Institute—certainly it's well known here in Washington, DC., and across the country has a notable reputation—regularly reviews or makes a business of reviewing business and government, and they have

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published numerous articles and position papers on financial service regulation.

We welcome you here today.

Lucy Griffin has for over 20 years had experience in consulting with banks on CRA and other compliance-related issues. She has worked with the Federal Reserve Board, the Federal Home Loan Bank Board, and the Federal Trade Commission, which I think are estimable credentials for being here today. She was instrumental in developing some of the first consumer protection laws in the area of consumer credit.

We welcome you.

Kathy Bessant—I'm sorry. Mr. Watt has a friend at NationsBank, don't you?

Our colleague, Mr. Watt, would like to do the honors here.

Mr. WATT. Thank you, Madam Chair.

I have more than a friend at NationsBank, I'm happy to say. When I get lost down on this end of the subcommittee and in other activities, most people don't realize that I have the second largest concentration of banking interests in the entire nation in my congressional district, and one of those banks which is based in my congressional district is NationsBank, and I'm happy to welcome to the panel Ms. Cathy Bessant, who is a senior vice president and head of compliance for NationsBank, a multibank holding company that has had consistently high CRA ratings and other consumer compliance ratings at all of its underlying banks and most recently convened and orchestrated a major CRA conference here in Washington and had its president and CEO, Hugh McCall, show up and not only rave about the importance of CRA but got in front of the issue of affirmative action at a time before the furor broke out.

So we are happy to have the kind of corporate citizens from my congressional district that Ms. Bessant represents and that is represented by NationsBank, and I appreciate the chairwoman giving me the opportunity to make the introduction.

Chairwoman ROUKEMA. Thank you, Congressman Watt.

Next we have Warren Traiger, an attorney who counsels banks on CRA-related issues. He also served as special counsel to the New York State Banking Department during the formulation of its, New York State's, proposed revisions to the rules which are substantially identical to Federal CRA law.

So you bring some useful experience to us, Mr. Traiger.

And finally, last but not least, Mr. Ned Brown. Mr. Brown is head of Financial Modeling Concepts and has designed software to aid financial institutions with compliance in the areas of CRA and fair lending.

We welcome you all. This distinguished panel has lots to present to us, not in the abstract, but in the concrete world of actual experience, and we welcome you.

Mr. Niskanen.

Mr. NISKANEN. Not bad.

Chairwoman ROUKEMA. Thank you. Not bad. Close.

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STATEMENT OF WILLIAM A. NISKANEN, CHAIRMAN, CATO INSTITUTE

Mr. NISKANEN. Madam Chairwoman and members of the subcommittee, the Community Reinvestment Act should be repealed, not reformed, not restricted, but repealed, for there is no conceivable set of regulations on a bank that is consistent with the objective of the Act to meet, quote, the credit needs of its entire community including low- and moderate-income neighborhoods consistent with safe and sound operation of this institution, unquote.

In general, current regulations require banks to demonstrate that they are reaching out to all segments of the local credit market in a safe and sound manner. The criteria for a satisfactory rating are subjective and somewhat arbitrary, but as a rule compliance is not extraordinarily burdensome. The primary effect of the current regulations is to increase the cost of operation, especially for small banks and in low-income areas, without any significant effect on the allocation of new credit.

So far, banks have not been required to meet objective targets for loans in specific neighborhoods or to specific groups. The regulations proposed in December 1993, however, would have established the standard that small banks make loans in a community at least equal to 60 percent of the deposits by people in that community. There were several serious problems with this proposed regulation.

The CRA does not provide statutory authority for a loan-to-deposit test. For a given supply of deposits the regulation would have reallocated loans from communities with a high relative demand for loans to communities with a lower demand, misallocating credit over space and reducing the safety of the banking system.

The much more likely consequence of the loan-to-deposit test is that banks would have run off their deposits in areas of low loan demand probably by reducing deposit rates or, in some cases, closing branches, an unintended effect that is wholly contrary to the presumed objective of the CRA. Fortunately, after 6,700 mostly negative comments the regulations proposed in December 1993 were withdrawn.

Unfortunately, the regulations proposed in September 1994 are even worse. Let me count the ways. The assessment context provision would create the framework for pervasive credit allocation to politically favored groups. The regulatory agencies would evaluate a bank's CRA performance in terms of a regulator's perception of the overall credit and service needs of a community and the performance of other lenders.

The 60 percent loan-to-deposit ratio has been dropped from the new proposed regulations, but the regulators would have the authority to set an even higher ratio in specific cases. This provision would be the genesis of massive micromanagement by the regulators and massive paperwork by the banks.

The proposed regulation would override any concern about bank soundness. The regulations proposed in December 1993 had included statements that banks are not expected to make loans that are expected to result in losses, to expand their branching networks, or to operate facilities at a loss. These protections in the December 1993 proposals are not included in the proposed new regulations. And, third, banks should not be required to collect data on

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the race and gender of the owners of small firms that make loan applications or receive loans. The CRA does not provide authority for any regulatory decisions based on such data, and the potential use of these data is not defined in the proposed regulations, and the potential for abuse in the use of these data is also substantial.

The above comparisons should be sufficient to illustrate why the Community Reinvestment Act should be repealed. Current regulations are only moderately costly but are otherwise fairly innocuous. The proposed new regulations would be very costly to the economy, to the banking system, and to the communities they serve.

Congress should be most critical of proposals to use regulatory powers to reallocate credit either across neighborhoods or among groups. The primary long-term effect of such measures would be to further contract the banking system, increasing the number of neighborhoods that are dependent upon semi-banks such as check-cashing outlets and pawnshops.

The Community Reinvestment Act was the wrong solution to what was a genuine problem, for the most part created by other government regulations. Until recently, as you know, Federal restrictions on interstate banking and State restrictions on intrastate branching severely restricted bank competition in local markets and the potential for a geographic diversity of loan portfolios. These restrictions have been substantially reduced, fortunately, promising a more competitive banking system that is more responsive to the interests of both depositors and borrowers and less vulnerable to adverse economic conditions in specific regions.

Another effect of considerable importance, competition among banks is also the single best discipline on discrimination among loan applicants on any basis other than credit risk. Don't try to fix the Community Reinvestment Act, it can't be done; repeal it.

Thank you.

Chairwoman ROUKEMA. Thank you.

Ms. Griffin.

STATEMENT OF LUCY H. GRIFFIN, COMPLIANCE MANAGEMENT SERVICES

Ms. GRIFFIN. Thank you very much, Madam Chairwoman and members of the subcommittee.

I have submitted a written statement, but in deference to the 5-minute rule and in an attempt to comply with it, I will give an abbreviated statement and ask that my written statement be made part of the record.

Chairwoman ROUKEMA. Yes, that will be done in each case.

Ms. GRIFFIN. Thank you.

As was noted in the introduction of the speakers, my early experience was with collection of data, some of the development of the concepts behind and resulting in legislation, including CRA and the Home Mortgage Disclosure Act.

The original concept of CRA was to encourage banks to help meet credit needs in their community, and it was designed to build off of the charter requirements that a bank serve the convenience and needs of its community. It has turned into a massive and unintended compliance burden, resulting in expensive documentation and products that banks must undergo in order to demonstrate a

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record that complies with the CRA requirements. This is made more complicated by the fact that agencies have both within themselves and between each other inconsistent interpretations, inconsistent enforcement policies, and inconsistent examination practices.

Policy from Washington is fairly uniform, but as implemented in the field there are often wide variations, and a given bank cannot always expect—from one examination to another—to have the same experience, to be subjected to the same recommendations, or to have the same activities rated in the same way. Documentation is the only form of defense that the institutions have, and it is the only tangible thing that examiners have to go on. It provides a very convenient tool.

Similarly, enforcement of fair lending laws taken in conjunction with CRA is driving banks to find customers who have never before been bank customers. While, when this process is complete, these customers make excellent borrowers, as was noted this morning by the regulators. Their default records are very low. The process of developing those people to become bank customers, educating them in the management of budgets and qualifying for mortgages, is expensive and lengthy. That's not usually taken into account when looking at the burden of CRA and the success of CRA lending.

There are also some inequities in how banks are looked at. Small banks and large banks are looked at differently, and whether they are located in rural or urban areas often makes a very large difference. For example, in a community that may have a community bank and a branch of a large multiregional or national bank, the community bank will be examined every year or two and held to a CRA standard within that community. Its competition across the street may never be looked at in that community, it will be looked at somewhere else in that bank's system, but the community bank is then held to and compared to the standard that is attained by that larger bank.

Finally, banks do business in some very different markets, different communities. No two banks are quite alike, no two banks are in precisely the same market, and comparing a bank that does business in community A and B with a bank that does business in community B and C, and a bank that does business in communities F and G doesn't always work. In the attempt to reduce things to four ratings, there are many factors that get left out of the formula.

The regulatory process, by its nature, must be standardized. That's what enforcement and examination involve. The result is forcing banks to standardize their CRA programs, and that defeats the purpose of CRA. The purpose was to produce and encourage creativity, to give banks flexibility to identify and design responses to credit needs in their own communities, to make their community a better economy and a better place to be. One good example of this is geoanalysis—brought up in the context of urban lending, actually invented by examiners, not by Washington policymakers. It spread across the country and has now become a requirement. If you don't have geoanalysis, you haven't complied with CRA.

It may work well in cities where economic realities cause people to live in economically segregated neighborhoods, but my experience with nonurban banks is that geoanalysis not only is not a pro-

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ductive exercise but it actually conceals many low and moderate-income people because they live next door to higher-income people for whom they work. So in small towns it is an exercise in futility and a waste of resources. Solutions to some of these problems lie heavily in increasing the skill level of the examiners and increasing the coordination between the agencies and between these examiners.

Also critical to this process is, from the beginning, the constructive involvement of community groups, not waiting until the eleventh hour to file a protest but from the beginning of the process to work with banks to respond to banks' attempts to communicate to them and, in some cases, to initiate, to call to the bank's attention the fact that they are there and would like to be talked to.

One common joke in the compliance business is there are never any complaints in the public file. Almost never do you find a complaint from a community group in a CRA public file, but a bank that has an empty file will get a protest when it files an application.

The regulations specify several points at which the community group should be involved. They should respond to the bank's outreach. The regulations require the bank to respond to initiatives from the community group, and they require the bank to respond to complaints that a group may file, having been frustrated in the two previous attempts. This is reviewed in an examination and taken into account, but the reality is, there is not usually anything there except what the bank generated.

Banks need some form of procedural protection here. Protest is an expensive process that derails the business planning and the good intentions and the hard work of a bank. Sometimes a protest is called for. There are situations where a bank has been not responsive and that's the only thing left for a community group left to do, but there are too many situations where the protest is used without other attempts at constructive communication beforehand. For that reason, I recommend that you consider developing a remedy that would require the agencies to take into account the role that the community groups have played prior to an application being filed. In the long run, I think that taking that into account would help to make CRA more of a reality and more of a cooperative process than an adversarial process during the application stage.

I have mentioned fair lending and its overlap. Fair lending has had—the recent enforcement of fair lending has had a major impact on how banks are looking at their marketing plans, how they are doing self-assessment. There are several ways in which this interacts and causes regulatory difficulties, and I have discussed those in detail in my written statement.

The proposal does, in fact, involve massive paperwork. The proposal is, in reality, a change of examination procedures, not a change in what CRA actually means or does. To that end, there is still room for differences in examiners, and there is still clearly the requirement for documentation and, frankly, a lot of opportunities for consultants such as myself.

Skill levels of examiners are still the real issue here. I am particularly concerned about the requirement to collect extra data, the

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proposal to collect data on certain types of loans, when in fact we have not yet ironed out HMDA yet. Much of my work in the last several months has been advising institutions on line-by-line item problems in HMDA laws and how to interpret the rule and how to correctly enter the line in that. For example, somebody who is taking a five-unit building and converting it to a two-unit, is it a multipurpose or is it a one-to-four? It is one thing before the application; it's another thing after. The commentary doesn't explain this, so there is a lot of effort being put in with limited results.

Finally, I think that the proposal should recognize banks in some way and reinforce positive statements by giving them a safe harbor of some sort. I don't necessarily recommend a total safe harbor, but I think that two things should be taken into account. One, a bank that has worked hard, drawn a satisfactory or an outstanding—and these don't happen by accident, they are the result of hard work—should have some sort of motivation besides avoidance of punishment to earn that rating. Second, I think that a safe harbor should also take into account the role that has been played by the community group or a lack of that role.

A lot of banks have done very exciting work under CRA. Yesterday I was teaching at the American Bankers Association's Compliance School, and one of the bankers came up to me and said, "please tell the subcommittee that CRA has done wonderful things in our community." This woman was from a tiny bank from a town I've never heard of, but she said, "CRA has caused our bank and our community to be an exciting place."

Banks and their communities really are the better for CRA, but the best efforts for CRA are flexible and creative, not ones that are mandated and placed into boxes. The regulatory process should support creativity instead of impose standardization.

Thank you very much for this opportunity.

[The prepared statement of Ms. Lucy Griffin can be found in the appendix.]

Chairwoman ROUKEMA. Thank you, Ms. Griffin.

Ms. Bessant.

STATEMENT OF CATHERINE P. BESSANT, SENIOR VICE PRESIDENT, NATIONSBANK

Ms. BESSANT. Thank you.

As many of you know, NationsBank is a company with a goal that is simple to articulate but not so simple to achieve, simply put, to be the best community development lender in the United States.

Now I'm going to resist the opportunity this afternoon to tell you about our progress in that regard, but suffice it to say that we could not be more serious about getting the business of community development right. Unlike some of those that expect a big bank to come forward and urge repeal of the CRA, I'm going to do exactly the opposite. NationsBank has long advocated a tougher, more aggressive CRA, one with objective; meaningful standards for measurement. My purpose before you is to advance exactly that objective. To that end, I would like to start out with a couple of observations about what I'd call the state of the community development industry.

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First, the Community Reinvestment Act has played a critical role in advancing community development. Popular estimates of some $4 to $6 billion of lending activity per year are, in my opinion, conservative.

Second, this financial investment must be made to be sustainable. That means essentially removing impediments and encouraging enhancements to this kind of activity.

Third, the critical question to me is whether the CRA in its present form could continue to advance community development. I believe that it would not. Conceptually, the CRA is strong. However, the regulatory evolution process has resulted in a system that actually detracts from community development and risks its sustainability. Specifically, the current environment is unworkable in four ways.

First, the process burden remains nothing short of awesome. Now despite the progress that everyone will tell you about in reducing the paperwork burden, all one needs to do is read the regulatory guidelines to understand the significance of this issue.

Second, inconsistency and subjectivity represent significant problems. When regulatory applications, public perception, and even business development hinge on community reinvestment performance, the stakes are far too high to let subjectivity and inconsistency persist. The single most important issue for NationsBank in the CRA reform effort is achieving objective and consistent standards of performance measurement. We must not let the debate over which standards to set prompt us to go back, actually retreat to an ill-defined subjective system.

Third, the current regulatory and judicial frenzy over CRA and fair lending must be eliminated. CRA and fair lending are tremendously important, and the regulations themselves do not overlap, but regulatory role clarification and rationalization must be undertaken.

And, finally, the application approval process itself is in need of considerable improvement. Simply put, even banks with strong CRA performance are subject to uncertainty, cost, and delay in the treatment of the application process. Public input is important, and the proposed regulations provide for it. However, the performance rating and application process must be engineered to prevent unnecessary cost and delay. Safe harbor is literally nothing more than maintaining the integrity of the examination process, and safe harbor should be supported.

The proposed regulatory changes to the CRA are a significant step in the right direction. In order for this effort to be successful, however, significant additional work is necessary. Most importantly, work is needed to make sure that measurement standards are truly objective, that gross volume and market share emphasis is eliminated, and that critical elements, including examiner training and interagency appeals processes are addressed.

Now I am often asked whether the CRA reform effort should be scrapped. Absolutely not. The present system is damaging to community development efforts, but the reform effort isn't complete, and the accomplishment of those revisions will be critical to its success and, quite frankly, to NationsBank's ability to support it. In that vein, I would like to comment on small business reporting.

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NationsBank supports the collection and reporting of race and gender information on small business lending. We believe such data is key to understanding and enhancing credit availability for small, women- and minority-owned businesses. But the CRA is an ineffective, inaccurate, and unfair vehicle to use to collect this data. An alternative and far superior approach would be to collect such information under the Equal Credit Opportunity Act. Use of this vehicle ensures that all lenders will report, thus generating meaningful data gathered equitably.

I would like to close by urging this. Set high standards for CRA enforcement and for CRA performance. Setting standards and evaluating performance consistently while reducing, of course, the costly burden of paperwork will do a considerable amount to benefit our communities. Whatever standards are set, I can promise you, NationsBank will exceed them, not because we have to and not because there's a law that says we need to, but because our own success and the success of our communities depends on it.

[The prepared statement of Ms. Catherine Bessant can be found in the appendix.]

Chairwoman ROUKEMA. Thank you.

Mr. Traiger.

STATEMENT OF WARREN TRAIGER, CRA PRACTITIONER

Mr. TRAIGER. Chairwoman Roukema and members of the subcommittee, thank you for the opportunity to testify today regarding CRA and the pending regulatory reform effort.

As the chair noted in her introduction, I served as special counsel to the New York State Banking Department as it went through a rather analogous process in setting new rules under the State CRA law. Whatever other preparation that allowed, I was also prepared for the demonstration this morning which echoed a similar one, same chants, that greeted the New York Department during a hearing on its rules.

My prepared testimony makes four major points. First, the CRA has directly resulted in significant community lending and development activities, but the existing enforcement mechanism, particularly its lack of meaningful standards and dependence on onerous paperwork, is fundamentally flawed.

Second, I believe that the reform proposal represents a material improvement over present compliance procedures, and if the proposed small business and farm loan data collection requirements are dropped CRA compliance will become a much less paper intensive and much more efficient process.

Third, as we have heard from the prior two testifiers, CRA reform should include a safe harbor provision, insulating banks with outstanding CRA records from community protest. A safe harbor would serve as a powerful incentive for institutions to implement superior CRA programs.

And, fourth, banks that have had their fair lending practices favorably assessed by their primary regulator should be shielded from Justice Department and HUD review of the same practices. I would like to use my few minutes here today to underscore the latter two points.

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The interagency proposal lacks one important component, a safe harbor to provide a meaningful incentive for banks to strive for superior CRA performance. Instead, the proposal would perpetuate the current practice of subjecting even the best CRA performers to the specter of CRA protests in connection with their regulatory applications. This practice undermines CRA compliance in four primary ways.

One, the expectation of a protest is an incentive for banks to defer community investment until the application process in order to be perceived as making concessions to the protester; two, the reliance on protests is a disincentive for community groups to work with banks on an ongoing basis; three, protests, which usually occur during a time sensitive merger or acquisition, do not lend themselves to a rational evaluation of protester demands; and finally, four, reliance on protest as the primary CRA enforcement method means that bona fide community needs may not be addressed until and unless a bank files an application.

Problems with the existing examination process make community group dependence on regulatory protest understandable. However, the examination process is about to be replaced, we hope, with a more objective performance-based system that will allow community groups to play a meaningful, genuine role in the examination process. This change will make safe harbors appropriate.

A safe harbor should be linked to an outstanding rating or to consecutive outstanding ratings or, as Governor Lindsey suggested this morning, maybe a new category called "strong satisfactory." This will provide the greatest incentive for banks to increase community investment. Tying a safe harbor to a satisfactory rating, which is achieved by about 90 percent of the industry, will not result in increased community investment and would, in fact, remove all legal incentive to attain an outstanding rating.

Finally, the goal of establishing a rational regulatory framework to ensure that banks lend in a nondiscriminatory manner will remain elusive unless the conflict regarding enforcement of the fair lending laws is resolved. The primary banking regulators have all stressed, as recently as this morning, and demonstrated the transcendent importance that they attach to enforcing the Equal Credit Opportunity Act and the Fair Housing Act.

Each agency regularly assesses a bank's compliance with those laws and specifically discusses such compliance in a bank's CRA performance evaluation. Yet the fair lending laws are also enforced by the Justice Department and HUD, each of which may conduct its own independent investigation. The result can be different Federal agencies reaching contradictory conclusions under the same statutes.

An irrational regulatory framework that results in inconsistent findings does nothing to achieve society's fair lending goals. Instead, it engenders confusion, uncertainty, and a sense of helplessness and frustration among banks that have a genuine desire to engage in nondiscriminatory lending. A bank's primary regulator is best able to evaluate fair lending performance, and its determination should be conclusive. Accordingly, an institution that has had its fair lending practices favorably assessed by its primary regu-

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lator should be shielded from Justice and HUD review of the same activities.

Thank you.

[The prepared statement of Mr. Warren Traiger can be found in the appendix.]

Chairwoman ROUKEMA. Thank you, Mr. Traiger.

Ned Brown.

STATEMENT OF NED BROWN, FINANCIAL MODELING CONCEPTS

Mr. BROWN. Thank you, Madam Chairwoman, members of the subcommittee. Thank you for the opportunity to provide testimony on the critical issue of CRA.

My company, Financial Modeling Concepts, is a rather unique software company that works for banks to help them make profitable loans in low- to moderate-income areas and to individuals that fall within that spectrum. We are in the business to help banks find creditworthy customers to whom they can make good loans.

Two years ago we recognized the need to help banks increase the number of profitable loans in low- to moderate-income areas. First, we started with the regulators. We met with the top compliance people of the regulatory entities that testified earlier today. We wanted to understand from their perspective where the needs were in the marketplace and how to help the banks. The regulators identified three key areas: First, help the banks to quantify the potential for lending in LMI areas; make their marketing efforts more efficient by driving down the costs, the net costs, on a per loan basis; and, three, extending credit to as many qualified individuals as possible.

What do we do that is unique? We are in the statistical modeling business as it relates to CRA lending. In other words, we try to predict future needs based on present and past behavior. Let me explain. Banks keep on their loan data file generally name, address, loan type, and balance information; that's about it; that's about all they keep. We use that data and then append available demographics like age, estimated income, marital status of that household, presence of children, homeownership, and so forth. If you have thousands or millions of these individual files, as we do—we get them from our clients—you can begin to develop highly accurate predictive models.

I differ a little bit with Ms. Griffin's statement of geoanalysis. Frankly, the technology is rapidly getting there where you can go do a lot of the analysis in the marketplace. I submitted in my testimony some charts. I just want to go over some of what we have in our own data file, and you can refer to them later on if you want. But here's what the records—these are actual loan records. Here's where the loans are being made, and here's what it tells us.

First, we want to determine who the banks are lending to, regardless of race. Whether they are African Americans, Hispanics, Asians, or Caucasians, the people that the banks are making loans to are solidly in the middle class albeit at the lower end of the middle class, but they are in the middle class. On the charts that I submitted to you, 50 percent of these people make between $20,000 and $50,000 in household income. Approximate average mortgage

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balance, by the way, is $61,000. That was on purchase mortgage. For installment loans 57 percent of the installment loan base in our file make between $30,000 and their average installment loan is about $13,000.

I have also enclosed some analysis on individual markets for the benefit of some of the members here. I'm sorry Mr. McCollum is not here because we looked at Orlando. For Mr. Barrett we looked at Wisconsin, Milwaukee, and Baltimore.

The point I want to make is, in those low/mod-income areas, in the low/mod census tracts or areas, the median income is around $25,000. In nearly 40 percent of the population most of those markets happens to be white, just for point of information.

Having given you a perspective on who benefits from CRA lending, allow me to answer those questions the subcommittee raised that are within our expertise. Is CRA fulfilling its original purpose of ensuring that banks and thrifts are meeting the credit needs of their communities? Yes, but only partly. There is no question that it is harder to find customers to qualify for many of these loans, but there are two pieces of good news. New technologies make it easier and more cost efficient to make CRA loans, and much of the profitable lending potential still goes untapped in these communities, and I guess I'd like to relate it to a question that you raised, Madam Chairwoman, on the issue of credit allocation. We don't look at it as credit allocation, we look at it as what's the business opportunity in those areas and can you define what that opportunity is. I suppose you could have credit allocation on any segment of the market if you really wanted to look at it that way.

Continuing on, is this technology successful? Well, I can tell you that with all of our clients we give every one of our clients a money back guarantee on the work that we do. If they are not satisfied that their lending rate goes up, their marketing cost per loan and the rejection rates go down, then we give them their money back. I can tell you that we haven't had one taker yet.

The point is that we are proving day-to-day that there are people to be served in LMI communities and money to be made by the banks. It takes a little more knowhow, but it is very profitable business.

To the issue of safe harbors I have only a side line view as it pertains to H.R. 317. While the proposed safe harbor for more than 90 percent of the banks, that might be too high, there definitely should be greater incentives for banks who do an excellent job. Some of my bank clients have suggested to me that those with two consecutive outstanding CRA ratings should get 2 years of safe harbor on applications.

Finally, I would encourage you to look at CRA as a large building block in the foundation of our communities. As Congress continues to move ahead on legislation that will affect the middle class, please continue to take a macro view on the role that CRA plays. The availability of private capital is the cornerstone to economic strength in every urban and rural community. As the government seeks to reduce entitlement programs to lower-income areas, private capital that is prudently placed becomes the cheapest form of economic assistance. From that perspective alone CRA will play a tremendous role in the years ahead.

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Thank you very much for your attention.

[The prepared statement of Mr. Ned Brown can be found in the appendix.]

Chairwoman ROUKEMA. Thank you. Thank you very much.

Let me make one or two observations and then I'll ask a specific question.

Ms. Bessant, while you were initiating your comments I wrote down for myself something like "reinvent reinvestment," and then you got to the point before me, before I had the opportunity. But you made that point really, that you are conceptually strongly in favor of it but have agreed that there are awesome burdens of compliance. If you were here this morning, that was the observation I made to some of the regulators: Maybe if we have this many problems, maybe it's not reinventable. I didn't use that word, but I'm using it now. That's just one of my ongoing concerns.

On the subject of credit allocation, Mr. Brown, I understand what you are saying, and this is a very troublesome thing, and partly it has to do with definition, but my reaction to your statement is just another question that it raises in my mind. If not by your definition, credit allocation, since it is not an unending pot of credit, it's a limited one in any given area.

Mr. BROWN. True.

Chairwoman ROUKEMA. Then granting credit to one segment may mean denial to another. That's just the question. That's not saying whether it's credit allocation or not, but I think that is still a troublesome area.

Now beginning with Mr. Niskanen—got it right that time—you have said unequivocably that you want to repeal CRA. Mr. McCollum has indicated that he is leaning toward repeal and reverting to another form of enforcement. Would you suggest that redlining—I mean, if repealed, how would we avoid the disinvestment and the redlining that might take place, a reversion there?

Mr. NISKANEN. Madam Chairwoman, there are at least three other Acts that are in place, the Fair Housing Act, the Equal Credit Opportunity Act, Home Mortgage Disclosure Act, and a broad set of civil rights laws that should prevent overt discrimination.

Let me make a prediction that if CRA is continued, my guess is that these same witnesses 4 or 5 years from now would say yes, we very strongly support CRA conceptually, but the actual implementation of it is driving us crazy.

Chairwoman ROUKEMA. Who would say that? Who would respond in 4 of 5 years?

Mr. NISKANEN. I'm making a prediction that these same witnesses or other witnesses 4 or 5 years from now would say much the same thing, that we support CRA conceptually but the actual implementation of CRA, under whatever reformed regulations are approved, are driving us crazy.

I don't think there is a way that CRA can be implemented that accomplishes the goals of the Act, in part because I think the Act is based on false premises. It's based on a false premise that banks, for whatever reason, owe something to the community, whatever that is, in addition to their fiduciary obligation to their depositors and the interests of their owners. If that is the interpretation, what will happen is, what you will see is a progressive contraction of the

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regulated part of the financial sector in favor of a variety of unregulated or less regulated financial forms.

As you know, banks have lost most of the auto loan business, they have lost a very large part of the mortgage business. Of more concern to me is that for 5 years from the end of 1988 through the end of 1993, nominal C&I loans by commercial banks declined over the whole period. Banks, in effect, dropped C&I loans and loaded up on Governments. Banks are not an efficient supplier of credit to the government. It's a no brainer to take deposits at 3 percent and loan to the government at 6, but that's what went on for that 5-year period, and the banking role, which is the combination of deposits and loans in the same institution, has been progressively contracting relative to other forms of financial instruments that are either not regulated or less regulated, and every body of regulation that is imposed on banks will continue to have that effect.

I don't think that you can load up banks with any more regulation without continuation of this contraction of the banks from important credit markets, whether it's autos or houses or commercial industrial loans.

Chairwoman ROUKEMA. Thank you.

With the indulgence of my ranking Member here, I want to go back to the initial question which you did answer concerning how we would ensure that redlining and disinvestment did not occur. You rely upon other antidiscrimination legislation currently on the books. Is there anyone on our panel who feels differently, that feels those—that legislation, whether it be fair housing or fair lending or Equal Credit Opportunity Act, are not sufficient?

Mr. NISKANEN. May I elaborate in one or two senses, however, on my prior remarks. Discrimination on any basis other than credit risk is not only illegal, immoral, but it's dumb, and the presumption that somehow the government can force banks to do what they have a market incentive to do in any case I think is really quite specious. A banker that consciously foregoes lending to a good credit risk in a particular neighborhood or in a particular group is not going to be a banker very long if the banking system is at all competitive.

So I think that you should not assume somehow that discrimination would be rampant in the absence of formal laws and regulations on that issue.

Chairwoman ROUKEMA. Yes, Ms. Griffin, I think you addressed this question to a small degree in your testimony. Yes, go ahead.

Ms. GRIFFIN. Historically CRA was designed to deal with low and moderate income. This was not designed as a discrimination law. It took up speed at the same time as the discrimination laws, but the original focus of CRA was on encouraging lending to low- and moderate-income parts of the community. In fact, in the early CRA exams examiners would not consider elements from an affirmative fair lending program. They refused to take that into account and said no, CRA is about low and moderate income. Over time the two have become merged.

So I am not sure that enforcement of the fair lending laws would in fact target banks to lending to low- and moderate-income individuals who were not protected on one of the prohibited bases or who were not a target group on a prohibited basis within that com-

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munity. So that the racially motivated enforcement of the fair lending laws does not necessarily get you to low- and moderate-income people who are not of that group.

I have an additional concern about the enforcement under the fair lending laws in terms of how the community is defined and how that is targeting bank resources within the community. It focuses attention on minority communities and on specific problems and on a broad-based community interpretation. In fact, the Chevy Chase case, like the Decatur case, turns on an analysis of the community that puts a bank in a community and says you are doing business in this entire community regardless of where you are initially located and what your business plan was for expansion.

The fact is that the only proven method of turning around a neighborhood that is low and moderate income has involved intense focus on certain parts of town, whether you are looking at work like the Neighborhood Housing Services do or whether you are looking at the South Side of Chicago. The effective methods have involved concentrated resources, not spread out resources over the community. So to some extent the fair lending laws could lead us astray from the goal, just as uniform enforcement policies may do.

Chairwoman ROUKEMA. Yes, Mr. Traiger—and this will be the last comment, Mr. Vento.

Mr. TRAIGER. The CRA deals with neighborhoods, whereas the fair lending laws are more concerned with specific borrowers. The fair lending laws are much more effective in addressing discrimination against individual members of one of the protected categories, while the CRA aims to ensure that a bank serves the credit needs of the entire community. The CRA is general, whereas the fair lending laws are specific.

Chairwoman ROUKEMA. Then do you feel that repealing would lead to redlining or could—not would but could possibly lead to the return of redlining?

Mr. TRAIGER. Whether it's redlining or not, I think there are a lot of communities and a lot of neighborhoods that are unbanked or underbanked, and the CRA has made tremendous progress in providing banking services to those neighborhoods. This would not be accomplished solely with the Equal Credit Opportunity Act and the Fair Housing Act.

Chairwoman ROUKEMA. All right.

Mr. BROWN. Madam Chairwoman.

Chairwoman ROUKEMA. Oh, yes Mr. Brown.

Mr. BROWN. Can I just give you one little anecdote.

Chairwoman ROUKEMA. Yes.

Mr. BROWN. Back to the point on focus here, and I think it is important. I have a client that happens to reside in Mr. McCollum's district, and I was on the phone yesterday with the city manager in Winter Park where he has his district office. The low/mod area in Winter Park is called the West Side, and they just completed a 30-year community redevelopment plan, and it is ready to roll; I mean it's ready to be implemented right now. They even hired a CRA specialist—and that's what they call them, a CRA specialist—for the town, so I asked him, I said, "What would happen if you didn't have CRA, if the banks didn't have any incentive to make a loan on the West Side in Winter Park?" and he said it would be

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devastating; he said, "We wouldn't get the money, we couldn't turn this area around." So it does fill a real need and it does help the banks to be focused.

Chairwoman ROUKEMA. Thank you, Mr. Brown.

I yield now to my colleague, Mr. Vento.

Mr. VENTO. Thank you, Madam Chair.

I especially want to welcome Ned Brown, and on that point I think if CRA wasn't in the law in 1977 we would have to reinvent it today. I mean someone talks about reinventing. I think that's it.

I think the issue here is one of being proactive in terms of having a program out here that begins to meet the needs of an economically diverse and pluralistic society or one that is reactive in terms of trying to remedy it by saying you are denied, and I think that given the opportunity to deal with this, I think that most financial institutions would want to be proactive.

At least I want to credit Mr. Niskanen for being forthright about saying he wants to repeal it because a lot of people want to do a lot of things and torture it to death but they are not as candid as you, and so I appreciate your candor, but I think that the logic really falls on its own. I mean the whole issue of a franchise in terms of banks and serving, we limit these geographically, and when they get the license I think the real problem is that the regulators really never go back and look at it unless they are dealing with branching and/or interstate banking, and that's of course the issue.

We, because of Congressman Kleczka and other Members and myself, in branching insisted on CRA approval so now NationsBank, whenever they go up, and they might expand—I don't know if there is any place for them to expand any more.

Ms. BESSANT. There are.

Mr. VENTO. They may expand. They have got some designs yet, yes.

Ms. BESSANT. We will.

Mr. VENTO. You know, since you are headquartered in Mr. Watt's district, I was just wondering what the CRA looked like, but then I remembered what his district looked like and I thought probably it would be a little bit of a problem. He has a notoriously interestingly shaped district, which I will let him further comment upon.

But I think the essence here is that the incentives is one point. I think that even the regulators this morning all said that they were supportive, recognize the importance of it, I think recognizing really what is a proactive role, and the concern is, as you look at HMDA's, you look at the Fair Housing Act, if you look at the Equal Opportunity Credit Act, the problem is that you want to have a commonality between them, but, you know, these obviously have a different focus in many respects, but the idea of having a different data recording requirement, in other words, where you can and where it is legal, where it isn't barred by regulation B—the genesis of that I guess was in the 1970's, the mid-1970's, and of course somehow a regulation bars a regulation. I guess it is one of the rules that two positives don't make a negative here or something in the banking law. It may in the work that I used to do, but it doesn't make it here.

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But the issue is, notwithstanding that there ought to be a commonality so that we do not have a separate type of record keeping, that we have the commonality between them. I think that has merit. It shouldn't imply that we are trying to do other things.

But what I'm looking for is, you all say we want to incentivize, and one of the incentives is that if you get into Ned Brown's software program and you get your act together here, then you get out of it for 2 years. In other words, you would be suspended. But it seems to me the idea of having this information and moving forward and knowing your clientele and so forth has a beneficial aspect for the financial institution.

Why would you want to discontinue collecting this information if it is useful? I think there isn't a financial institution that wouldn't want to do this if they felt the information is useful in terms of their business, knowing the profile. They might want it in some respects to be a proprietary nature because they don't want to share it.

I think there is a question here that may or may not have come up in terms of what Brown has in his software program. He might want to keep it proprietary in that sense. But I fail to understand why, if you are doing all of this right that you would want to abandon it. I think it does have an effect, I think it is positive, I don't know that—but what other types of incentives do we have? What other alternatives?

I know I talked about branch banking. Maybe we are talking about powers, but for the size banks that we are talking about that have the problem, it is not Nations, it's not Norwest in my area, or First Bank Systems, it is not Citibank. You know, what type of incentives do we have, and that's what we have to look at, or what type of negative just besides the publicity issue, which obviously is something that motivates most of these institutions. That's what I think they really resent. They got a black eye when this stuff became public, and there was no basis. This sleepy little law that had been around for, you know, 13 years all of a sudden became a major liability for financial institutions in a community, and sometimes there were small ones which, by their nature, were impacted.

So tell me about some other incentives, Ms. Griffin, besides safe harbor, which I think is counterproductive in some respects.

Ms. GRIFFIN. Most compliance managers will tell you that the most important thing they can tell their management is whether or not an application will be approved. Into that application has gone a business development plan, a market analysis, lease or construction plans, and the bank is planning to move forward. There is a very high price tag on delay.

The ability to know that an application will not be significantly delayed by the protest and by a hearing process is a very, very significant financial incentive to an institution. Even if you are simply trying to set up a small service branch or expand in any way, small banks are acquisitions also. That kind of incentive, the simple ability to carry out a business plan, is a very important incentive. That, standing alone, was the incentive that Congress identified in 1977.

Mr. VENTO. And Ms. Bessant.

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Ms. BESSANT. I think we need to be clear about what safe harbor really means, and, you know, when you start your morning with chants of, "No safe harbor," it is easy to think that it means something terrible.

Chairwoman ROUKEMA. Excuse me. Will the gentleman yield?

Mr. VENTO. Surely.

Chairwoman ROUKEMA. I'm glad you observe that.

For those who weren't here, we had a demonstration earlier by one of the consumer groups, and it was quite a raucous occasion, and they were chanting, "No safe harbor."

Ms. BESSANT. Right.

Chairwoman ROUKEMA. Yes, go ahead.

Ms. BESSANT. I think there is a fear out there of exactly what you said, that safe harbor means abandonment of the regulation or responsibility, and in my opinion that view is unwarranted because what safe harbor really means is freedom from a cumbersome application process. That's all it means. It means that when we make an application to the Federal Reserve, that regardless of the public comments that are received, that the Federal Reserve will allow an application to go through saying that our Community Reinvestment Act performance is sound, and, to my institution's way of thinking, the examination process that we go through is lengthy and it is intensive. We are about to start one. It will last for 8 weeks, and there will be a team of 40 examiners in our company for 8 weeks looking at our CRA performance. We can get through that examination process, we will excel in that examination process, but what makes—what is the incentive about safe harbor is not having that examination rating challenged in the 30-day window that the Federal Reserve has to look at our applications.

So what safe harbor means is nothing more than giving us clearance through the application process for that exam rating to stand.

Mr. VENTO. Other incentives besides that?

Ms. BESSANT. I think there are. The Federal Home Loan Bank, for example, does a very good job of affordable housing and community investment programming where they offer to their member institutions reduced rate financing for community investment loans that those institutions make. The Federal Reserve could do the same thing for its member banks and not suffer financially in the least. So there are some other financial incentives.

The low-income housing tax credit, for example, has generated a significant amount of affordable housing development, and some kind of tax credit or tax-based incentive similar to the empowerment zone concept can work in the areas of community development.

I think the reason all the bankers right now talk about safe harbor—and I might as well be candid about that—the reason we talk about it is, we think it is the only thing out there right now that probably doesn't cost anything, and we view this legislative environment to be one that does not look favorably on additional cost burden.

So—I got that right, I think. So safe harbor is important to us because it is probably the only thing going.

Mr. VENTO. Well, we are almost out of time. I know all of you might want to submit in writing further, you know, CDFI's.

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My concern is, of course, that all of this is elemental because I think that in terms—Madam Chairwoman, I just want to mention that—in terms of the CRA, I think the lack of a common understanding and a solid benchmark in which to plant your transit is the concern here, and I mean as we start to build on it or use it in more meaningful ways, even a safe harbor—my concern is that the data collection ought to go on, that the whole process ought not to be that acrimonious.

I think that there are few, if any—I mean we could talk about penalties, but I thought to try to keep it in the positive aspects is appropriate, and I think there are some things that could be used besides that. But I think to stop or truncate it seems to me that they are saying this is so onerous that, you know, we are going to get there and then we are going to stop doing what we do, and I think that is a problem for me.

Thank you, Madam Chairwoman.

Chairwoman ROUKEMA. Mr. Watt.

We are going in the order in which people arrived.

Mr. WATT. Thank you, Madam Chair, and I will try to be quick.

I just wanted to make one quick point for those of you who may have been wondering how a person that has the second largest concentration of banks in their district can be as outspoken and aggressive on social and economic issues as I am. You probably got a very good backup for that today. You were probably wondering what we were drinking in the water——

Chairwoman ROUKEMA. We noticed, and we did wonder, yes.

Mr. WATT. In North Carolina. Well, we just believe in economic justice, and we believe that if you do what is right in the community you will prosper, and I firmly believe that, and I really just want to express my thanks to Ms. Bessant for reaffirming that.

The second thing I wanted to do, and I'm glad the first gentleman whose name I can't see and nobody apparently can pronounce——

Chairwoman ROUKEMA. I can pronounce it, can't I?

Mr. WATT. It is probably good I can't see it.

I was going to ask him a question, but in response to a question that the chair asked he clarified that we have certain different assumptions, and I won't try to square those.

I believe banks do have some responsibilities, so I won't question you in the way that I was going to question you.

I would say to you that your comment that lending discrimination is dumb just is dumb itself. Dumbness and smartness presumes some level of rationality. Discrimination is racist. There is nothing smart about that. I have seen realtors who will sit on a house that somebody black would buy and not sell it to them because it is in a white neighborhood. That's dumb, it is irrational, and if you think that racism is rational so that you can say that it is either dumb or smart and the market is going to solve that, then you have got real problems.

Just discrimination is racist, it is neither dumb nor smart, and without these laws on the books it is not going to be addressed, and you were about at that point like we ought to go back to this colorblind society and everything will be fine. We are not going to be able to get back there unless people quit personally being racist

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and cognizant of color themselves, and we ain't there by a long shot.

I'll yield back the balance of my time.

Chairwoman ROUKEMA. Mr. Barrett, do you have a question?

Mr. BARRETT. Just a quick question, if I could.

Chairwoman ROUKEMA. A quick one, and, Mr. Niskanen, I don't know if you want to respond to that. We have a vote coming up, so we are very short on time.

Mr. Barrett.

Mr. BARRETT. My question is to Mr. Niskanen as well, and maybe I'll take a different tack from Mr. Watt, although I agree with what he said.

My concern is that my understanding of your testimony is that banks shouldn't be the ones that are required to ensure that our central cities or our low-income areas are there to prosper, that their role is to serve their investors and they should do that. My question to you is, does that mean government should go in and fill this role?

Mr. NISKANEN. To the extent that we want to subsidize particular areas or groups, I think that it should be on the budget, transparent and subject to periodic renewal and approval and not buried in a variety of regulatory cross subsidies.

Mr. BARRETT. Let me stop you there if I could, because we don't have much time. What government programs do you or your institute support for investment, for example, in central cities? Specific, if you would, please.

Mr. NISKANEN. The point is that if it is decided that it is appropriate to subsidize credit in a particular area or to a particular group, then that subsidy should be on the budget, should be transparent and subject to periodic renewal and approval and not——

Mr. BARRETT. I understand that. Is there a specific one that the Cato Institute supports, so I know where you are coming from, because I understand philosophically that you don't want this, but that leaves——

Mr. NISKANEN. We don't make a practice of promoting an expansion of the Federal Government.

Mr. BARRETT. OK. So you don't want banks to do it. You don't want the Federal Government to do it. Who do you want to do it?

Mr. NISKANEN. I didn't say that, sir. I think that the important point that you should recognize is that banks operate in an environment in which they are increasingly competitive with other types of financial institutions. To the extent that we overload banks with regulations——

Mr. BARRETT. I understand. Let me stop you there, if I could, please.

Mr. NISKANEN The banks, in effect, are going to disappear from some of these neighborhoods.

Mr. BARRETT. OK, and I understand where you are coming from, but my whole point is, I think that if you are going to be responsible and say that banks should not do this then you are left with two alternatives: One, that the government does it, in which case I think if you want to be responsible or your organization wants to be responsible, that you step forward and say this is how we

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think it should be done. Otherwise, just then to be equally honest and say we are ready to let it decay.

Mr. NISKANEN. Mr. Congressman, I'm not accustomed to being lectured about how to behave responsibly, and I will not take your comments in good faith.

Chairwoman ROUKEMA. I am sorry for that—that last exchange, but I do appreciate each and every one of your——

Mr. BARRETT. Madam Chair, if I could——

Chairwoman ROUKEMA. No. We have got to make the vote. I don't want to miss this vote.

Thank you very much. If you would like to return, we can return after the vote.

Thank you, and I will write each of you a letter expressing my appreciation for your very fine testimony in each and every case.

[Whereupon, at 3:20 p.m., the hearing was adjourned.]

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COMMUNITY REINVESTMENT ACT

THURSDAY, MARCH 9, 1995

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON FINANCIAL INSTITUTIONS
AND CONSUMER CREDIT,
COMMITTEE ON BANKING AND FINANCIAL SERVICES,
Washington, DC.

The subcommittee met, pursuant to notice, at 10:05 a.m., in room 2128, Rayburn House Office Building, Hon. Marge Roukema [chairwoman of the subcommittee] presiding.

Present: Chairwoman Roukema, Representatives Royce, Bono, Ney, Vento, Maloney, Barrett of Wisconsin, Wynn, and Watt.

Chairwoman ROUKEMA. The hearing will come to order and we do expect other Members to be arriving shortly, but these are very busy days, both with business on the floor of the House, as well as other committee markups that require their presence since there are no proxy votings and Members frequently find that they have to be in three places at one time, so we will begin the hearing with our ranking Member, Mr. Vento here, and we are very happy to have everyone here.

Today is a much different beginning than we had yesterday. We had a little bit of a disruption yesterday but I think everything worked out and it was well established that while these issues may be controversial and—not maybe, are very controversial and emotions run high on both sides of the issue, we cannot have the people's business disrupted in that manner and we will not tolerate it.

However, I want everyone here to know, to repeat what I said yesterday, that all sides are being heard. We have developed four excellent panels, two of whom were heard yesterday. Certainly the regulators had extensive questioning and opportunity to explain their positions.

We also had representatives of the industries on all sides who have practical experience in the field, and today we are happy to welcome this first panel. This afternoon we will be hearing from consumer advocacy groups, so that an issue that has gone on for far too long—not CRA but the issue of regulation and regulatory reform that was initiated almost 2 years ago now by President Clinton, the controversies as well as the reality of knowledge that these are not easy matters to deal with as you go from the principle or the goal to the specifics. We have learned that there have been wide differences of opinion and those wide differences of opinion have been reflected in the fact that now there has been one long deferral of judgment initiated by the regulators since they were not able to come to a conclusion on their first set of regula-

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tions that were issued, and after hearing the comments from all groups involved they decided to go back and try it over again, as you well know.

Since last October we have been reviewing those proposed regulations. They have initiated a new commentary period and as you know at our request they agreed to defer final decision pending Congressional hearings.

Now there are some who believe that CRA should be revoked or repealed. That is a minority view but a sharply held view. I, speaking now only for myself and as the chairwoman, want you to know that I come to this subject without prejudice. I am trying to be as objective as we all should be on these matters, but I recognize that the controversy does reflect the fact that these may be irreconcilable conflicts and indeed to question whether or not there is any way through increased regulation that we can comply with the original intent of CRA, and that is our purpose in coming here today.

In that regard we are very, very happy to welcome our panelists here. They are all distinguished representatives of the industry and I would like to identify them in the order in which they will be speaking.

The first is Mr. James Culberson. Mr. Culberson is representing the American Bankers Association and is the Chairman of the Board of First National Bank and Trust in Asheboro, North Carolina. First National Bank and Trust is a bank with at least $250 million in assets, I'm told, and a bank with this asset size make up a large portion of ABA membership, so he is quite representative.

He is also the President-Elect of the American Bankers Association.

Our second panelist is Tony Abbate. Mr. Abbate is speaking on behalf of the Independent Bankers Association of America and is President and CEO of Interchange State Bank in Saddlebrook, New Jersey, which although not precisely in my district is on the border and services a good portion of northern New Jersey and certainly my district. I have known Mr. Abbate for a good long time and know him to be highly professional and an accurate representative of the industry.

Indeed, yesterday when I referenced the fact that many fine, highly professional bankers have expressed their specific concerns in ways that cause me to take notice, I was referring at least in one case to Mr. Abbate, because I know him to be not one who makes exaggerated claims but tries to do the right thing in a pragmatic and personal way, and so we appreciate, Tony, you're being here today. Your bank is a bank of some—of great significance in our community and it has a $475 million asset base, as I have been informed.

Mr. Milligan—welcome, Mr. Milligan. Mr. Milligan is speaking on behalf of America's Community Bankers and is Vice President and Secretary of State Savings Bank in Columbus, Ohio. State Savings is a $1.8 billion institution with 36 branches covering central Ohio. His bank has had an outstanding CRA rating and we welcome you.

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You all have excellent credentials and we appreciate your time and the effort to be here.

Our fourth panelist, who was to represent the Consumer Bankers Association, is not able to attend but the testimony of Mr. Donald Mullane will be submitted for the record, without objection.

[The prepared statement of Mr. Donald Mullane can be found in the appendix.]

Now I reference my good friend and colleague, the ranking Member, Mr. Bruce Vento.

Mr. VENTO. Thank you, Madam Chair. I think you accurately reviewed the events yesterday exploring those that want to eliminate CRA and state your objectivity with regards to—an open mind with regards to reviewing it.

I frankly am not surprised that the regulated sometimes have concerns about how they are regulated and there always isn't a great deal of affection for, nor perhaps should there be. I think the regulator's job is to create a little bit of anxiety once in awhile with regards to the regulated. It's a healthy prospect.

As you know, I think we often suffer from too much understanding and examples of forbearance and I am certain that most of you respect and understand that necessary tension.

The issue yesterday, and I think the regulators that came forth obviously were trying to and I would like to see them bring this to a conclusion, as was stated yesterday. We need certainty and predictability. I don't know that we are ever going to have a great affinity or affection by the regulated for CRA.

But to speak to the franchise issue I know that many of the responsibilities of the regulators end up in excessive paperwork and I think we have got a general problem with regards to examination and many types of requirements that are coming forth in this time and period which need to be examined with regards to paperwork.

I think the issue, as I stated to a friend yesterday in visiting about this, is where does the financial institution meet their consumer? Does he meet them through a stock or mutual relationship? Where do they meet them in terms of trying to get an interface in terms of service in the community, because as each of you state in your statement it is in your interest, it's in your business, it's in your economic, it's in your social interest to in fact serve your communities.

The format for CRA I believe is the one that we have legislated and perhaps that fit isn't as good a suit as it should be, and I hope that, and we are obviously 21 months or 22 months consideration by the regulators with regards to rules and regulations. I think they've got to get off the dime and get it done and put that behind us and begin addressing what the new set of problems are, including major issues like a safe harbor or some sort of an idea.

The major concern I have I think, everyone is against paperwork but no one has come to a conclusion about how we can avoid the complexity and how we are going to deal with it. I think the viability of small banks, small financial institutions really is up and is really questioned because as I talk to larger financial institutions they seem to be able to come to grips with this and while they aren't asking for more of it, they are concerned about it.

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They seem to be able to deal with it, so I appreciate reading your statements, the comments and concerns that you have but I think behind it is not just CRA but I see it as examination, I see it as capital, I see it as FDICIA and FIRREA requirements which we have prescriptively written.

Someone said—I think Mr. Lindsey—yesterday said that, well, there isn't enough definition in this and Congress hasn't given us enough definition. I wonder how many of you would like to see me turn to the CRA as we did to FIRREA or FDICIA? I doubt many.

We can do it if you want us to, but I don't think that's necessarily what is desired, Madam Chairwoman.

Chairwoman ROUKEMA. We'll learn. We'll learn.

Mr. VENTO. But in any case, I find that there is a difference before and after CRA, especially after, as one author wrote about the sleepy statute of the 1980's as it came roaring to life in 1990, once being the subject of public exposure.

Yesterday I noted that none of the regulators in their statements mentioned the 1989 amendments but then in their collective statement they mentioned it. Apparently it couldn't be voiced solo. It had to be done collectively and I read that statement last, but it is clear we need to find a format where you come to deal with the consumers you serve and increasingly financial institutions, the problems they face today, with check-cashing to a myriad of different services, small business loans and the other issues become increasingly important as we look at the format in our communities for economic development.

Banks and financial institutions increasingly want that marketplace to play the role and we are relying on you to be more active. I think your role and your mission is today much different than it was 20 years ago—it was sort of "build it and they will come" 20 years ago. That is not the case today. I think we need a more aggressive, a more active, a more proactive, and for those of you who were here yesterday, you know, I kind of use the term we want a proactive and CRA should be a proactive format rather than an after-the-fact type of seeing if we can catch you that you did something wrong.

That is really what we want. We need different mechanisms for enforcement. We obviously need to coordinate all of this so it doesn't represent and so that the information that is in the paperwork is not redundant and is useful to all of you.

Thank you, Madam Chairwoman, for indulging me.

Chairwoman ROUKEMA. Thank you, Mr. Vento.

Without further ado, we will have Mr. James Culberson.

STATEMENT OF JAMES CULBERSON, ON BEHALF OF THE AMERICAN BANKERS ASSOCIATION

Mr. CULBERSON. Madam Chairwoman, I am pleased to be here this morning on behalf of the American Bankers Association to present our views on restructuring the Community Reinvestment Act.

We hope that a thorough reexamination of CRA by Congress and the regulators will result in a more workable and efficient system. CRA began as a simple statement of community responsibility that each bank should help meet the credit needs of its entire commu-

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nity including low and moderate income neighborhoods. I am in complete agreement with this goal, as are virtually all bankers. Any banker who does not understand that the future of his bank rests squarely on the economic health of his community won't last long in the business of banking.

The problem with CRA is not philosophy but its implementation. Over the years, layer upon layer of paperwork and documentation has been added. CRA compliance typifies why people are so frustrated with government. It has become a mountain of expensive paperwork far exceeding the benefits. We must strip away these layers of unnecessary red tape to get back to the original intent of CRA.

We believe that CRA regulation must adhere to the following three principles. First, it must recognize differences in institutions and the communities they serve. Second, it should foster cooperation instead of confrontation. Third, there must be less paperwork and red tape.

Let me elaborate a bit on each of these points. First, one size does not fit all. Today large, small, rural, urban, full-service and limited charter banks are all treated alike, but they are not all alike. The documentation requirements designed for large urban areas make no sense in my home town of Asheboro, North Carolina, or in other small communities and rural areas. Standards set for a full-service retail bank make no sense for a credit card bank or a wholesale bank.

Today's approach is particularly hard on community banks. Nearly half of the banks in this country have fewer than 25 employees, 1,300 banks have fewer than 10 employees. A streamlined examination process for these banks is critical. It will allow them to spend their scarce time and resources to better serve their customers and their communities.

Another critical reform element is a menu approach, one that offers different options for demonstrating CRA compliance. This will allow specialized institutions like credit card and wholesale banks to meet their CRA obligations in a way compatible with their type of business.

Our second point is that CRA should foster cooperation, not encourage confrontation. One big problem with today's system is that a consistently good record of CRA compliance is no guarantee against unsubstantiated challenges. What is the point of getting a good grade when a merger or acquisition application could be challenged and delayed anyway? A bank that is meeting its community credit needs deserves to be freed from costly delays arising from unsubstantiated challenges during CRA review.

Our third point is that the paperwork and red tape involved in CRA compliance must be reduced. Ironically, the legislative history of CRA indicates that Congress did not intend to impose any new recordkeeping on banks. Today, recordkeeping is what CRA is all about, and now there is talk about adding more new reporting to small business lending.

Madam Chairwoman, more reporting raises four fundamental problems. First, it will make small business borrowing more costly and will waste even more scarce community resources on red tape.

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Second, the data collected is not necessary to assess whether a bank is meeting its CRA obligations.

Third, requiring only banks and thrifts to report will give an incomplete picture of the credit conditions facing small business borrowers.

Fourth, because small business loans are difficult to categorize and are not homogeneous, the reported numbers are likely to give a misleading picture of a bank's small business lending.

In short, the proposed reporting would be costly to both banks and borrowers and would provide information that is incomplete and misleading. ABA strongly believes it should be removed from the proposal.

Madam Chairwoman, I thank you for the opportunity to share our views with the subcommittee this morning and I will be happy to answer any questions you may have.

Thank you.

[The prepared statement of Mr. James Culberson can be found in the appendix.]

Chairwoman ROUKEMA. Thank you, Mr. Culberson.

Tony Abbate, please.

STATEMENT OF TONY ABBATE, ON BEHALF OF THE INDEPENDENT BANKERS ASSOCIATION

Mr. ABBATE. Good morning, Madam Chairwoman and distinguished members of the subcommittee.

My name is Tony Abbate, and I am President and CEO of Interchange State Bank in Saddlebrook, New Jersey.

I am pleased to appear before you on behalf of the Independent Bankers Association of America, the only national trade association that exclusively represents community banks. I am Chairman of IBAA's Marketing Committee and a member of its Federal Legislation Committee.

I am especially honored to be here, Madam Chairwoman, because I can boast of being one of your proud constituents. Although the town of Saddlebrook is a suburb of New York City, my bank is very much a community bank. By that, I mean it is locally owned and locally operated and we take great pride in recycling hometown deposits into hometown loans.

In fact, community bankers strongly supported the concept of community reinvestment long before CRA was on the books. Community banks, by definition, must serve the credit needs of their cities and towns. If they don't, the communities will die and so will the banks.

However, since its enactment, the focus of CRA has turned from actual loans to outrageous amounts of paperwork and, unfortunately, community banks are being forced to create the same evidentiary documentation as billion dollar multi-state banking operations without the same personnel or resources.

Madam Chairwoman, my bank simply cannot carry the same regulatory load as First Fidelity Bank or Citibank and survive and prosper. In our judgment, the CRA revisions proposed by the regulatory agencies go a long way toward establishing a meaningful streamlined, tiered system for thousands of community banks.

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This streamlined and tiered examination system will only be as good as the examination guidelines implementing them. We have written to the regulators about this and asked that their response be included in the record.

It is also our judgment that the streamlined, tiered system that the regulators have proposed should be an important step toward a CRA exemption for the Nation's community banks.

In our comment letter to the agencies, we proposed two changes to the proposed regulations. First, we suggested that the streamlined exam threshold be increased to $500 million and the streamlined exam procedures apply to banks and holding companies with assets of $1 billion or less.

Second, while we strongly supported the revised CRA rules, we were concerned about the reform proposal's requirements that banks over $250 million classify their small business and agricultural loans by race and gender. No bank, regardless of size, should be subject to this very troublesome rule. CRA is about geography and income not race and gender. This provision has enormous privacy implications that cannot be justified by the public's right to know.

The IBAA has long favored a small bank exemption from CRA, and we strongly support a bill sponsored by Congressman Bill McCollum of Florida which would exempt banks with assets under $100 million and banks in communities with populations under 25,000. But that bill, as commendable as it is, does not go far enough. In the IBAA's regulatory relief proposal called the Financial Institution Regulatory Reform Act of 1995, we called for an exemption for banks under $500 million. We also asked for safe harbor which would allow a bank that received a satisfactory rating or better in the previous 12 months to rely on that rating in the applications process, safe from the challenge of public interest groups who impede the approval process for their own purposes.

Imposing CRA requirements and examinations on small banks cannot be justified on a cost/benefit basis because virtually all of them are doing a good job of serving their communities. In fact, an essay in the 1994 Annual Report of the Federal Reserve Bank of Richmond said there was little evidence that banks failed to meet their CRA obligations. The essay called CRA a transfer program to redistribute resources to low-income neighborhoods adding, and I quote, "the basic goal of the CRA to improve conditions in distressed neighborhoods is obviously a worthy one, but the lending and community investment obligations impose an implicit tax on the banking industry for which there is little justification."

In seeking an exemption from CRA, we are asking no more for small banks than what Congress granted to branches of large interstate banks in last year's Interstate Banking and Branching Bill. Under that bill which is now law, branches of interstate banks in my market area might never see a bank compliance examiner while I am assured of seeing one almost every 12 months.

Finally, we ask you to also consider the implications of bills to expand bank powers currently being debated in Congress. If the Glass-Steagall Act is repealed or reformed allowing banks to affiliate with securities firms, every Edward D. Jones office in the country could become a branch bank. These offices would not be subject

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to CRA examinations, while the community bank across the street would. This is patently unfair and would create a serious competitive imbalance. This imbalance would be intensified if the walls between banking and commerce are breached.

Madam Chairwoman, as I mentioned earlier, community banks support the concept of community reinvestment. Without it we would not survive, nor would our cities and towns, but steps must be taken to ensure that CRA indeed promotes meaningful community lending and is not just a useless exercise to create more Federal paperwork.

Thank you, Madam Chairwoman, for the opportunity to present the views of the Nation's community bankers. With your permission, I would like to submit additional submissions for the record. I would be happy to provide additional information or respond to any questions the subcommittee members may have.

Thank you again.

[The prepared statement of Mr. Tony Abbate can be found in the appendix.]

Chairwoman ROUKEMA. Thank you, Mr. Abbate. Your comments, full comments, may be inserted into the record as well as any supplementary materials you want inserted. With that exception——

Mr. VENTO. Madam Chairwoman, received in a timely manner. According to the rules of the House, ten legislative days after——

Chairwoman ROUKEMA. Received in a timely manner, ten legislative days, but hopefully you will have them here with you today for submission.

Mr. Milligan.

STATEMENT OF MARK MILLIGAN, ON BEHALF OF AMERICA'S COMMUNITY BANKERS.

Mr. MILLIGAN. Thank you and good morning, Madam Chairwoman and members of the subcommittee. My name is Mark Milligan and I am Vice President and Secretary of State Savings Bank of Columbus, Ohio.

State Savings is a $1.8 billion institution with 36 branches serving central Ohio. We carry an "outstanding" CRA rating because our board and our management emphasize the importance of community lending and involvement every day.

It is my pleasure to appear today to testify on behalf of America's Community Bankers about Community Reinvestment Act reform.

ACB is the national trade association for 2,000 savings and community financial institutions and related business firms. ACB members are committed to the promotion of home ownership, removing needless barriers to credit, and investing in our communities.

State Savings and the other individual members of ACB have built our businesses around commitments to our communities, so the goals of the CRA are in fact the goals that our member institutions pursue daily as a matter of good business practice.

The subcommittee is to be commended for holding these very timely hearings.

In your assessment of CRA and the manner in which it is implemented, I urge you to consider these elements of our position. First, commitment to community reinvestment is a function of day to day

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business for ACB members. We believe it is good business that can be done in a safe and a sound manner.

Second, ACB urges the creation and implementation of incentives in legislation as well as regulation as a way to reward solid CRA performance.

And third, ACB strongly urges Congress to apply CRA to certain types of large geography-based credit unions that are lending and taking deposits in the very same markets that we are all concerned about. This would not be a burden for these credit unions. Rather, it would be a shared opportunity.

This is my chance as a street-level lender to talk briefly about how our shared interests in community lending and service can best be implemented. At the end of the day CRA needs to be about loans made and services provided with a healthy respect for capital and for risk and for the marketplace.

At State Savings we have created a down payment assistance fund by combining a grant from the Federal Home Loan Bank of Cincinnati with a matching amount from two local foundations and the city of Columbus. This fund will enable about 70 families to become first time homeowners, and State Savings will make the mortgage loans.

Let me address what would make our members efforts to invest in our communities even more effective. As a general matter, we believe that incentives are far more productive than sanctions. The decision to improve a CRA rating to an "outstanding" can be an expensive one especially in terms of management commitment.

Among the incentives that ACB urges Congress to consider are: consortia lending; Congress should specify that any lending by a statewide or a community-wide consortium that addresses affordable housing or economic development needs, no matter where in the State it is located, would qualify as a community development loan for that institution.

Second, application streamlining; the statute could be amended to provide a safe harbor for new branch application challenges for institutions with two or more sequential "outstanding" ratings on CRA exams. An expedited approval process could be adopted for institutions that have a current "outstanding" rating.

Next, coordinated review; consider a combined safety and soundness and compliance examination procedure that could be adopted to encourage greater coordination between the types of examinations.

Next, small institution treatment; small institutions below specified asset levels could be exempt from CRA or could have a streamlined examination procedure. The threshold could be adjusted for inflation.

For example, Congressman McCollum's proposal provides small institution treatment we could support.

Finally, data collection; elevate to the level of statute the legislative history of CRA which clarifies that additional data is not to be collected.

On a related matter, ACB opposes any cuts to the funding already appropriated for the Community Development Financial Institution Fund and it strongly supports implementation of the Bank Enterprise Act.

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Finally, we believe that CRA should be applied to geography-based, community-chartered credit unions and to credit unions serving multiple employer groups from one metropolitan area.

We wonder why community responsibility would ever be based on charter type.

Madam Chairwoman, we welcome these hearings and this chance to present our views. As the regulatory agencies complete their changes to the proposed CRA regulations, we urge you to maintain your interest in this important subject, and we thank you very much.

[The prepared statement of Mr. Mark Milligan can be found in the appendix.]

Chairwoman ROUKEMA. Thank you. Thank you very much. You know the term yesterday came to me as I listened to the variety of testimony we had, and I think what you've said here today is consistent with that.

It came to me that we not only want to reinvent, but we want to reinvest in CRA, promote reinvestment in CRA, but in order to do that we have to reinvent CRA.

That having been said, I'm not quite sure how we do that yet. It seems that among three of you, the three groups you represent, you have common agreement that there should be exemptions for small banks. Is that my understanding? And it is not consistent necessarily with the streamlined system, or is it, that you understand the regulators are willing to support because I didn't sense that in any of the regulators' testimony yesterday.

Mr. Culberson?

Mr. CULBERSON. Madam Chairwoman, certainly exemptions are important to all of us. The difficulty is that we've got different sized communities in different locations.

For example, a small bank in Nebraska may be a $10 million bank, but a small bank in New York City could be a $500 million bank. Now, where do you draw the line on "small bank," and when we get into those issues it becomes very difficult.

Chairwoman ROUKEMA. Mr. Culberson, how do we deal with that in terms of regulation? You are suggesting then that you can live under regulatory environment. You do not necessarily need a CRA revision, is that what you are saying?

Mr. CULBERSON. No, not exactly. There are other aspects of it as well, but in terms of—first of all, I think we all have indicated that we do not object to CRA period. I mean, it has——

Chairwoman ROUKEMA. Yes. You are not looking for outright repeal?

Mr. CULBERSON. No, we are not. But in how it is implemented is the major question, and it varies on size of bank to size of community, and so forth. I think they have to be examined separately by the examiners and look at what fits here. One size doesn't fit all.

Chairwoman ROUKEMA. Mr. Abbate?

Mr. ABBATE. Please correct me if I am wrong, but I am under the impression that the regulators can't create the exemption; Congress has to do that.

Chairwoman ROUKEMA. That's true. It is my understanding anyway. We will ask legal counsel, but that is my understanding.

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Mr. ABBATE. And the point that my colleague was making is very valid. I think there is an alternative that has to be looked at.

Chairwoman ROUKEMA. In other words, you are saying that the streamlining is not enough?

Mr. ABBATE. Right.

Chairwoman ROUKEMA. Go ahead.

Mr. ABBATE. Let's take a $500 million bank in Madison, Wisconsin. That is a big bank. But a $500 million bank in Saddlebrook, New Jersey in the environment in which it competes in is a small bank.

So I think we need to look at things such as the MSAs, metropolitan statistical data, to see whether or not the census data really should be the driving force to community reinvestment.

For example, take, in our case, Bergen County, 850,000 people, 70 towns. I compete with 250 financial institutions in a 5-mile radius. You know, I am a small bank, even though I am close to $500 million in size. So that is what I mean.

Chairwoman ROUKEMA. Again, let me understand. In terms of the streamlining which you have acknowledged and agreed to, where are they failing with precision, where are they failing to close the gap, and do you feel that there is still an opportunity for you to make that case with the regulators prior to their final decision?

Mr. ABBATE. Under the streamlined examination procedures, banks under $250 million in assets would be assessed on their lending performance based on five criteria as opposed to the large bank which would be evaluated based on three different bases including lending performance, and so on and so forth, and a service test.

Large banks also would have specified data collection requirements. So there is more onerous data collection and documentation required for banks above $250 million. That is where the cutoff is.

Chairwoman ROUKEMA. Mr. Milligan, did I cut you off? Did you want to make a statement on that particular aspect of the subject?

Mr. MILLIGAN. No. Our position is we could live with either one of the streamlining proposals that gets discussed, although we certainly believe that, in general on a dollar weighted basis, the cost of compliance for small institutions is more significant.

Chairwoman ROUKEMA. What I wanted Mr. Abbate to submit for the record, because I don't think we have time for it right now, but I would like some precise data as to the cost to your institution, of your need for consulting services, the use of the CRA compliance software, and all of the things that go into the cost factors that you have to deal with as a small bank.

Would you be able to submit that for the record?

Mr. ABBATE. I will work on it.

Chairwoman ROUKEMA. All right. I mean, I want to have some dollars to be talking about and percentages.

Mr. ABBATE. I think that the IBAA had a study that was conducted by Grant Thornton which specifically addressed those costs.

Chairwoman ROUKEMA. That would be every helpful to us if we were able to have it.

[The IBAA study referred to can be found in the appendix.]

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Now, just in general, would you please get back to the issue that was so apparent yesterday, and a couple of you referenced it here today, and that is the question of race and gender reporting.

Should we just dispense with that? Can you make up for it? How do you view that as a problem, or you don't? Because that was a focus of contention at our hearing yesterday.

Mr. Milligan, we will start with you this time.

Mr. MILLIGAN. Our concern is the context in which it arises, and that is the agri-business loans and the business lending.

Chairwoman ROUKEMA. Farmers and small business loans?

Mr. MILLIGAN. Small business. Our concern is the implementation and what practical things come or don't come from the collection of the data.

I can tell you from personal experience that, as we have talked about expanding our analysis internally at our company to maybe get to these sorts of issues just on our own, the questions are better than the answers. The questions that I get from staff about how in fact will you code a business loan—it really sort of defies a reliable scorekeeping system simply because: Is it where the business is located? Is it where the business does it business? Is it who owns it? Is it who manages it?

So in our attempt so far we have been very frustrated internally on how to approach that. I think folks around the country would face similar issues.

I can't imagine that a meaningful database would result.

Chairwoman ROUKEMA. Thank you. Mr. Culberson.

Mr. CULBERSON. Let me give an example as I see it. Suppose I had my own business, and I went into a car dealership to buy a car. I was going to buy a $20,000 car and I needed to borrow $10,000. I made application at the dealer and the dealer was going to fax to the bank the application.

I told the dealer I made $50,000 a year and I didn't have any debt, and the bank checked me out, and then the bank came back and said, well, now who owns the business? What percentage do you own? Do your children own part of the business and how many of the children are male and how many are female? What are your annual revenues?

Those are all part and parcel of what is required in this reporting which has no bearing whatsoever on buying a car.

I get mad. I say, hey, that is none of your business. I will go borrow it on my home equity loan, and it doesn't even come through the reporting system.

Or the dealer says, no, no, don't do that; I can get it for you at a finance company or the credit union where you don't have to report that.

I mean, it makes no sense.

Chairwoman ROUKEMA. That is a very interesting and very explicit example. Thank you very much.

Mr. Abbate.

Mr. ABBATE. Well, I think the problem is, first of all, race and gender coding is a fair lending issue and it doesn't belong on the CRA.

Second, I'm wondering whether requesting and collecting this data could stand the legal challenge under Regulation B, which

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would be the Equal Credit Opportunity Act. It is unclear as to how this data is going to be used and what it will be compared to to judge compliance.

More importantly, how is a bank going to determine if a business is minority owned? For example, in the case of an interracial couple or even a Caucasian husband and wife, how would the business be classified?

Basically, this goes to the heart of the problems that we have with HMDA, the Home Mortgage Disclosure Act, where people who voluntarily give that information misclassify themselves, or when they don't voluntarily give the information, we take a guess. Yet we are judged on the data that we collect.

Same type of a problem.

Chairwoman ROUKEMA. Thank you very much. My time is up. I have other questions, but I will defer now to my ranking Member.

Mr. VENTO. Thank you, Madam Chair.

Mr. Milligan, you point out your support for the Bank Enterprise Act and the Community Development Financial Institution Act. Of course, you are aware that there are proposals to cut the funding out for the Community Development Financial Institutions Act. Would you oppose that?

Mr. MILLIGAN. I'm sorry?

Mr. VENTO. That is a proposal to rescind the money for the Community Development Financial Institutions Act.

Mr. MILLIGAN. My understanding of ACBs position is we are in support of full funding.

Mr. VENTO. Do you find these tools such as, for instance, the Community Reinvestment Act, the Neighborhood Housing Services Programs—there are a number of initiatives now in terms of enterprise communities. Do these help facilitate serving the community?

Mr. MILLIGAN. My experience has been "yes,"—our board chair was the founding chair of Neighborhood Housing Services in our market, and we participated as an institution in the Enterprise Community delineation this last year.

We find that was an opportunity, Congressman, to bring the right folks together in the room to further our understanding of what the community development corps are looking for and their understanding of what we need.

Mr. VENTO. You see, one of our problems, of course, is that the evolution of the society and of the marketplace has obviously meant that we have to do more in tandem to try to make credit worthiness and credit to those societies and those in our pluralistic society that need this assistance. I mean, that is just a reality.

So we have gone through all sorts of machinations I think, at the state level where I've once worked, and here were I've worked more recently, with housing and finance, mortgage bonds and, from time to time, other tools like FHA and programs of this nature.

All of these, of course, have been eclipsed and continue to evolve.

One of the issues, of course, I think most of us want to see banks—as we know, the role has been changing. I certainly have changed some of my views with regards to what banks should be doing in terms of branch banking and how we are looking at a whole host and range of new powers.

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As we do this, I think that it is important that we begin to recognize that franchise, and how we are going to have financial services at our local communities.

Most of us that come from urban areas and some rural areas, we see the abandonment of banks in rural areas, in our good State of Minnesota and throughout the Midwest. We see the propping up the closing of banks and cash machines and check cashing outlets and other types of facilities in terms of urban areas that really, of course, are making it more and more difficult for the low and moderate income individuals that live in urban centers and sometimes rural centers to get by.

So the idea with the CRA I think, at least how it is evolving today, is to try to reach out in a proactive way to deal with this so we can come back and place an action down, say, you are in violation of the Equal Opportunity Credit Act, or you are in violation of some other.

That, of course, is a reactive posture. So my question—I notice that most of you stuck pretty close to your good testimony—was if you don't meet these folks.

I mean, if you talk about safe harbor, what does that do for you? It just means that you still have to keep all the same paperwork. I guess it is a legitimate argument about the race issue.

I remember the discussion under HMDA and how people resent when you ask them their race; they get defensive. I can understand that. There is a problem there. I admit there is a problem, and I expect that—you know, we could spend a lot of time talking about that today.

My concern is if you are going to have to keep all this paperwork, even under a safe harbor, it has to be meaningful, I think. Try to make it meaningful.

Where do you, if you are going to avoid—where do you bring in the issue of compliance? Where do you meet your consumers?

You are in compliance with CRA. You got an outstanding rating. It would seem to me that holding that forth would be less of a problem.

In other words, you should have less difficulty when you are seeking reissuance, when you are seeking a new charter or power.

Where would you meet these consumers? How are you going to accomplish this goal?

I know you don't need the government to tell you to do that, I suppose, but why are you so troubled by this? You still have all the same paperwork, Mr. Culberson.

Mr. CULBERSON. I agree with you. We do have the same paperwork, and if I could give you an over-simplified example.

Mr. VENTO. I need that. [Laughter.]

Mr. CULBERSON. If I go in and apply for my drivers license, and I take the written test and the road test and I get my license and it is good for 2 years or 4 years, and I decide I want to buy another car, and my neighbor doesn't think I'm a very good driver or doesn't like me, and he calls up the drivers license bureau and says, "He's a bad driver. He shouldn't get another car," and I have to wait and go back through the examination process again before I can get my drivers license, and I have already been approved.

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That is what we are after in these instances. There is ample opportunity at the time we have the examination for any group to make any comment where they are invited to make those comments, and we get approved, and then we get estopped for very little reason, just because someone doesn't like us. It is very costly and expensive.

Mr. VENTO. Your concern is that this process ought to take place—in other words, your concern isn't the engagement of consumers, it is when it happens. In other words, I would think that the way it had occurred before is that if you had seen the new car or the new activity, they would have to go on the call reports and other types of information they would put together, and everything takes place without really a common understanding of what the expectations were.

But aren't you better served by having common expectations of what you should do? As difficult as it is before the fact, for us to come together in conclusion of what is a satisfactory, an outstanding or unsatisfactory. That should be in a sense helpful.

You may argue about it. There are points that can be argued about, and we can write them if you wanted us to, but you wouldn't like what I wrote any better than what the four regulators wrote, I'm afraid. Maybe you would like what Marge Roukema would write better. [Laughter.]

Chairwoman ROUKEMA. That's right.

Mr. VENTO. She thinks you would. I suspect in the end you would probably find difficulty with all of it, but having it in law would be problematic and it would be what is equivalent to what is legislative micromanagement. We don't have time to do that, frankly.

The issue, I think, is one of trying to do it. So I think the point is maybe that is the wrong time to question.

When we did the Branch Banking Bill, Mr. Abbate, as you point out in page 9 of your testimony, I was going to ask you a question. We said you have to have a satisfactory CRA rating. Was that the wrong thing to do?

Mr. ABBATE. No, not at all.

Mr. VENTO. But that actually brings it to that point when someone gets ready to branch.

Mr. ABBATE. I'm sorry, I didn't hear that.

Mr. VENTO. That brings it to the front when somebody gets ready to branch, when they get ready to buy another financial institution.

Mr. ABBATE. The problem that I have is that if we do go through the necessary steps to comply with the spirit of CRA and we are good enough to earn a satisfactory rating, why should I then be penalized in the operation of my business by someone who comes along and says, "Wait a minute, we object because we don't think that your satisfactory rating is valid and we are going to challenge your application.

Mr. VENTO. So you say challenge it early in the process while they are developing the numbers. I have a lot of problems with some of the numbers. They are trying to clarify that.

Madam Chairwoman, just for one additional observation I would make. I think that CRA, of course, is most relevant to these inter-

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mediate sized banks. I mean, I think it is relevant in Madison and is relevant in Saddle——

Mr. ABBATE. May I?

Mr. VENTO. Yes.

Mr. ABBATE. I think the problem is that it opens up a whole difficult set of circumstances because if we are trying to operate a business—for example, in a personal instance where we filed an application, I suddenly received a letter that said, by the way, we noticed you made this application; we would like to see your public CRA statement as reported by the examiners; we would like to know what your rating is; and we would like to see your HMDA data. And by the way, we are going to teach you how to make loans into low-income area without having any basis for that.

We complied with the spirit of CRA. We sent it in. I am waiting for the other shoe to drop.

Now, in a lot of those instances, Congressman, when these groups come forward and they interpose themselves between you and your regulator, the lending institution or the bank complies with these people's request which are sometimes onerous only because they have to get on with the business of what they have to do.

My point is if we do a good job and we get a satisfactory or outstanding rating, why do we have to be subject to these people standing in the way of us operating our business?

Mr. VENTO. Consumers, yes. Well, Madam Chairwoman, my time is expired. I was listening. I heard you. Thank you.

Chairwoman ROUKEMA. Thank you. I may come back to that subject because it interests me greatly.

Mr. Bono.

Mr. BONO. Thank you very much. Don't let my new necktie bother you. It will just bother me.

You know, when I ran for Congress, it is amazing how often I ran into the same rhetoric. I must say that listening to your testimony today, I'm right back at it again. It seems like for some reason we get so complicated with things that are so simple.

I am an extremely simple man. I ran on a commonsense platform of what I could understand. I think the basics are very understandable. It is when we get into these kind of—this kind of dialog that it gets incredibly complicated and you start not understanding what is happening here.

So I am going to try to cut to the bottom line in my way. It seems like for some reason government decides they can take an industry and do it better, so they try to fix an industry and try to create these balances. What they do is impose a billion regulations and then says, here, it is yours. Then you guys have to take it from there and then all these complications arise.

What I seem to hear is now you have a terrific rating, CRA rating, but that doesn't mean anything to government.

So, you know, I wish government knew what they were doing when they turned this over to other government officials and told them to implement programs because what they don't understand is that when they turn this over to the other government official, they just have a ball in their interpretation, and pretty soon you have a mess. In my view you are starting to get a mess here.

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I think your goal is to promote commerce period, for society period. I have never seen industry try not to cooperate, to help people or give people a leg up. It fascinates me to see that when government does try to make some balances they don't go to that very industry itself to say how is the best way to do this; it is let us tell you how the best way to do this is. Invariably, it is a mess.

I guess I heard you say incentives. I think that is terrific. Why should it be penalties? Everything should be based on incentive.

If you start on penalties, you are a bad guy immediately. So I think that is a perfect formula for a working basis.

I wish somehow all of us would get that message, you know? And then all of us would figure out you are not the enemy. I don't think you are. I don't think you are unwilling to comply. You are just saying don't break our back in the process.

So if I were king and I were going to try to pass some rules, I would talk to some of you fellows and say, "How can we do this?" And try to work an equity there.

My comment to you is I am saying to you—I am not a king—I am saying to you tell me how we can do this because I would like to know. I am sure that you are going to be equitable. You understand the problem. You know how it can work. I don't want you to get killed, and I want to give somebody a leg up.

So I think that everything that I've heard, all the testimony that I've heard from you, that is what it sounds like you are trying to offer back to us.

I want to validate you for making that record and say that I am available in any way to reinforce that effort because ultimately that will be the best effort we can put out collectively.

That is my speech. If you want to comment on that, please do.

Mr. CULBERSON. Thank you very much. [Laughter.]

I now vote for you for king. [Laughter.]

I would comment, Congressman, the program, as we said earlier, the theory behind it is a good theory and certainly we, as insured banks, need to be sure that we are doing what is proper.

I think that the opportunity for all of the community to come in and make comment about what we are doing, which is part of the CRA, is the time for people to speak out.

At that point the regulators give us a rating. If we are unsatisfactory, fine, we need to improve it. If we are satisfactory or outstanding, then let us go forward and not be hit every time we turn around, make an application, sell a bank, want to merger, open an ATM or whatever the case may be.

Mr. BONO. The goal should not be to hamstring you because I think that hamstrings America. Especially your industry. It is the core of the economy in this country, and to hamstring it to a certain degree will have a negative effect. I think that is what we are looking at here.

Mr. ABBATE. Congressman, we are supportive of the spirit of CRA. As it was originally intended, it is basically a very simple law. It is intended for the fact that banks taking in deposits from their communities, and in order to foster the economies of the communities that they serve is they take those deposits in the form of loans, and they help not only the consumer but the small business person.

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I really think that CRA was a necessity years ago because there were many banks who lent cross-border, who lent overseas and were not following the spirit of their original charter.

I think, though, if it is government's intention for banks to carry out the government's social programs, then I sincerely endorse your statement, and just maybe the government has to give us tax credits for us to do their job. Then we would be able to do the social programs that government wants us to do.

Mr. BONO. Thank you very much. I hear you. My time is up. Anything I can do to help you work this out, I would certainly be available.

Chairwoman ROUKEMA. Thank you very much. Mr. Barrett.

Mr. BARRETT. Thank you, Madam Chairwoman. I appreciate your taking the time to be here today. One of the questions that came up yesterday was whether a satisfactory rating would be sufficient for a safe harbor type rating also.

Do each of you, if I could just real quickly, think that it should be limited to outstanding or do you think both satisfactory and outstanding would be a fair test?

Mr. CULBERSON. I think both.

Mr. BARRETT. Mr. Abbate.

Mr. ABBATE. I agree. To use an expression, unless the examiners change the categories that give you outstanding or satisfactory, you almost have to stand on your head to get an outstanding rating, so I think satisfactory, the amount of effort that goes into getting a satisfactory rating is enormous.

Mr. BARRETT. Mr. Milligan.

Mr. MILLIGAN. We might recognize a distinction here between outright safe harbor and expedited treatment, for example, and that could manifest itself on the distinction between "outstanding" and "satisfactory."

Mr. BARRETT. OK. You were talking, Mr. Culberson in particular, about the opportunity for the community to have input into the process.

My understanding, and correct me if I am wrong, is that the compliance test is where you would get this rating. Is that correct?

Mr. CULBERSON. The what, sir?

Mr. BARRETT. The compliance test as opposed to the—during which examination are we talking about here?

Mr. CULBERSON. Well, they have a CRA exam, a compliance exam.

Mr. BARRETT. So it would be CRA's exam. And that is an unannounced examination, is it not?

Mr. CULBERSON. It can be, either way.

Mr. BARRETT. I am wondering where you would bring practically—have we ever seen community groups who have entered in the discussion at that point, and if not, how would you do that and would that be preferable to you?

Mr. CULBERSON. Currently, when the examiner comes into the community, part of his job is to go out and to visit with community groups if he doesn't see enough in the file or if he feels like he needs to go out, reach out, and find out what is going on, see if there is any dissatisfaction and reason for that dissatisfaction.

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I think under the new plan, the regulators new plan, that they are going to ask the bank to go ahead and do that and they will do it as well, go right to the community groups.

I have no objection to that. That is not a problem.

Mr. BARRETT. Has that been the practice?

Mr. CULBERSON. I think it is varied from one place to another, depending on, I would suspect—and I don't know this for a fact, but if I had an unsatisfactory rating they might want to go out and check with the community groups and see what is wrong.

Mr. BARRETT. Mr. Abbate.

Mr. ABBATE. There are two aspects to the examination. One is CRA and the other one is compliance. The compliance is compliance with consumer laws and regulations.

But I think—if I could describe the examination it might help. The examiner takes a look at your HMDA data and takes a look at all of the documentation in the files. One of the criteria that they look at is where are you making your loans in the community.

If they ascertain that 50 percent or your loans are outside of your primary and secondary delineated trade areas, then they would have a serious concern and then go out to the consumer groups and find out what is going on there.

For example, we know that well over 90 percent, according to the last examination, of the loans that we made were within our market areas, and that is considered well within the criteria of what an examiner is looking for.

Mr. BARRETT. Again, very quickly. The CRA is done in the compliance or that is separate?

Mr. ABBATE. They are two separate examinations but they are done concurrently.

Mr. BARRETT. That is what I thought. Mr. Milligan?

Mr. MILLIGAN. My only observation would be that in our case we would have some advanced notification of the upcoming examination, and that, while on-site, they do contact community groups.

In our case we have a Community Panel, for example, that we turn to four or five times a year, that we convene with different human services and CDC representatives in our community, and the examiner actually sat in on one of those breakfast meetings to get a sense of how we had our outreach conducted.

So, yes, they are pretty good about touching base outside just visiting with the executives of the institution.

Mr. BARRETT. Another question. I come from an urban area which has a central city, and like many central cities, undeserved portions.

Can you see a scenario where you would have a bank that could have outstanding compliance with CRA, but just attempted to basically make a donut around the central city so that you could never really say, well, they are not serving this area, they just have circled it. That is the real world problem that I am concerned about is that you might say, well, this is our area right now in the far western suburbs, our next area of expansion will be the southern suburbs and there is no problem there, the next area will be the northern suburbs, and you never get to the city, the central city.

How do we deal with that problem?

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Mr. MILLIGAN. If I might. My reaction is, no. I frankly can't imagine that one could gain an "outstanding" rating and have the donut phenomenon at the same time.

Our experience would be that, while you may have actual physical plant branch offices that could approximate that sort of thing, nonetheless, you have a requirement to lend within the entire community. In our case, there is absolutely no question about what our responsibilities are.

So at least from our personal experience, I can't fathom that you could gain an "outstanding" rating and have the donut phenomenon at the same time. That goes with—that doesn't even get into the issue, Congressman, of in fact would that be wise business to have the donut phenomenon, which we don't believe it would be.

There are loans and deposits out there to be gathered and made. So frankly, I can't imagine getting an "outstanding" rating and having that situation.

Mr. ABBATE. But the reality is it couldn't happen because the examiner would have the HMDA data, which is geo-coded and shows exactly where you are making your loans. So all he has to do is take a look at that HMDA data, identify those census tracks, and he will know if you are a liar. It is as simple as that. The fact is there, so that can never happen. You can draw all the circles you want, but the data speaks for itself.

Mr. BARRETT. Thank you.

Chairwoman ROUKEMA. Thank you. Mr. Ney.

Mr. NEY. Thank you, Madam Chairwoman. I wanted to thank you for your trip here today. I think your testimony is very critical on an issue that other States have looked at as complaints have come in over the years, and I don't think there has been any particular conclusive type of studies that we have been able to do back in the States that points to putting the finger on the problem or how to solve the problem, but I believe your testimony brings out some good points of some inconsistencies that apply to your industry and doesn't apply to others.

I also want to say hello to Mr. Milligan from Columbus, Ohio, where I served in the legislature for 13 years. I would have come down and personally shook your hand, but you can see Mr. Bono's neck brace. You can't see my leg brace. Three trial lawyers during tort reform heard he had a neck brace and knocked me down in the hallways. [Laughter.]

Mr. Milligan, I wanted to ask you a question. You had pointed out an interesting comment here on incentives, and you said you believe that incentives are far more important than sanctions.

I read through your testimony of some of the incentives you felt would work.

The question I have is do you believe, however, even if the incentives are more important than sanctions, in other words, a more friendly government working—I assume with your comments, working with the industry to make sure that we can help people on a fair basis and also not treat you unfairly—do you believe in the course of this, though, are there sanctions that at any point in time should be given or should be considered?

Mr. MILLIGAN. I won't presume to be creative about what they might be. I certainly could envision the scenario where if there is

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a continuous pattern of substantial non-compliance, for example, that there is an institution there that needs to be held accountable.

We do not want our industry position's to be set by the performance of our worst performers. We want to have the worst performers improve, so we will not be about defending folks who continuously submit records of substantial non-compliance.

What those sanctions should be, frankly, I would not know, but I would be surprised if our industry would be against sanctions of some sort.

Mr. NEY. Picking up on that point, isn't there some educational items and programs that you have done as an industry, whether it is Community Bankers or the American Bankers Association. I believe you had to police your own attitude over the years, haven't you?

Mr. CULBERSON. We in the American Bankers have set up a Center for Community Development in trying to educate our bankers in all phases of this, have issued manuals and so forth so that they can learn what it is all about.

Of course, we can't sanction them ourselves, but to try to educate them and let them know what is going on to support this effort.

Mr. NEY. The last question I had for Mr. Culberson. I think you really hit home with the point you make about the fact of someone going into purchase an automobile or some type of goods, and they can turn to the home equity account, which is something they've already got established, but going into the new market of not having any form of a basis to—any ability to get a home equity account, but the fact that they can just turn and choose another type of process to go through where you don't have any type of statistical background.

I think that says it all in the fact that if you are going to have these types of regulations, go overboard with this thing, it should be a level playing field, I would assume for everybody, so I think that is a point well taken.

Also, the fact of the statement you make on page 6, and I just wanted you to give just a little bit more detail on that. I think this is a statement that counts a lot, that what you are actually doing as an industry is almost irrelevant, and what counts is the thickness and neatness of the CRA files, and not whether they contain the right documentation.

Can you just hit a little bit more on the right documentation that is absent from there, but that neatness is looked upon?

Mr. CULBERSON. The examiners are human, and when they come in to look at what a bank is doing and we've got to do a marketing job to show them a nice, neat file, that we have done all of these things that could be done, and the thicker that file is and the better it looks and the slicker the brochures, that helps in getting a better rating.

But it is not really bottom-line going after what the problem is, and that is why we think sometimes we spend more time on paperwork than going after the issues themselves.

I think this reporting issue is another example of it. We are just asked to report and we are not really going to get to the issue of helping people.

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Mr. NEY. So in conclusion, the bottom line is it would be a better trend, I assume, for this government to not look at the content of the statistic in the sense of how it is compiled, but to work with the industry to see where there might be some problem areas or how we can work together for some agreements.

Mr. CULBERSON. That, I think, is part of the thrust that we were talking about earlier, that if we can sit down at the time of the examination and see what we are doing, whether we are getting the community input and so forth, and then go forward from there, and then take another look at it in a year or two later when they examine us again. Work from that standpoint.

Mr. NEY. Thank you.

Chairwoman ROUKEMA. Thank you. Mr. Wynn.

Mr. WYNN. Thank you, Madam Chairwoman. Mr. Culberson, you state on the bottom of page 5 that you have some concerns about the leveraging of institutions under the current CRA scheme, and you suggested that CRA is credit allocation.

I wanted to ask you whether you have any evidence that any loans were made under these alleged leveraged conditions that were violative of safety and soundness?

Mr. CULBERSON. No, I don't.

Mr. WYNN. Do you have evidence that any of these loans resulted in a pattern of higher defaults than other loans that might be in the portfolios of the banks?

Mr. CULBERSON. Mr. Wynn, I don't know all of the 10,000 banks and where they are. I do hear some banks say that the CRA loans are excellent loans, they've had good experience on it.

I hear some that say that while we are profitable with them, if we really got down on the bottom-line accounting and looked at our acquisition costs, it might not be profitable. And I've heard some say that they weren't profitable. It runs the whole gamut.

Mr. WYNN. Pretty much like the rest of the market then, it is fair to say?

Mr. CULBERSON. That's right.

Mr. WYNN. Yesterday the bank regulators were before us and we specifically focused on this question of credit allocation. Based on the answers you've given, I am finding it difficult to find any actual credit allocation in these regs. In other words, any situation in which the regulations themselves require the granting of credit.

Is it your position that the regs, as either currently in place or as being contemplated, would require the granting of credit in violation of safety and soundness?

Mr. CULBERSON. No.

Mr. WYNN. The other issue had to do with the collection of data. Mr. Abbate, I believe it is——

Mr. ABBATE. Abbate.

Mr. WYNN. Mr. Abbate, I'm sorry. Talked on a couple of occasions about the use of HMDA data to evaluate performance, HMDA data, of course, focusing on home mortgage lending.

If it is useful in home mortgage lending, would it not also be useful in terms of—let me rephrase it.

If data on home mortgage lending patterns is useful in evaluating performance, would not data on small business and small farm lending in that same community be useful?

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Mr. ABBATE. No. I think what you are looking at in the HMDA data makes sense because you have such a mass of credit applicants, because the preponderance of lending in banks is to consumers. It is a very useful exercise for the examiner to know where you are lending.

Mr. WYNN. But that is not true with respect to business loans, and if not, why not?

Mr. ABBATE. All it is telling you is what census tract you are lending into.

Mr. WYNN. You are saying that has no utility, of knowing whether, if you are in my community, whether you are making business loans in my community? You don't believe that that is useful?

Mr. ABBATE. In order for an examiner to find out if I am making business loans in your community is a very simple exercise. It doesn't have to be reduced to the formal collection of data because business——

Mr. WYNN. How does he do it if he doesn't have the data?

Mr. ABBATE. Very simple. It is right there in the bank's files. In my bank I have 20,000 consumer credit loans. He needs that HMDA data to know where I am lending.

I have 500 business loans, 500 business loans. All he has to do is to look at a trial balance to make a determination where I am lending. All he needs to do is, in that case, look at the ZIP code. All he has to do is ask for ZIP codes and he has got it.

Mr. WYNN. He knows geographically, but what about if I live in a community that is 60 percent minority, at least 51 percent female, how do we then tell whether the lending patterns will reflect loans to minorities, or a particular ethnic group, or to women?

Mr. ABBATE. If he has a suspicion, all he has to do is go to the file. If you look at ZIP plus four——

Mr. WYNN. What is in the file that would tell him that that loan was made to a minority, an Asian, Hispanic, African American or female?

Mr. ABBATE. What purpose does that serve?

Mr. WYNN. Well, if my community is 60 percent minority, 51 percent female, it would tell you whether loans are being made to female owned businesses or to Hispanic businesses, for example.

Mr. ABBATE. If the community is 60 percent minority, you would assume that 60 percent of the loans are made into that area.

Mr. WYNN. You know what they say about assuming. It seems to me if you wanted to get an accurate picture, you would want to utilize that data.

Let me just say this because I see my time is up. Mr. Culberson talked about leveraged loans. There is an emerging movement in my community for selective banking, which is to say banking with those institutions that have a pattern of making small business loans into our communities. That could go further to take on the dimensions of an active depositor boycott.

Churches are saying this, local politicians are saying this, minority small business organizations are saying this. It is my hope that if we could get this data we could get a more accurate picture of which banks are in fact, lending.

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But I want to assure you that the minority community is not going to continue making deposits with institutions that don't serve our credit needs specifically in the small business arena.

Mr. MILLIGAN. If I might comment, nor should they. If I hear you describing a marketplace answer to the lack of provision of service, we would always be in favor of a marketplace answer.

It is the government answer that gives us the pause, but that part of your notion that relies upon the marketplace sounds acceptable to us.

Mr. WYNN. Fine.

Mr. ABBATE. And I think what you are talking about goes more to the heart of fair lending than it does CRA.

Mr. WYNN. My sense is that it actually goes to both because CRA is about fair lending.

Chairwoman ROUKEMA. Again, you see the irreconcilable conflicts and the understandings of the definitions we have to begin with. And I don't think our goals are different, but we do have different definitions of what we mean by certain language.

Mr. WYNN. Madam Chairwoman——

Chairwoman ROUKEMA. Actually, you precipitated the line of questioning that I was going to ask for a different purpose.

Go ahead, Mr. Wynn.

Mr. WYNN. I just wanted to make the point that there is a suggestion that there is a major separation between fair lending and community reinvestment. It is my sense that if you don't have fair lending, you cannot have community reinvestment, and so the fair lending becomes an integral component of community reinvestment. That is almost a threshold, if you will, to get to community reinvestment.

I agree, first of all, with the industry that we don't need all this paperwork, all these reports, all these brochures, all the dog and pony shows.

All we need to know is that loans are being made into racial and ethnic and gender communities on a fair basis. If that is accomplished, you basically accomplished community reinvestment.

Chairwoman ROUKEMA. Thank you. Mr. Abbate wants to respond.

Mr. ABBATE. I don't think we disagree, but I think that fair lending goes to the heart of being discriminatory as opposed to CRA. It is when you are discriminated against as a class of borrowers that we are talking about fair lending, and that is really something that we don't endorse. I think that we lend to anyone who is qualified and capable.

Mr. WYNN. I will only reiterate my position that fair lending is a threshold, a predicate, if you will, to community reinvestment, which is why I have somewhat belabored the point that you need the data to establish fair lending before you can really say you have community reinvestment.

Chairwoman ROUKEMA. Mr. Royce.

Mr. ROYCE. Thank you, Madam Chairwoman. I would like to ask a question of Mr. Milligan. Mr. Milligan, you say in your statement that Chairwoman Roukema's bill would encourage community reinvestment lending by mortgage consortiums. Could you explain how this bill would help this lending?

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Mr. MILLIGAN. As I understand it, the legislation that was actually introduced in the previous session would give CRA credit for participation in lending consortia anywhere in the state in which that lender would be located.

What this allows particularly smaller institutions to do is participate in the development and fostering of affordable housing projects, for example, on transactions that could be too large, could be too complex, or that, for example, are deemed to be too risky, frankly, and really requires the participation of several lenders.

So we think that particular measure as introduced would be very beneficial to the creation of affordable housing in many areas throughout a state, and yet in a win/win fashion also provide CRA credit for the participating lenders.

Mr. ROYCE. Thank you. I've got a follow up question as well. Last week the Greenlining Institute said that the BIF/SAIF disparity is, and let me quote them, "Likely to have a particularly adverse impact for first time home buyers, minorities and inner city residents in California."

Mr. Milligan, can you tell us how the BIF/SAIF premium disparity will affect community reinvestment and what course of action you believe should be taken.

Mr. MILLIGAN. First of all, no one here, Congressman, represents a trade association that has any members responsible for the financial institution crisis of the 1980's. Those folk who precipitated in that crisis are gone—including ACB which has no members who participated in that crisis. So we start from a position that there are no bad guys in the room.

Then we look at the SAIF/BIF premium disparity issue, which I understand is not the point of today's hearing necessarily, but it does nonetheless impact.

The SAIF/BIF premium issue will adversely select against what I believe are the CRA work horses, and that is the thrifts throughout America.

Ask community development corporations, ask many first time home buyers how they would feel if over time the thrifts were removed from the marketplace. It particularly has impact in California, for example, where thrifts are so dominant.

The premium disparity over time (which is fancy talk for one type of charter pays this for their insurance, and one type of charter pays that for their insurance), erodes the capital of those types of charters paying more for their insurance, which it inevitably will in any marketplace.

Then a significant community lender is removed. Significant community lenders that lend money to first-time home buyers to be replaced by a large out-of-town institution, maybe without community roots, maybe not to be replaced, worst of all, at all.

So, yes, we believe there is a very clear connection between the BIF/SAIF premium disparity and the CRA effort that we are here talking about today.

Mr. ROYCE. Thank you, very much. Let me ask one more question of Mr. Culberson.

Under current CRA provisions community and political interest groups can protest and hold up a bank merger during the application period. My question to you is do you believe there is a more

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appropriate or relevant period when public comment could be made in the process?

Mr. CULBERSON. Yes, sir. Earlier I commented on the fact that we think that if we go ahead and get our rating that there should be a period of time without a protest because the people who have some interest in it can make their views known at the time of the rating, at the time of the examination.

Once the examination is done, if we have a satisfactory or outstanding rating, then we should be able to go forward because it is very costly just to be held up in that period of time.

Mr. ROYCE. Thank you. Thank you, Madam Chairwoman.

Chairwoman ROUKEMA. Thank you, Mr. Royce. That last question you asked was really on my mind as well because I have heard from a number of different persons that there is literally almost a sense of being held hostage because of the timeframe in which the community group makes the complaint, files the complaint and the time in which your plans for expansion or whatever are before the Fed and that can be held up in a certain way and that there seems to be some suspicion, widely held as I understand it—correct me if I'm wrong, that's it's not widely held—widely held in your banking community that this has been a well-honed device that has been used with little opportunity for you to defend yourself during this waiting period.

Now I am not—I don't want to be cruel about that. I don't want to be jumping to some conclusions but Mr. Culberson in his earlier statement made the reference to the question of timing here, when and for how long consumers can hold up these enterprises, and interpose themselves and I think that is a legitimate question.

That may be an abuse that we hadn't anticipated but is it a growing abuse? Is it widespread or is it isolated?

Mr. CULBERSON. Well, I might comment on it.

Chairwoman ROUKEMA. Yes.

Mr. CULBERSON. I'm sure there's some legitimate causes that happen. The pattern has been that it has been last minute. Most of them have not been held up by the regulators and they go forward with the merger or whatever the purpose was, and it is just very costly and time-consuming.

We have an example of one bank trying to merge two subs, two of their subs. Because of the application process that banks have to go through for virtually everything they do, that one was held up because of that.

Chairwoman ROUKEMA. You have made your objections known to the regulators, although I can't with certainty say when we asked these questions of the regulators—they didn't seem to be responsive in terms of what corrective action might be taken in terms of the regulation.

Mr. Vento.

Mr. VENTO. Madam Chairwoman——

Chairwoman ROUKEMA. I think that's an important question.

Mr. VENTO. The issue is of course important. I mean if this is a regulation, you have got other aspects. You can't cut off in essence consumers as you would cut off other principals, whether it be a State regulator or another financial institution that might have a concern about the action that is being proposed and the permission

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or the endorsement of that by a regulator, so I mean obviously as long as this stands, has the same standing as other actions and other proposals, I mean I think that is the dilemma that exists here.

Clearly I don't know the remedy. If you start shortening it, you take that due process provision and I am sure that there may be instances where as financial institutions you would have concerns about the proposed actions by some of your competitors in terms of what they might be doing.

Mr. CULBERSON. Well, Mr. Vento, the thing that just is so frustrating is that you get an examination. The examiners come in there and they look at the CRA issues and they check to see whether we are doing our job. We show them that we are, at least they believe we are. They give us a rating—and then the next day you get a protest. It makes no sense whatsoever to go through the charade I guess of a rating.

Chairwoman ROUKEMA. The timing question. Mr. Abbate?

Mr. ABBATE. Yes. Well, what happens is this. I don't think anybody wants to abridge the due process.

The applications or whatever, whatever endeavor we are doing, receives publication. By law we have to put public notice in the newspapers, and if anyone has an objection, whether it be a banking contemporary or not, they are entitled to make an objection.

The point is that these individual groups are making an objection based upon a standard that you have already complied with. What is difficult for us, since we have a public image, and we are there to serve the community is the amount of inordinate publicity that they receive and the amount of embarrassment that we have to go through after we have received the satisfactory rating to have our pictures all over the newspapers saying that we are being picketed by this group because they feel that we haven't done our job in the community.

I think that that is far more embarrassing and damaging to us for all of the efforts that we do.

For example, we spend $750,000 a year just to let people know we are in business, to come to our bank. We give $50,000 to different causes. We spend another $50,000 supporting some other groups. We are spending all of this money. We are making ourselves known in the community. We get a satisfactory rating.

We now decide that we want to engage in another endeavor and suddenly we get picketed. We get letters. We get held up in the applications process——

Chairwoman ROUKEMA. Again, it's the timing, is it not, that holds it up to suspicion, is that correct?

Mr. ABBATE. Right, and so what happens as a result is those institutions that are in a hurry to get on with the process will make an accommodation.

Mr. MILLIGAN. Madam Chairwoman, if I might, by way of follow-up——

Chairwoman ROUKEMA. Yes. Yes, Mr. Milligan.

Mr. MILLIGAN. It may be a slightly different perspective on the thing.

A phrase that I love from the human services community that I heard is there is a difference between "doing the right thing" and

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"doing the thing right," and I don't think today is about anyone's spin on doing the right thing.

I think what we are here talking about is how we do the thing right. On your timing issue you might ask yourselves if there were no CRA examination process, then you could posit a scenario that says when the institution is looking for some special application or special approval that there should be that opportunity for the public to enter in and give input.

Why one then would have a CRA examination process and layer on top of that then this additional input process—it's not the way I think you would design the engine if you were starting from scratch. I think it is a layered on thing that maybe if you were designing the thing from the beginning someone would have said isn't that redundant?

I don't think you can get an "outstanding" or "satisfactory" rating in America without adequately considering the consumer view in your marketplace. I think it is virtually impossible.

Mr. VENTO. I think, if the gentlewoman would yield, I think the dilemma of course is that the examination and other process does not necessarily fully engage the consumers, and probably it shouldn't in your view.

I mean obviously they can submit statements. That all gets considered but in the act of positing of the decisionmaking, that's made by the regulator.

Mr. MILLIGAN. If I might, Congressman, then maybe what that suggests is there should be some re-tooling of the examination process.

Mr. VENTO. I understand but I think that most of you know the integrity, the validity and reliability of that examination process is not necessarily something that you would welcome the non-professional and the political into, frankly.

I mean so there is a dilemma here and I don't know how to position it. We know with the application process that's a more open process. Obviously the problem you have with the publicity and giving in or yielding I understand that particular dilemma and I think if there is more confidence in—I mean fundamentally this skepticism is a healthy part of our government. I suppose the cynicism is the issue we get most concerned about and the public sort of buying in.

There is a belief obviously in terms of the concerns that are being raised. I think it's obvious in most communities that as the roles of banks have changed there has been some concern and some tension between the communities you serve, especially troubled communities I would say.

Mr. BONO. Madam Chairwoman, may I ask a question?

Chairwoman ROUKEMA. Yes, Mr. Bono.

Mr. BONO. One thing that was very frustrating for me as a businessman was that when the regulators imposed their regulations I had to comply, sometimes to a point where I thought it was absolutely ridiculous and to my expense many times in the restaurant business, and the biggest frustration I had was that I had no recourse. There was no point of equity for me. I just had to comply whether it cost me money, whether it was silly, whether it made no sense whatsoever—that was it.

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And I had always thought wouldn't it be nice if in regulations you could respond to regulators and in turn have your day as well to say this doesn't make any sense and can this regulation be reviewed and what reason is it imposed on us and does it make any sense.

So my question to you is do you have any recourse when regulations are imposed on you? I heard you say that if you had a thick file you did well. That was the standard for doing very well—so I would have slipped in some blank paper in some of those files, but other than having a thick file, did you have any way of getting your message back this way or did you just have to take it?

Mr. CULBERSON. I think the regulators have tried to have some dialog with us. I think there has been some question of interpretation of Congressional intent, in what they intended for us to do and the regulators have been concerned that they follow through on what the Congress has asked them to do.

The OCC for example has an ombudsman that we can go to when we might have some question, and I think that's been done with some success when the banker has not been happy with the rating, so there is some redress.

Mr. BONO. I think that is important for all of us because to me it seems that is where everything breaks down is in the communication. Regulations are imposed. They are communicated and then the communication coming back gets broken down and no one gets heard and it just goes on and on and then sometimes it just seems to worsen and worsen and worsen as the situation goes along, and then the institutions try to resolve the situations their own way, however they can and work around the regulations, so I think it would be very important that input came back on a periodic basis to study what you impose.

We are not the experts. I mean—you are. I can cook spaghetti better than you can, you know, so you——

Chairwoman ROUKEMA. Mr. Abbate, I'm not quite sure about that. I'm not quite sure about that. [Laughter.]

Mr. BONO. Do you understand what I am saying now?

Mr. CULBERSON. Yes.

Mr. BONO. I found that extremely frustrating in my business, that I just absolutely had no way of responding to some of the regulations, and I would urge that we have a process where you have a voice as well.

Mr. CULBERSON. I would like to comment on your communications question because I am not sure Mr. Vento and I are—I am understanding him or he is understanding me.

Where I am really confused is when we have a CRA examination under the proposal and the regulators come into the community and they ask the community groups to come forward. They put an ad in the paper and ask them to tell them how the bank is doing. Isn't that pretty clear that the groups have their input, and then they give us our rating based on that, why is it thrown out the window the minute there is a protest? That is what I don't understand.

Mr. VENTO. That's a question to me——

Chairwoman ROUKEMA. It's a question to you.

Mr. CULBERSON. Are we communicating on that, Mr. Vento?

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Mr. VENTO. Well, I mean I think the issue is of course that when an application comes in then I guess the presumption is that that is a significant change in terms of what the institution is going to do, that they have obviously at that point you have a different circumstance in terms of looking at if there's a substantial change.

Obviously when you talked about merging two subs, that obviously is not significant but many times there are of course significant changes and extending resources when there's limited resources and there may be within capacity that you are moving the resources, there is a potential change I think in terms of what you are going to do.

So there obviously is a responsibility or an opportunity to respond. Whether or not—I don't think they throw the rating out at that particular point but I think it gets examined anew.

Mr. CULBERSON. But it costs a lot of money in the delay.

Mr. VENTO. Well, that is because the regulators choose to delay. I mean that isn't necessarily like you say very often they do not. How much delay are you talking about here? Can you quantify that?

Mr. CULBERSON. Oh, 6 months. It depends on how long it takes for the regulators to look at it, how many regulators look at it. It's a lot of factors in it.

Chairwoman ROUKEMA. Well, again, let me ask the question again. Is this widespread and growing, this tactic?

Mr. ABBATE. I can only speak for New Jersey. I see that as accelerating as time goes on. It's become more and more of a problem in our home State, and I really think the operative word here is public interest.

Anybody could comment on any application that an institution makes and object that it is not in the public interest. That's fine. All right. We could then deal with that, but we have already gone through a process, all right——

Chairwoman ROUKEMA. I think you make a very valid point. I have got to say that and I've got to say also——

Mr. VENTO. Well, Madam Chairwoman, I think we need to establish, Madam Chairwoman, what the times are. We are dealing in glowing generalities here right now and I think, you know, part of it is really it only resides in the mind of the regulator. I can't read the mind of the regulator why they are—there may be other factors and the question is is CRA getting the entire burden or the responsibility placed on it?

Chairwoman ROUKEMA. No. I think it sounds to me that this testimony today is completely consistent with what we heard from that second panel yesterday, which was that we have to re-invent this reinvestment strategy.

It seems to have gotten unnecessarily burdensome and counterproductive. Whether or not we can do expedited procedures and safe harbor proposals within the context of these new regulations, but I think there are a number of outstanding questions that the regulators have not resolved and there is a legitimate consensus here.

Mr. BARRETT. Madam Chairwoman——

Chairwoman ROUKEMA. I think Mr. Barrett has been asking for attention.

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Mr. BARRETT. We have gone back and forth as to whether this is a growing problem. I would think that it would be easy to find out exactly how many protests there have been.

I think if we had the hard data——

Chairwoman ROUKEMA. Right.

Mr. BARRETT. We could better examine how to deal with the solution. I don't know if I should be asking the ABA or I should be asking the subcommittee but I would think the first thing we want to do if there is a problem is to find out the extent of the problem so we can find out how to address it.

Chairwoman ROUKEMA. Thank you. Mr. Abbate.

Mr. ABBATE. I would just like to say that we—you know, one of the things is that we are at a complete disadvantage as a regulated industry because when we make application to branch or to expand we invite public comment. Nonbank financial institutions who are regulated by the Federal Trade Commission could branch out and add ad infinitum, make acquisitions and so forth. Nobody looks at their credit underwriting. Nobody looks to see if they are in conformance with the Community Reinvestment Act. But more importantly they can risk price their loans, so that people who do not meet certain lending criteria pay a higher rate of interest for their loans than those people that are better credits.

They account for better than 50 percent of the obligations of the consumer in the United States, yet we are being asked to carry a burden and being held to standards that are far greater than anybody else.

Mr. VENTO. Well, I mean, Madam Chairwoman, I think the banks have obviously a different franchise and a different responsibility as a consequence, and you might say that that franchise—I think there is debate here and a recognition that it isn't what it was, and I would just say I think we need the specifics on it.

I think we need to move forward. I think we will have a perfect answer to some on this on the next panel in terms of some of the consumer groups as well, Madam Chairwoman.

Chairwoman ROUKEMA. All right. Just as a final note, there is an article in today's *American Banker* that I want to refer you to and I don't know the particulars of it but is specific to this point regarding the Chase Manhattan deal with U.S. Trust Corp., and it is facing a CRA protest. I don't know whether they have satisfactory or high ratings or at what point in time the protest was raised but I think we should all read it and see if it has implications.

Mr. VENTO. I mean I know the system doesn't work the way it is. I mean obviously, you know, getting it in place obviously you are concerned about it at the application point, but I don't know why it doesn't work better than it does in the initial instance.

I think part of the reason is that regulators tend to postpone difficult decisions, unlike members of Congress.

Chairwoman ROUKEMA. Oh, yes. Thank you very much. Appreciate it. We have a vote on and we will look forward to working with you.

This panel is adjourned and the hearing is adjourned until 2 p.m. this afternoon.

[Whereupon, at 11:46 p.m., the subcommittee recessed for lunch, to reconvene at 2:00 p.m., that same day.]

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Chairwoman ROUKEMA. This session of the subcommittee will come to order and I thank everyone for being here today and being so orderly.

Mr. Vento, for those—well, by way of introduction let me first say that we are happy to have you here. Yours is the fourth panel and the concluding panel in this 2-day series of hearings. We are completely confident that you will clear up all the irreconcilable questions that we have been asking for the last 2 days.

There is no question but that CRA is controversial. It generates rather intense feelings on both sides of the issues or maybe I should say on all sides of the issue because there's more than two sides to this question, I'm learning.

If you are well-read or well-informed you will know that we had some problems yesterday when we initiated our hearings and I wanted to be clear for both those who were in audience as well as any press who might be here, particularly since this panel is representative of the consumer interests and community concerns regarding CRA, I wanted to be very clear about the way you were selected and what the unfortunate circumstances of the demonstration that was conducted yesterday by another community group known as ACORN.

I want you to know, and I think, I believe that Mr. Vento, our ranking Member, will confirm this, that we were most careful in trying to reach the broadest possible representation of all interests whether they be the financial services industry or the people out in the field or the community activists such as you represent and the community interest consumer groups.

In order to reach a fairness level we consulted broadly and consulted with the minority on the selection. It is my understanding, I have been informed by Staff that no formal request was received from ACORN until very late in the process and they, I believe, chose to, rather than resubmit a written request rather than just a telephone inquiry, they chose to be disruptive at the hearing yesterday, demanding priority in terms of giving testimony now, as they put it.

So it was an unfortunate incident. I'm sorry that we had it, but I am very confident that the representation here today is inclusive and is fair and is an opening for all the consumer concerns to be brought before this subcommittee.

Mr. VENTO. If the gentlewoman would yield?

Chairwoman ROUKEMA. Yes, I'd be happy to yield.

Mr. VENTO. I just wanted to confirm that we have consulted and made requests with regard to witnesses, as other members had, and I think the representation of this panel and the past panels indicates that there has been a balanced and an appropriate response.

I learned of the ACORN request the day before yesterday's hearing in the afternoon, and that was the first I had heard of it from constituents in Minnesota and obviously at that point it had been set but I think there had been, obviously I think the response when people intend to disrupt a hearing is not one that I don't think should be rewarded by then accommodating to a panel.

I think we need to depend upon an orderly process in terms of consideration of the measures and deliberations of subject matter

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before this subcommittee or any other subcommittee and so I certainly support the response yesterday in terms of the disruption of the hearing and the closing of the panels in terms of consideration, especially based on the conduct of the officials that were leading that group.

Chairwoman ROUKEMA. All right. Thank you, Congressman Vento.

I think we'll provide the maximum amount of time for our panelists. Hopefully we will not be interrupted with too many votes, but we'll get right to work here so that you can clearly lay out, make your presentations.

Let me just introduce you, give some background as to who is represented here today and also to make note that because of travel arrangements Mr. John Taylor has requested and with everyone's approval he will be the first to testify.

Mr. Taylor heads the National Community Reinvestment Coalition, an organization that has spearheaded various national community reinvestment efforts and, after all, that is what CRA is all about. He is a frequent speaker and has developed a good many relationships with banks both large and small that are involved in trying to improve their CRA ratings.

The Reverend Doctor Charles Stith is the National President of the Organization for a New Equality, a group that is involved with projects which are particularly relevant to community reinvestment.

Allen J. Fishbein is General Counsel of the Center for Community Change, an organization dedicated to preservation of neighborhoods and urban centers. Mr. Fishbein has written numerous pieces and spoken on several panels on the subject of CRA and related issues and is a noted, accepted authority.

Gale Chincotta——

Ms. CINCOTTA. Cincotta.

Chairwoman ROUKEMA. Cincotta. Ms. Cincotta is the Chairperson of National People's Action, which is a national coalition of approximately 300 grass roots organizations. That organization has been working on neighborhood redevelopment issues since 1971. I think you qualify. That, by the way, precedes, long precedes CRA.

Michelle Meier—Ms. Meier is counsel for Government Affairs of Consumers Union. Consumers Union is a nonprofit organization chartered in 1936. We know of, we are very familiar with the activities across the country for information, education and advice on issues that range from health care to consumer services and financial services.

Benson F. Roberts is the Vice President for Policy of the Local Initiatives Support Corporation. LISC is a nonprofit conduit through which the private sector including financial institutions provides financing and technical support to nonprofit, low income community development corporations.

Now would you suggest that we go and vote quickly and then return and then we'll be able to hear the panel. We'll have a window of opportunity, I believe. Thank you.

[Recess.]

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Chairwoman ROUKEMA. I think we are ready to commence, begin, start—if we have Mr. Taylor. That's life on the fast track here. That's all I can say.

Thank you. Will you begin, please, and then we will go right through in the order in which you were introduced.

STATEMENT OF JOHN TAYLOR ON BEHALF OF THE NATIONAL COMMUNITY REINVESTMENT COALITION

Mr. TAYLOR. Thank you, Madam Chairwoman and Representative Vento and members of the subcommittee.

I welcome the opportunity to appear today to discuss the proposed pending inter-regulatory agency rule governing CRA examination and evaluation.

I am the President of the National Community Reinvestment Coalition, which is the country's largest trade association of community organizations with 453 member organizations. I should point out that at this table are two of my Board of Directors, Mr. Fishbein and Mr. Benson Roberts. The commonality of our membership is that we are all trying to increase access to credit and basic banking services to traditionally underserved people and communities both in urban and rural America.

Madam Chairwoman and members of the subcommittee, the American public has struck a deal with our banking industry. We have said to lenders we are going to give you an advantage not afforded any other industry. We will guarantee your business. We will promise anyone who walks into your bank doors that regardless of how well or how poorly your bank business performs, regardless of how inept a certain loan officer may be, regardless of downright poor decisions on the part of the banker, we the American taxpayer will guarantee you that you will not lose your investment by your deposit in that bank.

In exchange the American taxpayer wants something in return. We want you, the lenders, to serve the credit needs of the communities from which you take deposits. We want you to extend credit and services to the people in the community regardless of what they look like or whether or not they are wealthy.

We expect you to make loans only on a safe and sound manner and to creditworthy borrowers.

This is the American public's deal with the American bankers and it has worked out well for them, Madam Chairwoman. Banks are on the way up. In fact, in 1992, 1993 and 1994 these were truly the most profitable years in the history of American banking. Recently the American taxpayer was asked to hold up its end of this deal. Congress allocated over $300 billion of our money to bail out this industry.

It is now time for Congress to look out for the interests of the American taxpayer and do everything in its power to ensure that lenders now hold up to their end of the deal.

Our urban and rural communities are in dire need of credit and capital. More lenders must be brought into the equation as the needs are great. The new regulations which call for measuring the actual lending performance of this industry in these areas must be strengthened and released immediately.

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These regulations will let community people, Congress people, Mayors, Governors and just plain citizens know the real story of who is lending in our neighborhoods and who is not.

As Congress looks for ways to reduce the deficit, it should be very mindful of looking for ways to revitalize and capitalize our neighborhoods. America's urban and rural communities are asset-poor but rich with entrepreneurs, creditworthy potential home buyers and communities looking to pull their neighborhoods out of destitution.

They seek to do this the old-fashioned way—hard work, commitment and borrowing money. They need your help in this endeavor.

CRA is not an unfunded mandatory regulation. There is no Congressional line item to pay for the bank regulatory agencies, no taxpayers' funds go to regulating and overseeing this industry.

The Contract with America, Madam Chairwoman, calls for helping families reach the American Dream. While we could debate whether you help families reach this dream by cutting school lunch programs or housing development funds or oversight of campaign contributions or cutting education or any of those items, one thing is crystally clear: you do not have enough money to help families realize the American Dream, but you do have the power to do so.

If you believe nothing else that I have said today and what you would hear from my colleagues, believe this: CRA has a proven track record. It is not about credit allocation nor is it about affirmative action, but it is about spreading capitalism fairly to all Americans. Access to credit under CRA is about self-reliance and responsibility. CRA is this country's best hope for reversing the dire economic conditions in our urban and rural communities.

It is time to put partisan politics aside, recognize that the interest of the American public is served by developing stable communities with more homeowners and business owners.

You have served the banking industry well. They are in good shape. America's neighborhoods and working class people now need a similar commitment. The regulations that are about to come out must include small business lending, reporting by race and gender. We must expand CRA to cover mortgage companies and credit unions who are avoiding a lot of the urban and rural areas that need credit and capital and help our coalition, the National Community Reinvestment Coalition and others applaud those lenders who have made a real commitment.

Thank you, Madam Chairwoman and Representative Vento and other members of the subcommittee.

I respectfully request that my written comments be entered into the record.

[The prepared statement of Mr. John Taylor can be found in the appendix.]

Chairwoman ROUKEMA. Thank you, Mr. Taylor, and I neglected to note the rules concerning—hopefully we can adhere to a 5-minute rule and that is what that light is for.

I'll be flexible as far as when the light turns red but try to accommodate yourself, and Mr. Taylor has also reminded me you should all know that the full text of your remarks will be included in the record and if you have additional information that you would

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like to submit in written form, we can do that as well if it is submitted within a 10-day period.

Thank you, and Reverend Stith.

Mr. Taylor, do you have to leave now? Do you want us to advance questions to you now?

Mr. TAYLOR. If you would like. If no one is offended.

Chairwoman ROUKEMA. Does that meet with approval? And I think since there are only two of us, I think we can do that if that will help you with your travel arrangements.

Mr. TAYLOR. Yes.

Chairwoman ROUKEMA. Mr. Taylor, I've got to say that others have testified and raised a number of troubling questions, particularly the bankers. By the way, I think you know that none of them called for repeal. They did call for streamlining and expedited procedures and they expressed themselves on safe harbor.

Can you help us to reach some common ground here where the intentions of reinvestment are completed and adhered to and we can make that kind of progress, but not hamstring the financial institutions with the terrible costs that they seem to be accumulating? Can you be a little more specific?

I heard your references to, "This is not credit allocation." So if you could just amplify on that from your perspective, it would be very helpful to me.

Mr. TAYLOR. Sure. I think the lenders who are most knowledgeable about community reinvestment lending—and not just knowledgeable but active—are not the lenders who are going to come here and testify that CRA is bad law, but certainly a number of them would come up and state that there is a real need to streamline the process and cut down on the time involved.

I don't think any of my colleagues would disagree with that goal as a proposition. And in the process of all of us commenting on the rule, what we have been seeking is really—access to data is the critical key, and it is data that frankly they already collect. It is a matter of making a lot of it public so that not just an examiner who might live and work in another State gets to see that data, but that the public has an opportunity.

I'm told from Comptroller Ludwig, from other regulatory agency folks that the new rule is indeed a streamlined process and does cut down on the time and express in reporting.

The way the system is right now, it is very much if you get your PR and marketing and public relations and outreach campaigns together and document them, which takes a lot of time—you know, you meet with someone, now you have to go back and sit and write a letter and so on.

None of us are advocating that that is what CRA is about or community reinvestment lending period. It is about putting money out on the street, and I think that the new regulations are very sensitive to that fact.

I might add that, as I've said in my written testimony, they had record breaking comments from the lending industry and from community groups on this request for comment from the regulators. In fact, more comments than ever in history for any regulation they've put out for public comment.

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Much to the concern of community groups, frankly, we think that the second rule was bent with very much the lender's concerns about costs and streamlining and reporting in mind and less with our interests in mind.

Chairwoman ROUKEMA. The second?

Mr. TAYLOR. The second rule that was put out.

Chairwoman ROUKEMA. Oh, the second rule.

Mr. TAYLOR. Right. So I think what happened in that process is that actually the regulators have responded quite strongly to a lot of the concerns of the lenders, much to the criticism of our groups.

Having said all that, I think, though, that putting the emphasis on performance over process, that they will be tested for lending, servicing and investments, is a significant improvement in the process.

I think you'll fall far short, frankly, if we were going to measure performance, and it is no longer a process issue but we are measuring performance, if we don't include small business lending. Otherwise, we are only looking at the partial picture.

When I say "we" this is—I mean, more mayors and governors now are more concerned about what lenders are doing in their community than they were 5 years ago, frankly, I think because of educational efforts of people at this table and elsewhere. But they are realizing that they don't have the money.

Congress doesn't have the money to reverse these neighborhoods when these lenders pull out, so they are very concerned about whether these lenders are making commitments, and they are making decisions as to where they put their city coffer money based on that.

I don't know if that is providing any clarity. I'm sure my colleagues can——

Chairwoman ROUKEMA. I appreciate that and we will ask them similar questions.

Mr. Vento?

Mr. VENTO. If Mr. Taylor has to leave he may want to respond in writing to some of the questions we were referring to earlier. I'm sure that he may—were you present at this morning's hearing?

Mr. TAYLOR. No, I wasn't, sir.

Mr. VENTO. Well, there were a number of questions that were put forth on the difficulty of statistics based on race.

I don't think we should really—on race and on gender and on communities, and the difficulties in terms of those types of statistics.

One of the issues that has come out, and I just want to call my chairwoman's attention to it and others that are students of this, and that is with regards to mortgages, the demonstration of whether or not mortgages were being made on an equal basis was actually done on a reverse basis. They said, well, look at the defaults; the defaults are higher among these particular groups and therefore that indicates that we are making mortgages to the extent because the default rate is at least as high or higher for Asians or for Indians or Chinese or African Americans. You are familiar with that.

So I would expect that one of the points you are anticipating, one of the concerns, is that if we look at business loans—and, of course,

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many loans aren't business loans; they end up being consumer loans, but if we look at loans generally, I haven't heard an answer or a response to whether we look at these other loans in the reverse basis to make that determination.

Would that be an indication that a bank then is actually participating? Of course, that doesn't do the community—unless you do it by ZIP code as was suggested by Mr. Abbate.

Mr. TAYLOR. Representative Vento, first off I wouldn't take as gospel the Federal Reserve study.

Mr. VENTO. I don't, believe me. With me it is a topic, not a religion.

Mr. TAYLOR. As a truism, if I may, that that study proves anything other than that in FHA mortgages, which is a program that historically was fraught with poor marketing and unscrupulous activities that steered people to different neighborhoods and treated people differently—we can get into that if you'd like, but remember that study looked at FHA mortgages.

I think this subcommittee would be better served to look at studies that have looked at the entire market, such as the Woodstock Institute's study out of Chicago which took a look at the performance of lower income and minority borrowers, home buyers, as compared to the rest of the market and found——

Mr. VENTO. I think you have some businesses in there which indicate that for every dollar's worth of equity, non-minority businesses received $2, and for every dollar of equity, minority businesses received 70 cents.

Mr. TAYLOR. That is correct.

Mr. VENTO. So I think that those studies and those particular specifics are very important, I think, to the subcommittee and to understand how the regulators are going to actually format this and how the information is going to be used, I think, is important.

I don't want to hold you, Mr. Taylor. I mean, there are other questions that need to be addressed.

I think what is evidenced here, Madam Chairwoman, is by the representatives and LISC and the other organizations Mr. Taylor and others are representing indicate how we have to, in tandem, put all of these different pieces together to make credit work for communities that are having difficulty, and it does work. Indeed, it is working, but CRA is the foundation now on which that is built.

As I was saying this morning, since you weren't here, Mr. Taylor, I am going to repeat myself and suggest that this is more proactive than some of the other laws that we have, the Equal Credit Opportunity Act and so forth, which are remedial: we find a problem, we try to solve it, it is an individual loan.

But what we really need are proactive programs so we can create an environment in which financial services are available on a creditworthy basis in these—in all of our communities.

I think there are some special problems here with rural areas. I think what we need to look at from the standpoint of achieving this, Madam Chairwoman, is to try to make this work, to streamline it, to make it work for these smaller financial institutions. The big institutions, a few people assigned to it—I mean, frankly, their footprint is much different unless they happened to be like some

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of the institutions in my area which have a lot of branches. They are big, but they are over seven and eight States.

But many of the others that are big are simply big, and they can do some things in the community, but they are fulfilling your money center banks.

Mr. TAYLOR. Right.

Mr. VENTO. Anyway, Mr. Taylor, thanks for listening to me, and please respond in writing if you have any ideas that can help us. I think we really need that input in terms of streamlining to answer some of the paperwork problems.

No one likes paperwork. We just haven't figured out how to get rid of it, though.

Mr. TAYLOR. Thank you.

Mr. VENTO. Thank you. Thank you, Madam Chairwoman.

Chairwoman ROUKEMA. I think Reverend Stith, I think we are going to have to go and vote, otherwise we are going to have to leave in the middle of your statement. So let's do that. We will do it fast.

We will be right back.

[Recess.]

Chairwoman ROUKEMA. The subcommittee will come to order.

Reverend Stith, you have our attention.

STATEMENT OF REV. CHARLES R. STITH, ON BEHALF OF THE ORGANIZATION FOR A NEW EQUALITY

Mr. STITH. All right, Madam Chair. I keep hearing these buzzers go off. [Laughter.]

I want to thank you for the opportunity to make a presentation before the subcommittee this afternoon. Let me say as pleased and appreciative as I am of making this presentation today that the first point I want to make, and I really want to try to make three this afternoon, is that the final rules for these revised CRA regulations are overdue. They really should have been done yesterday so that banks can get on with the business of lending and our communities can get on with the business of growing because of the access to credit and capital that we can have under the CRA.

A second point that I would make is that it is clear to us that in 1995 we are headed in the right direction as it relates to CRA compliance, particularly as it relates to mortgage lending. One year after unveiling its In-City program, Fleet Bank, for example, has issued 26,000 mortgages to low- to moderate-income customers, exceeding $1.9 billion.

NationsBank, when it was formed, Chairman Hugh McColl announced plans to invest $10 billion in low-to moderate-income communities over 10 years. Just last month he announced that that goal had been reached in less than 4 years.

Bank of America has an equally impressive experience. Through its Neighborhood Advantage program it has generated $6 billion in home loans and that program now accounts for 50 percent of all of B of A's home loan originations in the state of California.

So the point being that we are headed in the right direction. We are not where we want to be but we are a lot further along the road than we used to be.

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It is also clear that the kind of progress that has been made directly correlates with the disclosure requirements in 1989, which is the segue to the third point that I want to make. And that is, if we are going to see similar sorts of success stories as it relates to small business lending, I am absolutely convinced that it is going to take the same kind of disclosure requirements that we have around HMDA data in order to affect the kind of change that we want to see.

Let me conclude, and I am departing from my text because something came to us today by a fax that is worth lifting up. Erroneously, many have cast this present crisis around the CRA regs as us, that is activists and consumer groups, against them, the bankers. It is erroneous to cast the present debate in that way.

Speaking for myself, it is not ONE and our National Community Reinvestment Network against bankers. It is us against bankers who are committed to continuing to discriminate as it relates to providing access to credit and capital.

I don't think there is any better way to punctuate that than to read from a press release that was released today from the Bank of America voicing its strong support for CRA reform. Reading from the second page of that press release, B of A makes this unequivocal statement: "We want to be clear that Bank of America has been and continues to be a strong advocate of the CRA process and we support current efforts by Federal banking regulatory agencies to revise CRA regulations so that they focus more on actual lending performance than paperwork."

Regarding specific elements of CRA reform, Don Mullane of Bank of America said, "they support the collection of race and gender data on small business and consumer loan applications."

For those banks who are committed to making CRA work, they are as much in support of this agenda as we are because they have come to understand that it is profitable for financial institutions and it is beneficial for our communities.

Thank you, Madam Chair.

[The prepared statement of the Reverend Charles Stith can be found in the appendix.]

Chairwoman ROUKEMA. Thank you.

Mr. Fishbein.

STATEMENT OF ALLEN J. FISHBEIN, ON BEHALF OF THE CENTER FOR COMMUNITY CHANGE

Mr. FISHBEIN. Thank you, Madam Chairwoman. And, Representative Vento, it really is a pleasure to be here today and I appreciate the opportunity to testify.

I would like to summarize my written testimony by making five points in the time that I have. The first one is that CRA is working. There is abundant evidence that it has spurred increased lending in underserved communities and generated new business opportunities for lenders, opportunities that are both prudent and profitable.

In my written testimony, I quoted *U.S. News and World Report*, which several years ago issued an article which described CRA this way: Imagine an ideal government initiative, one that helps lower income Americans own their own home but does not breed welfare

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dependence, does not expand bureaucracies or budget deficits and does not hurt business or the economy and it is called the Community Reinvestment Act.

That is the major message I think you will hear from all the witnesses here today, is that CRA creates a win/win situation both for communities and for the banks that discover new markets.

The second point that I want to make is I think it is important to expand upon some of the comments that have been made in previous panels. There is a difference between complaints about the administration of the Act from the Act itself and the success stories that are working at the local level. An example of those success stories can be found in my appendix A which lists 33 successful reinvestment partnerships.

The administration of CRA has been historically weak by the regulators. One brief example, small bankers have complained about how the same rules for examinations apply to them as for large banks. I served on the Federal Reserve Board's Consumer Advisory Council back in 1981 and that council unanimously recommended to the Fed to create a separate exam for small, rurally based banks, which the Fed has yet to do. The failure to do this has led to meaningless ratings and I think many of the complaints that you hear.

Third, I agree with Reverend Stith's comments. The proposed regs which have gone through considerable review should be finalized and issued as quickly as possible. Virtually everyone believes they are an improvement over the existing set of regulations we have and they should be given an opportunity to work. We would hope the subcommittee would refrain from legislative action on CRA until after those regs have been put into place and we have a chance to see if improvements are resulting.

The next point is that full public disclosure of small business lending by race, gender and by census tract is absolutely necessary to augment the new procedures. The experience with HMDA shows that public disclosure of loan data is a powerful force for improving industry practices. It would not result in additional burden to the few large banks that would be required to report under this proposal because the regulators are already proposing to collect this data for their own purposes. The only difference is it would be made available to the public.

There is absolutely no evidence, just assertions, that race and gender reporting for small business would lead to quotas. In fact, it would not. Safety and soundness examiners would keep that from happening. If bad loans were being made, those would be written up by the examination reports.

Number four or my last point is that we oppose legislation that would create safe harbors and small bank exemptions.

Before I run out of time, I just want to discuss the CRA challenge process as it is called. There was a lot of discussion about this, as I understand, this morning.

I think it is very important, number one, to understand that more than community groups would be affected by placing a gag order, and that is what it amounts to, an automatic approval of applications given the very high ratings that most banks receive. What it would be doing is gag comments from communities, even

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communities that could be very severely affected by these expansions that are occurring.

Number two, up to now, there has been no formal notice given to communities so community groups, other interested parties, have no way of knowing that an exam is being conducted and therefore no opportunity to have really any kind of input to examiners on information about the particular bank's lending record. The new regs are proposing advance notice and I suspect what you will see happen if this regulation is adopted, that CRA challenges will decline because people will have advance notice and be able to have opportunity for input at the very early stage of the exam process.

Point number three, the examination, everyone agrees, is an imperfect measure. It is important to understand that exams only sample the market areas that banks serve so, at best, even when they are an accurate measure, they won't tell you about a bank's performance in an area that was not part of the sample. If a safe harbor gags communities who were not part of the sample from being able to comment during an expansion opportunity, they will have no effective means of weighing in on a performance of a bank. I suggest that will have the most detrimental effect on small, rural communities. This is because the sampling process examiners use tends to have a very strong urban bias to it. Those are the markets that are sampled for exam purposes. It is extremely important that rural communities have a chance to voice their concerns about bank performance and the impact of bank restructuring.

One last point, there was some comment this morning about the time and delay that CRA challenges purportedly create. The Federal Reserve Board has studied this issue and looked at challenges that were filed in connection with their own agency has acted upon and found that, in fact, CRA challenges overall result in 2 days fewer processing time than applications that have not been challenged. I understand the Fed is doing some additional research about this right now and I suspect they will reconfirm that, in fact, despite the assertions by the industry, challenges do not result in lengthening the processing time for expansion requests.

Thank you, Madam Chairwoman. I will be glad to answer any questions you have.

[The prepared statement of Allen J. Fishbein can be found in the appendix.]

Chairwoman ROUKEMA. Thank you very much.

Ms. Cincotta.

STATEMENT OF GALE CINCOTTA, ON BEHALF OF NATIONAL PEOPLE'S UNION

Ms. CINCOTTA. Thank you. Thanks to all of you for sitting here with us.

I think you know my history of being involved in Chicago before CRA and HMDA was the law of the land. We were able to get a Chicago city ordinance passed 20 years ago that gave housing and business loan disclosure by census tract under a city ordinance that said any bank wanting to be a depository of city funds would have to disclose.

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I have a letter with me from Mr. Moskow of the Federal Reserve Bank in Chicago that, after they talked to a majority of the banks that have been disclosing all these years, there has never been a question of confidentiality that has been raised. I have included that in what I have submitted.

Going back on some of the Chicago experience, we had disclosure, we were getting both housing and business loans and Illinois being a unit banking State, there wasn't an opportunity, the banks couldn't do anything so they didn't ask to do anything. There wasn't a point of being able to challenge or go that route. We tried talking to them over and over again. We had demonstrations. Nothing happened, no agreements, no lending in our community until the financial institutions in the State were allowed to branch and open up new facilities that offered the opportunity.

We didn't just say, wait and now let's get them. We had been meeting over the years with them trying to get them to do something in the city. It took that opportunity. They all sat down, the major downtown banks, and within 6 months we came up with agreements from First National, Harris Bank, Northern Trust and eventually Continental Illinois Bank, which is now Bank—B of A.

The difference was, unless we had that opportunity talking, reasoning, showing them how they were discriminating in the whole city to no avail until we had that opportunity. Thank goodness we were able to get an agreement that didn't stop what they wanted to do and have to go through a longer proceeding.

The results after 10 years with these three or four institutions is over half a billion dollars invested in Chicago's neighborhoods, more than one-third of that being business loans. It has made a difference. We negotiated the first 5 years, we went back and negotiated a second 5 years. Each of the times the institutions upped their amount of the agreement because they were having good business.

We are in the third year going into the—the sixteenth year. Harris Bank put out more than they agreed to over the first 10 years. Now, on their own, with us just sitting and saying that sounds good, they have upped it to $305 million for the next 5 years.

Bank of America purchased Continental. They have upped it to $1 billion for the next 5 years. First National and Northern are in the process of putting it together and all we are picking up is picking a date when we can all be there with the press.

So just on that experience, they found it was good business, they have increased it. Now we work on how do we even all do better, what do the banks need, and so forth. So I think that experience over all those years puts down the question some of the other industry people are raising.

One of the things that we have heard continually from the industry is the paperwork burden or this burden and that our organizations have consistently met with the regulators trying to get all four to have conforming regulations and conforming examination. What we see with the industry, they don't want to accept CRA so they complain to you and they complain to the press. They never go along with us to the regulators because we don't want paper any more than they do.

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We would like a common sense approach but the banks will complain to you and they will wait to the next hearing before they do anything about it. And we have said, come along with us, we don't want you overly burdened, we would like conforming regulations also. So that I would ask them next time, how many times have you visited the regulators in between these hearings worrying about paper. I think it wouldn't be that hard if we could work as a team to do it.

What we are also wanting and one of your questions, no safe harbor, no exemptions. We want disclosure from any institution over—that has $50 million in assets. We need all the players involved. Rural banks are smaller. Neighborhood banks and S&Ls are smaller. We need everybody to be part of the system.

The other question was, does CRA overlap other regulations. What I see on other regulations would be the individual to complain on race or sex. If we only went with that instead of CRA, it would take over 200 million times, I guess, if every individual had a problem to deal with it rather than holding a class. So they are two separate things.

There is geographic discrimination and there might be specific race and sex discrimination. There are two separate things, CRA separate from the other regulations.

The other thing that is in my packet is two support letters, one from a bank and one from an S&L, the Harris Bank and LaSalle Bank. Support letters for CRA and we are in the process of getting more of them. They said changes are needed but repeal is out and that is part of my testimony also.

I think I—have I touched every question? One other thing.

What concerns me, we want the banks—we don't call it credit allocation, we call it good business. What concerns us when I read what is happening is they are so worried about—and the regulators drive us nuts too—about a loan. When I see on the television, what in the world are the regulators doing what I call Las Vegas banking on derivatives and all this other thing that could wipe out almost all these other institutions. Instead of dealing with that, which is big time, which could cause a big mess with our financial institutions, they worry about we are going to have to put a loan to that family that wants to buy a home or start a business.

I will tell you, in light of all the cutbacks coming down, either from the President or the new Congress, if we don't have access to credit, we are going to be in a very sad situation throughout this country. If you want people to have jobs, they have got to be able to start businesses.

Thank you.

[The prepared statement of Ms. Gale Cincotta can be found in the appendix.]

Chairwoman ROUKEMA. Thank you.

Ms. Meier.

STATEMENT OF MICHELLE MEIER, ON BEHALF OF CONSUMERS UNION

Ms. MEIER. Thank you very much.

There is one thing that I would like to raise in the context of the current debate over the Community Reinvestment Act and that

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theme is, let's be constructive. Since the November election, we have read in the trade press, read in the popular press and heard bankers, some bankers, verbally licking their lips about how the election was going to allow them to wipe out key consumer protection laws. We don't believe that. We think that consumer protection is broadly supported by Americans of all political persuasions and that consumer protection should be and hopefully is a goal of this Congress's leadership.

At the same time, we think that good government, efficient government, reasonable government, are important goals for consumer protection. Wasteful government, inefficient government, unreasonable government adds cost to business and these costs are passed through to consumers.

So we are very supportive of the goal of eliminating red tape and unnecessary paperwork in connection with all consumer protection laws, including the Community Reinvestment Act.

A couple of years ago, the Clinton Administration asked all parties with an interest in the Community Reinvestment Act to sit down and constructively look at the law, look at how it is being implemented and to come up with ways to streamline the administration of the law and improve the benefits it can bring to consumers and communities.

We think that that almost 2-year effort has been very constructive. It has been very productive. Although we are not totally satisfied with the latest version that the regulators have put out, we think that it is a vast improvement toward streamlining regulation and improving enforcement.

Our major concerns about the proposal are concerns related to whether the key aspects of performance are captured in the proposed evaluation approach. We have concerns about whether banks will be allowed to get passing evaluations when, in fact, their performance doesn't deserve a passing grade.

Those details should not obscure the fact that the key standard with which this whole revision effort was begun—cutting down on paperwork, eliminating inefficiencies and focusing on performance rather than process—has been 100 percent achieved by this proposal. We would hope that the banking industry, which very integrally participated in that agency level reform effort, will move forward with that constructive approach rather than prevailing upon the leadership in Congress and in this subcommittee to weaken or repeal the law altogether. That would be a major setback for consumer protection.

Thank you.

[The prepared statement of Ms. Michelle Meier can be found in the appendix.]

Chairwoman ROUKEMA. Thank you.

Mr. Roberts.

STATEMENT OF BENSON F. ROBERTS, ON BEHALF OF LOCAL INITIATIVES SUPPORT CORP.

Mr. ROBERTS. Good afternoon, Madam Chairwoman.

I am here because some very good things are happening in American neighborhoods today and CRA is a very important part of that. My organization, LISC, the Local Initiatives Support Corp., has

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been around for about 15 years now. It is our job to work with both banks and other private sector organizations as well as with community groups. We are an intermediary.

We have received $1.5 billion from the private sector and channeled it into communities in 34 parts of the country including Newark, New Jersey, and St. Paul. We just started a program in Milwaukee. So we have had a pretty good perch from which to view the whole community reinvestment process.

It is part of a broader movement to revitalize American neighborhoods that is getting very, very widespread support because it is based on themes and principles that make sense to a very wide range of people: Self-help; strengthening community; building true partnerships among the community; the private sector and the public sector at all levels; attracting real investment—if we are ever going to revive neighborhoods, it has got to be through investment—and, most important, tangible results that make sense within a local context.

CRA is very much compatible with these principles and a driving force of this movement. On Monday, in Trenton, Governor Whitman unveiled her new urban policy for the State and she harkened back to these very same themes. If I might quote from the Governor's presentation, she said: "For our urban strategy to truly succeed, we are calling on everyone, community groups, businesses, clergy, educators, local officials, police and charitable foundations, to work together. The power that comes from these partnerships will revitalize our cities neighborhood by neighborhood."

We could not agree more and we would say that if the Governor's plan is going to have a real chance to succeed, that CRA must be very strong and effective.

There are, I think, some very important areas of agreement, not just on this panel but also with large segments if not most of the banking industry: That access to capital is critical to communities; that banks are much more involved now than they were before and that CRA is a principal reason for that involvement; community reinvestment is a safe and sound business opportunity; that CRA should be retained, its job is not over.

It does, however, need to be streamlined, reinvented if you will, and that is what this regulatory reform process has been about. Michelle and others have talked about the stress on performance over paperwork. One of the community groups we work with put it: "We want loans, not lunch." Nobody wants to have a thick CRA file generate a passing CRA grade—it breeds cynicism and it doesn't get money into the community.

What these regs do is say, "Forget all the people you talked to and all the processes you went through and all the letters you wrote to the file and all that stuff; we want to look at actual performance." We think that makes a lot of sense and that the regs need a chance to work.

We don't believe CRA is credit allocation. There is, very explicitly, no specific, rigid requirement on how much credit should go where, what kind of credit or anything of that nature. The new rules explicitly consider the context of each community and each institution, and provide a wide range of ways for institutions to help meet community credit needs. They balance basic housing and

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business lending, which is crucial within neighborhoods, with the more customized kinds of community development lending that is equally important. They use a wide range of measures of performance.

We think that is anything but credit allocation, especially when you put it in the broader context of banking regulation where because of depository insurance and safety and soundness concerns, there is a very, very heavy governmental intervention in our banking system from cradle to grave that makes it hard for banks to enter the system, watches them very carefully and steers them toward some investments and away from other activities in the name of safety and soundness, and then works really very hard to keep banks from failing and leaving the system if you will.

Seen in that way, CRA pales in comparison in its impact on where credit goes in this country. It is a very, very modest balancing factor to move toward communities.

We also oppose very strongly a safe harbor approach at this time. A major problem with the confusion sometimes that arises around protests is that very few folks have faith that ratings actually reflect the performance of banks. I don't think that in private that many banks or many community groups or, for that matter, some of the leaders of the regulatory agencies would assert that the regulatory exam process really reflects performance.

Until it does, you can't rely 100 percent on an exam rating, especially with 95 percent pass rates, what we have now, as the last word on whether a bank is doing its job. So I think that until we get that system together, we can't even think about safe harbors. That is what the new regs are designed to do: Add clarity and consistency so that the regulatory agencies can apply CRA fairly across the board, apply management oversight to make sure the system works. I think that will solve a lot of the safe harbor issues.

[The prepared statement of Mr. Benson F. Roberts can be found in the appendix.]

Chairwoman ROUKEMA. We have a vote and I would suggest we vote and return and then enter into the questioning. We were fortunate enough to get through the panel.

Mr. WYNN. Madam Chairwoman?

Chairwoman ROUKEMA. Yes.

Mr. WYNN. Before we go, I ask unanimous consent to enter into the record the remarks of Edward D. Miller, President of Chemical Bank Corporation. This is the comment that Mr. Ludwig referred to yesterday on this subject of the data gathering on small business loans.

Chairwoman ROUKEMA. Yes, I would be happy to have that entered into the record.

[The information referred to can be found in the appendix.]

All right, we will be back shortly.

[Recess.]

Chairwoman ROUKEMA. Thank you. Thank you for your patience and Congressman Ney is going to be the first one to question.

Mr. NEY. Thank you, Madam Chairwoman.

The question I have is in relation to a couple of points that were made today and whoever would want to answer, feel free.

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The one point made today was about an example of how if a person goes in to buy an automobile and they could use their home equity, though I don't want to consider that a good example but, in other words, maybe they wouldn't go through the whole process of the statistical gathering and maybe they don't want to give the information or for whatever reason this was raised today by one of the panelists and so they turn to some other type of format to get the loan, whether it is through the automobile company or whatever the process may be.

That brought a point of conclusion from the panelist today that, you know, you have one tier here and there is nothing over on the right hand so therefore it is a narrowing of the look as to who is lending and it is only on a certain entity, in this case being the banking industry.

Would anybody want to respond to that point made?

Mr. FISHBEIN. I would be glad to respond.

Congressman, let me answer the question if I can. The kind of detailed reporting you are talking about right now only pertains to housing-related lending. In those situations, the standard Fannie Mae and Freddie Mac mortgage application form which is pretty much used by all lenders in the industry at this point. There is a box down at the bottom of the form that asks the applicant to note their racial and ethnic background. They don't have to fill that out.

The form states the purpose of this request is to promote fair lending, not for discrimination purposes. They don't have to fill it out, however. It is their option.

The experience has been, however, that the numbers are very high with most people choosing to check off that information. There is a kind of form of voluntary cooperation that most consumers are going through in complying with that request. If they don't check it off, the regulators ask the lenders to make a judgment and check off that information. That sometimes happens, sometimes it doesn't. If you look at the home mortgage disclosure data, you can see there are variations in the percentages of applications received by a lender in which that information is checked off.

One of the big omissions is over the telephone, since race and ethnicity information is not required to be recorded. In fact, more and more mortgage lending is being done that way. But there is no absolute requirement for that kind of information to be collected from consumers. It is really at the option of the applicant.

So the question you asked about whether that would steer a consumer to some other kind of lender I don't think comes up very much because it really is their choice as to whether they want to supply that information.

Mr. NEY. Let me follow up on that then. What is your assessment of the non-level playing field? In other words, this information doesn't have to be requested of other entities when they are giving some type of loan which is the point that was made today.

Mr. FISHBEIN. Again, in the mortgage lending area, over the years, more and more mortgage lenders were covered by the Home Mortgage Disclosure Act so there has been an attempt to achieve a level playing field and I would say at this point a vast majority of home mortgage lenders, at least in metropolitan areas, report under the Home Mortgage Disclosure Act.

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As far as my organization's position and the views of other organizations as well, we would like to see that expanded to non-banking institutions as well in the small business lending area. I have no problem promoting that reporting requirement for non-bank lenders. But the reality is the banks are the primary lenders to small business and so getting it from them is extremely important.

Mr. NEY. Because I am running out of time, I want to get the last question in quick to Mr. Roberts.

You have stated in earlier testimony that you—that we should forget the statistics and I forget the exact phrase, forget the stacks of statistics that they have and you want to see the performance. Do you remember that?

Mr. ROBERTS. What I meant to suggest is that the documentation of who went to such-and-such a civic club meeting, all that stuff, which really leads to those thick files is irrelevant to the question of whether loans are being made or not.

Mr. NEY. So you didn't mean the statistics. You want to see the statistics?

Mr. ROBERTS. We just want to see data about what loans are being made and where they are being made. And that is really, I think, everybody agrees that the focus of CRA ought to be on actual lending, investment and service performance, and not on process and paperwork.

Mr. NEY. Thank you.

Chairwoman ROUKEMA. Our ranking Member, Mr. Vento.

Mr. VENTO. Thank you.

The issue—one of the issues that came up this morning in the discussion, Mr. Fishbein, was the concern about being involved earlier in the process and that the files don't reflect basically the type of actions that occur at the time of a pending application which is a concern. Obviously, the issue here, of course, relates to the matter of if you have a satisfactory rating then you, of course, would not have to be subject to further protests at the time of application for a change.

My point isn't so much that as why has the process actually resulted in that particular point? I tried to answer that a little bit this morning but I think it is a question we ended on when we were talking with the representatives from the various trade associations this morning.

Mr. FISHBEIN. Why the overall record isn't complete? Is that——

Mr. VENTO. That is right. Why doesn't the process work to cast a wider net and bring about these shortcomings at the time of the rating because clearly, I mean, I think there have been many that said, well, 95 percent of the financial institutions get outstanding or satisfactory ratings; this would mean that practically no banks, especially under a size, would really be subject to the issue of comment at the time application is sought.

Mr. FISHBEIN. I think it is one of the biggest weaknesses under the present regulations. Examiners for years have been coming into communities, going into institutions, judging performance primarily on what they find inside the walls of the institution and then, usually at their option, perhaps making a few phone calls and contacting community groups or local government officials to

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supply information. Normally, they don't even mention the particular bank whose record they are examining when they do that.

What that means is that these ratings are based on essentially examiner judgments based on information the bank is providing them. So the comment process and the expansion application activity has provided a means for community groups and local public officials and others to fill out that record by saying after reviewing your examination but you forget an important piece of information. The comment process has really been used to augment the overall record.

Of course, under the Administrative Procedure Act, the regulators are required to develop the fullest possible record in making a judgment as to whether to approve an expansion request.

Now, the new regulations would require advance notice to a local community that examiners are coming in to examine a particular institution and that would give an opportunity for the community to weigh in with their thoughts about how well that institution is performing.

Mr. VENTO. The current process, apparently there is a notification notice in papers, which is what was implied this morning. I heard that from one of the witnesses. Is that not the case?

Mr. FISHBEIN. On applications, you are right, but not on the examinations.

Mr. VENTO. Not on the examinations. But I think the implication this morning was—the record will show I think that there are—that in fact the examiners and everyone that comes in is reaching out as broad as possible to in fact bring in the participation in terms of the evaluation process. But you are saying that is not the case?

Mr. FISHBEIN. Well, we do a lot of training with community groups and one of the questions we usually ask them when we begin, is whether representatives from the organization here have been contacted by a regulatory agency examiner. You seldom see any hands go up.

Mr. VENTO. One of the issues I raised this morning was how do you—I mean, if this isn't the proper format in terms of the application process, then what is the proper format. So you don't disagree with the concept that it is at the time of the examination, the CRA examination, that somehow there should be an outreaching to community groups to do an evaluation of how that particular institution is doing in terms of the consideration of the rating?

Mr. FISHBEIN. I think both are needed. Examination outreach will reduce the number of comments and challenges that are filed at the time of application. But you want to have a comment process as a safety valve enabling people from affected communities to weigh in with their thoughts about how well a bank is serving that area.

Mr. VENTO. Reverend Stith, I think was—were you going to mention something with regard to this? I think it is a very important point because I mean I think the issue is, of course, that they talked about time delay and I asked for and they said that for the record that they are going to, if they have any information, they have 10 days to get me documentation of delays that have occurred in the application process specifically because of CRA comments. Of

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course, they talked about the bad publicity and some of the other aspects of it too which I don't know that we—whether we can do something about that or not.

I appreciate the concern that they have because they suggested, the witness suggested that he had spent $50,000 doing some activities and spent some other dollars doing other things to try and satisfy the concerns and to address this in a realistic way.

I think most of these folks, you have to assume, I assume people are operating in good faith. I don't assume that they necessarily are presenting—I assume he is trying to operate in good faith and that most people would.

Reverend Stith?

Mr. STITH. Allen actually did, I think, a very eloquent job of laying out the issues.

Mr. VENTO. My light is on. You have been here and heard—Gale Cincotta had a comment.

Ms. CINCOTTA. Yes. I think the regulators have not been on board since the beginning. In the beginning, we did do some cross-training. Many of us were willing to do training, work with the safety and soundness and the CRA regulators in a consistent way. It was pretty much all stopped at a certain point of any interaction when CRA began to make the system work better.

The other thing, financial institutions all have CRA—a place where you can make a CRA comment. The notice of you can have our data, you have the ability to make a comment used to be posted right up front in the financial institutions. Now, in the smaller institutions, they have moved from up front in the window to the wall. Now when you go in, they are behind a plant. So there has been less and less visibility for even consumers to know they have the right to ask for the data to put in the complaint. When people call me, I say go back to the institution and ask to write a comment in the CRA file, so that way the regulators and the financial institutions will know you have a problem.

I think all of us have been willing to do training, willing to do things but it has been stopped; it just doesn't happen anymore.

Mr. VENTO. My time has long expired. I know there are others that want to—I just wanted to make a comment and I think the issue here, and I am sure this can be interpreted by others, we have a panel of largely consumer groups and that is very helpful and those that are using the credit and are the beneficiaries and the advocates of the beneficiaries, Madam Chairwoman.

But I think one of the issues of course we have to—there is a line here in terms of you don't want to run the business for the bank. They have to make their business decisions, they have to make their creditworthiness decisions. I understand that and I know that you do. I just want to underline the point that it isn't that you would be a member of the bank board here and have a seat at the table. I think there is a time here that we are talking about what the consumer service is, how you are doing, how it resonates. There is business to be had here and it is needed and that is why we have the franchise.

I don't think there is an issue here of running their business. I think it is an orderly process.

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Part of the problem, I might say further, is that this is a rather new process. I mean, during the 1980's really this law was in quiescence. It was not doing what it was intended to do. So it has only been the 1990's that this has really come around and I think it started out on sort of a bad foot in the sense of disclosure and a lot of banks, frankly, have not been up to speed in terms of actually dealing with this, these issues, in addressing these concerns. Thank you.

Maybe Michelle had——

Chairwoman ROUKEMA. I would like to call on Mr. Barrett, our Congressman from Wisconsin but I have a problem here now. I have postponed a meeting for more than half an hour, a New Jersey delegation meeting, in my office and this is the second time I have changed the meeting today.

Let me give Mr. Barrett the last word and if I have to exit in the middle of your response, you will understand. I am sorry about that.

I would simply invite any one of you, if you have further comments to make in following up on Mr. Vento's question, I must tell you that I am deeply disturbed by the fact that we haven't gotten more accommodation or understanding as to what we—an area that we could agree to on expedited procedures or exemptions or, as Mr. Fishbein called it, I think, special exams for small banks. I would like to have thought that we could have reinvented this reinvestment system with some sort of broad scale agreement.

If you have any further thoughts on that, would you please see to it that they get to me and to Mr. Vento and we will include them in the record?

Mr. Barrett.

Mr. BARRETT. Thank you, Madam Chairwoman. If you have to leave, I understand that. We will just make believe we are the majority again. [Laughter.]

I appreciate your taking the time to be here and I unfortunately have been running in and out for the last several days. I am sure that you have either listened to the testimony of many of the prior speakers or are familiar with the changes that they want to see happen with the CRA.

I am a strong supporter of CRA and my sense with CRA has always been that it is like two ships passing in the night, where the banks and the other lending institutions are arguing, I think sometimes quite persuasively, that there is just simply too much emphasis placed on paperwork and not enough on making loans in the community and what I hear when I talk to community groups is they are interested in having loans in the community and they don't get real excited about paperwork either.

So I am always hopeful that we can reach an agreement between those two different what I consider not to be mutually exclusive goals.

One of the issues that came up earlier today that deals with the whole issue of the safe harbor is the complaint that we heard from the banks that they do everything they can to achieve either a satisfactory or an outstanding rating and then are ready to expand and then all of a sudden they are hit from a community group who says that it shouldn't happen. What is your response to that? And,

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again, I apologize, you may have been asked these questions but I think it is important to have a meeting of the minds.

Mr. STITH. I would like to respond quickly Congressman.

As it relates to the proposition of "us against them," activists versus bankers, early in the day I did read a press release issued by Bank of America which I think is illustrative of a critical point you will, of course, appreciate. That is that banks that are really taking CRA seriously tend to do very well at it and in doing well you don't find the opposition at the level of the institution.

Don Mullane, for example, was supposed to testify for the Consumer Bankers Association and there was the party line of the association but then there was the real deal, which was the part—indicated in the press release that the bank released today and that is that CRA is not about United Way banking, it is not about banks making bad deals, that it can be profitable for those institutions and beneficial for us and the point is to expedite this process that we are in, get the final rule, the regs moved forward so the banks can go on with the business of lending in our communities and go on with the business.

Mr. BARRETT. You are going to just get the final regs issued? That is what you——

Mr. STITH. Let's get this done. There are some obvious things that we need to do that have to do with disclosure on small business lending but let's get it done and move on.

Mr. BARRETT. Let's hear from Ms. Cincotta.

Ms. CINCOTTA. Earlier—I know the Chairwoman is going to leave. Can I add one thing for her and then come back and answer?

Madam Chairwoman, maybe the last thing you hear before you leave the room, we are discussing the regs, we are discussing all of this, redlining still exists. Individual discrimination still exists. Neighborhood discrimination still exists.

In using myself as an example, and people know what I do, a few years back I had sold a flat and was the first time in my life going into a single-family home. So I thought, I do this work, let me test it. I know where to go get a loan, I know who we have agreements with.

So I went to my own institution in the neighborhood where I have a money market, a checking account, a savings account and I had just paid off my mortgage——

Mr. BARRETT. I want to make sure because my time is running out, I still need a response to the basic complaint that the bankers have that they have done everything right and they still then from their standpoint get blindsided. I need a response to that directly.

Ms. CINCOTTA. What I said earlier in my testimony is that Illinois, being a unit banking State, we have the documentation, the disclosure from our Chicago city ordinance. We met with the banks, we met with them, we met with them steady, we had demonstrations. It wasn't until they got the ability and applied to do something different did they meet with us, did they do anything because under that we would make a comment and hold up their acquisition of what they wanted to do.

They had 10 years to do this. We had their record and it wasn't until then and then in 6 months we had three agreements which have worked out wonderful.

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Now, we have to have the right to protest is what I am saying. Because we didn't have that right because they couldn't ask for anything, we got nothing until we had that right.

Did that answer?

Chairwoman ROUKEMA. Do we have someone else who wishes to speak?

Ms. MEIER. I have two points to make in response to that concern raised by the bankers.

Mr. BARRETT. Thank you, Madam Chairwoman.

Yes?

Ms. MEIER. One is, studies have shown that applications for acquisitions that have a CRA challenge associated with them have not resulted in longer decisionmaking periods on the applications.

Mr. BARRETT. If you could get that to me in writing, that would be very appreciated.

Ms. MEIER. All right.

The second point is one Allen raised in his statement, which I think is really important. We are moving toward a nation with interstate branching and interstate banking and we are going to have a lot of large banks, perhaps many more than we see today. These banks are going to have branches throughout the country.

However, the CRA process produces only one rating for a bank that might have branches in many market areas. What the regulators do is simply sample a few of those branches in deriving a single rating. So that it would be unfair to say that that rating, even if it is satisfactory or outstanding, should preclude a review of the bank's CRA performance in those many, many, many market areas that were never even considered in putting that rating together.

Mr. BARRETT. OK.

Mr. ROBERTS. A couple points. First, with respect to paper, during the Bush Administration, OMB conducted a study of the paperwork burden on banks under a wide range of regulatory requirements. CRA came in dead last, that is to say the least burdensome paper requirement among all the banking requirements, all the compliance rules.

Second, we all want to cut down on paperwork much further. The best thing you can do to do that is to move forward with these regs. They cut down dramatically on the paper requirements, particularly of small banks but for all banks.

With respect to blindsiding, I would suggest the following. First, put into place—backed by training and management oversight—a system that looks at the performance of banks under CRA in a clear and consistent manner. That is what this whole new regulatory framework has been about. It needs some time to work. If you do that, when it comes time for an application, the regulators are going to be much better positioned to weigh the merits of any protest.

Finally, in those cases where the regulators take a very, very long time reviewing protests, to prevent undue delays but be fair to everyone, put into place a process under which all sides are heard from and a decision is reached expeditiously. It doesn't sound that complicated really. None of these things requires statutory changes.

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Mr. BARRETT. Thank you.

Mr. VENTO. If the gentleman would yield to me, I think Mr. Ney is coming down, obviously, to close out the hearing. The issue I think, if you would yield to me?

Mr. BARRETT. Sure.

Mr. VENTO. Michelle Meier had raised the issue, said that there is data available that does not show any appreciable difference in terms of issues where there are questions or concerns raised by consumer groups or others at the time of application due to these agreements. It is a time, obviously, when agreements or activities do take place and Ms. Cincotta mentioned that she herself was involved in an agreement that took place with a bank in Illinois, three banks.

Ms. CINCOTTA. Three in 6 months because of that even though we had met with them earlier, it wasn't until the time that they wanted to do something that they would do anything with the community.

Mr. VENTO. I think part of the process here is that because I think even as we talked about paperwork burdens, I think we have to bear in mind that during the 1980's, CRA didn't represent as much of a challenge to banks as it does in the 1990's, especially since the language with regard to the disclosure process and it now, of course, looms as being a larger problem. And, of course, it does, I think, necessitate and does merit and does receive, I think, more attention from the bankers and others.

The major point, of course, I think, being that once this system, if it matures, if we finally get rules and regulations that are understood and are being followed more closely and are somewhat streamlined, I think that is likely to happen if they ever put them into effect, that they then will and could vitiate the need for protests at the time of application if banks are taking this seriously.

I think, Michelle, you raise a very good point with regard to the—with the branching laws and the new power laws with regard to what is going on because not only don't they look at all the branches but you may be, on a merger basis, be expanding, a Minnesota bank expanding into Wisconsin or a Wisconsin bank expanding into Minnesota where we have not looked at what the impact of that expansion would be in terms of an effect in serving the community.

Do you find—I mean, are there challenges here that would be made or should be made if a branch from Wisconsin moves in and takes over or purchases and merges with a Minnesota bank?

Mr. FISHBEIN. Mr. Vento, if I could just clarify what we call the "challenge process," because that becomes a shorthand term that is useful in some respects but not in others.

The "challenge" process really provides the notice and public comment part of any expansion activity requiring regulatory approval. It can be on a whole series of issues related to convenience and needs, managerial capacity of the bank, safety and soundness and CRA.

Mr. VENTO. I understand that it would be on CRA, but——

Mr. FISHBEIN. What they are proposing with the safe harbor is to say, you can comment on all these other things but you can't comment on CRA. Given the rating distribution right now which is

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anywhere from 95 percent to 97 percent positive rating under the existing system, that would be tantamount to an automatic gag order on people's right to comment on CRA-related issues for virtually any bank in the United States.

Mr. BARRETT. May I interject?

When you say 95 to 97 percent, can you break that down between satisfactory and outstanding?

Mr. FISHBEIN. The vast majority, probably, of that number, about 80 percent, are satisfactory and the remainder are outstanding.

Mr. BARRETT. Some of the regulators who have commented on this and who don't like it seem to draw the distinction that if a lending institution does get an outstanding rating that it might deserve a little better attention. They, earlier today, of course said that both satisfactory and outstanding warranted it. Maybe you want to address that.

Mr. FISHBEIN. What Comptroller Ludwig said, and I think it is an accurate remark, is that the first step is to restore integrity in the rating system. If you have a rating system in which an outstanding reflects outstanding performance, then the issue of whether in fact that should mean something in terms of streamlining or in terms of safe harbor is an appropriate issue to talk about. We are not at that stage yet, nor will we be until the new regulations are put into effect and have a chance to operate.

Mr. BARRETT. You don't need a weatherman to know which way the wind is blowing and I think in this case you can tell just by the fact we are having this hearing that there is a legislative movement afoot to do some legislative changes for creating a safe harbor, expedited review.

Why have you not been able, frankly, to get the regs finalized? What has been the problem there? I don't know what the problem has been?

Ms. CINCOTTA. The first set of regs I don't think most of us even liked. I mean, the second set—I said earlier we deal with the regulators, argue with the regulators sometimes more than we do with the banks on how they administer and now, even with the new regs which we thought were going to be clearer, tell a bank how many pieces of paper, what you need, and so forth, in there and it hasn't come up there. It has tons of safe harbors in it.

For the last 2 years, we have been bustling around with the Comptroller and the other to get something out that makes sense to us. It hasn't happened.

Mr. BARRETT. My understanding is now you are pleased with the regs; is that correct? Or you are accepting of them?

Ms. CINCOTTA. More than they were in the beginning.

Ms. MEIER. Yes.

Mr. FISHBEIN. I think everyone here today testified that they think the regs would represent improvement over the existing regs and the time has come to adopt them and get them issued.

Mr. VENTO. If the gentleman will just yield to me, on the regs, and I think Mr. Ney is now here so I appreciate the opportunity to permit Mr. Barrett to question, I think it was important because he didn't have his time yesterday to do so. I appreciate the Chairwoman's responsiveness in that vein.

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One of the issues that has come up with the regs, of course, is this Regulation 40 and the suggestion that there is—Regulation B, pardon me. Regulation B and that there is an inherent conflict between that and some of the rulemaking that is going on with regard to statistics based on race and other factors.

Do any of you have any comment with regard to that? Do you understand what I am talking about.

Ms. CINCOTTA. I know.

Mr. STITH. That has been a much-discussed issue, Congressman. And one point is the reality that Regulation B does not, in fact, preclude the voluntary collection of race-based data.

Mr. FISHBEIN. Regulation B is a regulation that was promulgated by the Federal Reserve Board. The Fed could choose to change that any time. Governor Lindsey testified that there was some kind of review process going. But the CRA regs are designed to override the Fed's unwillingness to make a change in this area and get the data collected and reported. That data would result in improvements in the overall CRA evaluation process.

Mr. VENTO. I think it should be noted, I think, that supposedly this contradiction in regulations, whatever it would do, but it isn't the law. The law overrides it insofar as there is not—the law does not preclude the new CRA law in fact might be if there is a contract, that the Federal Reserve Board ought to change their regulation themselves, which of course, as you imply, there is no motivation to do that.

I thank the gentleman for yielding and, Mr. Chairman.

Mr. NEY [Presiding]. Any further questions?

[No response.]

Mr. NEY. Thank you very much. I appreciate your testimony and the members' participation.

You may be adjourned.

[Whereupon, at 4:28 p.m., the hearing was adjourned.]

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APPENDIX

March 8, 1995

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Congresswoman

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March 8, 1995

Roukema Statement on CRA

Following is the opening statement of Subcommittee on Financial Institutions Chairwoman Marge Roukema, R-N.J.-5th, at today's hearing on proposed changes in Community Reinvestment Act regulations.

Today the Subcommittee will consider one of the most contentious issues facing the banking industry: The Community Reinvestment Act. The CRA has been on the books since 1978 in order to ensure that banks lent to their communities. However, I have grave concerns that it is fulfilling its original purpose. Indeed, the review of the revised regulations implementing the CRA is a consequence of these concerns. Today we are here to have a full airing of the Act and the recent proposed regulations that President Clinton asked for in 1993 and, without prejudice, I am anxious to here from experts in the field and the regulatory agencies. If the results from these hearings and the final regulations do not meet their objectives, Congress may need to take another look at the CRA.

Some in the banking industry argue that the Act's present implementation amounts to little more than legalized credit extortion forced on banks by community groups, while many community groups believe the CRA acts a paper tiger with little enforcement capabilities. Strong opponents advocate its repeal, while others want the Act's mandate expanded to other financial services providers.

Simply put, the dialogue over the merits of CRA is diverse and covers a broad spectrum of views. Notwithstanding this fact, it is not the intention of this Subcommittee to advocate the repeal of the Act, but to strike a proper balance that fairly addresses the needs of all parties involved in the process.

We will be looking at a revised proposal put forth by the banking regulators that could represent a dramatic and complex change in the administration of CRA. The proposed revisions originally contained provisions to gather race and gender data on small business and farm loan borrowers. These requirements are very controversial and may go beyond the intent of the law. It is the duty and responsibility of this Subcommittee to determine whether these and other provisions are actually moving the CRA toward a role of credit allocation to small business and urban areas and away from the original purpose of fairness and eliminating implied race or gender bias.

In addition to focusing on the specifics of the new regulations, the Subcommittee will examine the CRA in a number of broader contexts. We will look at whether the Act is fulfilling its original

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purpose of ensuring that banks and thrifts are meeting the credit needs of their communities including low- and moderate-income neighborhoods? If not, I want to know what can be done about improving the situation.

I am also concerned that the law conflicts or
overlaps with other existing fair housing and equal credit laws, such as the Equal Credit Opportunity Act and the Fair Housing Act.

We must also examine whether the proposed changes to the law will address bankers' concerns that the existing rules are vague, subjective and require excessive paperwork? Is the law continuing to meet its intent of encouraging institutions to meet the credit needs of their communities or has it resulted in credit allocation "quotas."

Finally, I am really concerned about what the impact of the race and gender reporting requirements will be for small business and farm loans and whether such collection is consistent with the purpose of the CRA.

Reforms of the CRA range from a wholesale repeal of the statute to expanding its application to other financial service providers. This hearing should help provide us with a better sense on how to resolve some of the outstanding issues concerning the CRA and whether any Congressional action is necessary.

I welcome all the panelists and I look forward to your testimony.

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OPENING STATEMENT OF CONGRESSMAN BRUCE F. VENTO AT HEARINGS ON COMMUNITY REINVESTMENT ACT MARCH 8 AND 9, 1995

MADAM CHAIRPERSON, THANK YOU FOR INITIATING HEARINGS ON THE STATUS OF THE REGULATIONS GOVERNING THE COMMUNITY REINVESTMENT ACT.

MANY ARE AWARE THAT THE REGULATORS BEFORE US THIS MORNING HAVE BEEN LABORING ON REVISED REGULATIONS TO IMPLEMENT THE COMMUNITY REINVESTMENT ACT FOR SOME 20 MONTHS. IN JULY OF 1993, PRESIDENT CLINTON ANNOUNCED A COMMUNITY DEVELOPMENT INITIATIVE THAT INCLUDED THE INSTRUCTION TO CHANGE CRA REGULATIONS ALONG WITH A PLAN TO CREATE MORE AND BETTER COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS. THE CDFI PROGRAM, OF COURSE, BECAME LAW LAST YEAR, BUT HAS A CLOUD OVER IT BECAUSE OF THE RESCISSIONS REQUEST THAT THE HOUSE WILL CONSIDER NEXT WEEK TO ELIMINATE ALL OF THE CDFI FUNDING.

THE EFFORT TO REVISE THE CRA REGULATIONS HAS BEEN BY TRIAL AND ERROR. IN THE MAIN, THE REGULATORS HAVE ATTEMPTED TO MOVE TOWARD STREAMLINING, CLARIFYING AND IMPROVING THE IMPLEMENTATION OF CRA TO BETTER SERVE COMMUNITIES AND TO REDUCE COMPLIANCE COMPLICATIONS FOR FINANCIAL INSTITUTIONS MOVING FROM PAPERWORK TO PERFORMANCE. AS LEGISLATORS, WE MUST EXAMINE AND EVALUATE THIS PERFORMANCE, WHICH IS A REQUISITE ASPECT OF PUBLIC TRUST IMPLICIT IN THE FINANCIAL INSTITUTIONS FRANCHISE. THE SAFETY AND SOUNDNESS OF SUCH PERFORMANCE IS AT LEAST RELEVANT TO THE DEPOSIT INSURANCE RESPONSIBILITY.

WITHOUT ANY FURTHER DELAY OR PROCRASTINATION IT IS TIME TO ISSUE THE CRA REGULATIONS FOLLOWING THIS

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SET OF HOUSE HEARINGS. IT IS OF PARAMOUNT IMPORTANCE THAT THE REGULATORS MAKE A DECISION IN ACCORDANCE WITH THE MARCH 31ST GOAL PUBLICLY UNDERSCORED BY VICE PRESIDENT GORE.

THIS HAS BEEN AN EXTENSIVE EFFORT TO ACCOMMODATE PARTICIPATION AND INVOLVEMENT IN AN OPEN REGULATORY PROCESS. THESE AGENCIES HAVE RECEIVED THOUSANDS OF COMMENTS ON THE CRA REGULATIONS, IN FACT, MORE THAN I CAN RECALL OCCURRING FOR A REGULATORY MATTER. IN THIS PROCESS THE REGULATORS HAVE MADE A STRONG EFFORT TO ACHIEVE BALANCE. THE REVISED REGULATIONS, THE FINAL PRODUCT, MUST NOW BE PUT INTO EFFECT. THE REGULATORS' CREDIBILITY DEMANDS SUCH AND THE GOOD FAITH EFFORT AND PARTICIPATION OF ALL INVOLVED MERIT A CONCLUSION. THE REGULATORS HAVE BEEN MORE THAN DELIBERATE AND THE CORE OF THE CRA REGULATIONS PROPOSALS HAS EVOLVED TO EMBRACE AND RESPOND TO THE QUESTIONS AND CONCERNS. THE REGULATORS NEED NOT EXPECT TOTAL CONSENSUS. THEY HAVEN'T NOW NOR WILL THEY IN THE FUTURE PUBLISH THE ABSOLUTE FINAL REGULATIONS ON ANYTHING. THEY CANNOT WORK THEMSELVES OUT OF A JOB. THERE WILL BE PLENTY TO DO IN THE MONTHS AND YEARS AHEAD. AND FRANKLY, REGULATORS SHOULD CREATE SOME TENSION, SOME ANXIETY, IN THEIR ROLE. BUT THE REGULATED NEED CRA CERTAINTY AND PREDICTABILITY TODAY NOT FURTHER UNCERTAINTY WHICH WILL INVITE YET A DIFFERENT SOLUTION.

THE THREADS OF THE COMMUNITY REINVESTMENT ACT ARE WOVEN INTO THE WHOLE CLOTH OF CONSUMER FINANCIAL SERVICES. SUCH THREADS ARE WOVEN TOGETHER WITH OTHERS LIKE THE THREADS OF GSE REGULATIONS, AFFORDABLE HOUSING PROGRAMS, AND THE FEDERAL HOME LOAN BANKS;, THE ACTIVITIES AND YARN OF THE NEIGHBORHOOD REINVESTMENT CORPORATION ALONG WITH FAIR LENDING, FAIR HOUSING AND OTHERS. ON THE WHOLE AND ON AN INDIVIDUAL BASIS, THIS IS A COLLECTIVE CLOTH AND MAKES A GOOD SUIT TO FIT OUR COMMUNITIES WHICH SERVES AS POSITIVE CONTRIBUTIONS FOR FINANCIAL

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INSTITUTIONS.

MADAM CHAIR, FOR THE RECORD, I WOULD LIKE TO INCLUDE A TWO-PAGE EXCERPT FROM A DOCUMENT PUT TOGETHER BY THE FEDERAL RESERVE BANK OF PHILADELPHIA ENTITLED COMMUNITY REINVESTMENT ADVOCATES, THAT SPEAKS TO THE SUCCESS, BOTH FINANCIAL AND OTHERWISE, OF CRA AND COMMUNITY INITIATIVES.

I LOOK FORWARD TO LEARNING FROM OUR PANELS TODAY AND TOMORROW AS WE FINALLY MOVE FORWARD WITH THE NEW AND IMPROVED CRA REGULATIONS.

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- ***PNC Bank believes that the performance of its CRA-type*** loans has not differed significantly from its other loans.

- ***South Shore Bank (Chicago) reported in 1990 delin-*** quencies of 1%-2% (vs. a national average of 3% to 5%) on a $75 million portfolio of mostly multi-family real estate loans. Its losses were one-tenth of 1%.

- ***United Jersey Banks introduced an affordable mortgage*** product for low- to moderate-income first-time homebuyers and reported a delinquency ratio of only 1% on 605 loans booked between 1989 and mid-1992.

- ***U.S. Bank of Oregon introduced a FHA-insured afford-*** able mortgage product in 1990 and experienced a delinquency rate well below the state average. None of the loans went into default.

- ***Wells Fargo Bank set a $41 million lending goal for*** itself in 1986 when it adopted a Community and Economic Development loan program. The results exceeded all expectations with more than $1.4 billion credit originated in the next six years. Each of the product categories has performed at least as well as the bank's conventional portfolios. The affordable housing loans have considerably outperformed their conventional counterparts. Regarding low-income housing, the bank reports performance has been generally better with experienced non-profit development agencies than with profit-motivated developers.

- ***The California Community Reinvestment Corporation*** (CCRC) funded $48 million of loans to very low- and low-income housing developments between 1990 and 1992 with no delinquencies or defaults.

- ***The Community Investment Corporation (Chicago)*** financed $200 million of multi-family rehabilitation in low- and moderate income neighborhoods between 1984 and 1992. Losses on loans were less than 0.3%.

- ***Community Preservation Corporation (New York)*** financed the rehabilitation of over 32,000 multi-family housing units at a cost of $1 billion between 1974 and 1993. Its investors have never had a loss.

- ***Delaware Community Investment Corporation lent*** $12.6 million between 1990 and 1992 for the development of 637 rental housing units. It has not experienced any delinquencies.

- ***Homes for South Florida (Miami) financed the produc-*** tion of 900 housing units between 1989 and 1993 by community development corporations aimed at very low-income individuals. Only one project failed. It was sponsored by a for-profit developer.

- ***The Massachusetts Housing Investment Corporation*** lent $21.5 million since 1990 for construction of affordable housing. All loans are current and favorably rated for risk.

- ***Savings Association Mortgage Company (San Jose,*** California) has financed since 1971 over $300 million for the purchase and development of more than 10,000 units of affordable housing for low-income individuals. This for-profit lending consortium has never had a loss and has known only an occasional delinquency.

- ***National Equity Fund (Chicago) has invested since 1987*** more than $620 million in the construction or renovation of more than 14,000 units of affordable housing. It formed 15 investor partnerships to facilitate more than 300 projects. All are meeting or exceeding targeted returns. None have been in default. The investors are receiving an 18% annual internal rate of return.

- ***Local Initiatives Managed Assets (LIMAC) Corporation*** purchases loans originated in support of community development and housing for lower-income families. On a portfolio of almost $24 million LIMAC has incurred no losses.

- ***Neighborhood Reinvestment Corporation's*** NeighborWorks organizations use locally-capitalized revolving loan funds to lend to people who do not qualify for conventional bank financing of property acquisition, construction or repair. On a 1992 portfolio of over 10,000 loans aggregating $113 million, only 1.7% were in default.

SUCCESSES

in Community Development Lending...

33 EXAMPLES FROM AROUND THE COUNTRY

FEDERAL RESERVE BANK OF PHILADELPHIA

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Community Reinvestment Advocates

A Publication (1993)

of

Community and Consumer Affairs Department,
The Federal Reserve Bank of Philadelphia

(215) 574-6458

- ***Four long-established lending consortia,*** based in New York, Chicago, Florida and California, have financed over $1 billion for the construction of 62,000 multi-family housing units with virtually no losses.

- ***Community loan funds nationally have made loans of*** over $120 million to some 4,000 borrowers and have had losses of less than 1%.

- ***The Enterprise Foundation and the Local Initiatives*** Support Corporation have lent over $150 million to community development organizations with delinquency rates of from 1% to 3%.

- ***Maryland National Bank has lent about $300 million for*** rental housing and commercial revitalization in low-income areas and found this activity to be both a profitable and a strong line of business.

- ***Bank of Boston has lent $140 million in mortgages to*** low- and moderate-income borrowers and found the performance to be no different than its regular mortgage portfolio.

- ***Bankers Trust Company started a community develop-***ment loan function in 1990. By 1993 it had extended over $50 million into low- and moderate-income communities in New York without any delinquencies.

- ***Boatmen's National Bank in St. Louis has tracked the*** performance of its loans in low- and moderate-income communities for several years and says the performance has been as good as -- or better than -- that of its regular mortgage portfolio.

- ***Chase Manhattan's CDC originated over $200 million in*** low- and moderate-income loans, both housing and small business, in less than three years and found it could do so without any sacrifice to portfolio quality or profitability.

- ***CoreStates Bank has originated over $70 million in*** community development real estate loans with a loss experience below industry norms. They also have made small business loans in the amount of $42 million on which their losses have been less than $20,000.

- ***First Fidelity Bank increased its first-time home buyer*** lending by 300% between 1991 and 1992, eliminated its requirement for mortgage insurance and keeps the loans in portfolio. Delinquencies mirror their regular portfolio and their officers believe that, done right, uninsured conventional loans are as good as any insured loan.

- ***First National Bank of Chicago entered into agreements*** in 1984 and 1989 with community groups to expand its development activity. On a portfolio of $250 million only two loans were delinquent. None went into default.

- ***Great Western Bank in California has lent $4 billion in*** mortgages to persons in low-moderate income or minority neighborhoods. Their officers believe that small balance loans made to people where they live are less risky than more speculative credits to persons higher up the income ladder.

- ***Harris Trust Bank in Chicago lent $52 million for multi-***family housing in low- and moderate-income tracts between 1985 and 1992 and found only 3 of 190 loans were delinquent past 60 days. They also did $12 million in neighborhood commercial loans, all of which have been current. Management reports their community development loans have the lowest loss rate in the bank, just 0.1%.

- ***Huntington National Bank made over 400 first mortgage*** affordable housing loans in 1992 and 1993 and had delinquencies well below the national averages for comparable FHA mortgages.

- ***Indiana National Bank was surprised to find when it*** targeted the affordable housing market it could do so safely (with no delinquencies in its first $2 million of credits) and could either portfolio the mortgages or sell them in the secondary market.

- ***Integra Bank, Pittsburgh lent $282 million in housing,*** small business and commercial real estate loans in low- and moderate-income areas between 1988 and 1992 and had lower delinquency rates than the rest of the bank.

- ***Meridian Bank's foreclosure rate on its Delaware Valley*** Mortgage Plan products has been non-existent. Its consumer home improvement loans are performing very favorably compared to similar loans in its total market and delinquencies on its consumer loans to low-income individuals are, in many cases, lower than those in its other markets.

- ***Midlantic National Bank reports as "Good to Excellent"*** the performance on the affordable housing loans it has originated, an experience much more favorable than it has had on purchased FHA/VA loans. Its best performance was on loans to low- and moderate-housing projects where public financing supplemented the bank's assistance.

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JOSEPH P. KENNEDY II
8TH DISTRICT, MASSACHUSETTS

COMMITTEE ON BANKING AND FINANCIAL SERVICES
SUBCOMMITTEES:
HOUSING AND COMMUNITY OPPORTUNITY, RANKING MINORITY MEMBER
DOMESTIC AND INTERNATIONAL MONETARY POLICY

COMMITTEE ON VETERANS' AFFAIRS
SUBCOMMITTEE:
HOSPITALS AND HEALTH CARE
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Testimony of Rep. Joe Kennedy
Financial Institutions Subcommittee
Committee on Banking and Financial Services

I want to thank Chairwoman Roukema and the members of the Subcommittee for the opportunity to testify today on the important issue of CRA, the Community Reinvestment Act.

Madame Chairwoman, we live in a capitalist country where the most talented people, the people with the most know-how, the most creative ideas, the most energy will succeed if they are given a fair shot. That is what is meant when we talk about creating an "opportunity society" in America.

I have myself benefited from the openness of our market system -- before I came to the Congress I started 7 small businesses that successfully competed against some of the biggest corporations in the world.

But this kind of success requires access to credit -- credit is the grease that keeps the wheels of commerce turning.

Unfortunately, the evidence is clear that credit is just not available on an equal basis to all people in all communities in America. And that means that the ability to take part in the American dream, to participate in the economic mainstream by building a small business or buying a home, is not open to all Americans.

The HMDA data makes that clear. Minorities, low and moderate income people, and people that live in certain areas are denied access to credit at significantly higher rates, taking into account income and other factors affecting creditworthiness, on the basis of completely non-economic factors.

CRA is the law that deals with this problem. It is fundamentally a conservative law because it is designed to make markets work for everybody in the society. Too often, we talk about CRA in terms of charity. That is a false characterization. CRA is, above all, good business.

The Federal Reserve Bank of Philadelphia recently published a pamphlet summarizing the community lending activities of bank after bank and numerous community financial institutions whose CRA portfolios perform as well or better than other loans.

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For example, Wells Fargo Bank, PNC Bank, South Shore Bank, U.S. Bank of Oregon, United Jersey Banks, Indiana National Bank and others all report CRA portfolios that do as well, and oftentimes better, than their conventional loan portfolios. I met with Terry Murray, the CEO of Fleet yesterday, and he told me the same story.

Nationally, community loan funds have made $120 million in loans with losses of less than 1%. The Enterprise Foundation and LISC have lent over $150 million to CDCs with deliquency rates of 1% to 3%, again, comparable to conventional loan default rates.

Despite this success, many bankers have complained about CRA requiring too much paperwork. I agree with these concerns. There is no doubt that everyone's interests are served -- community groups and bankers alike -- by reducing the paperwork burden and increasing the amount of loans getting out into the community.

This Congress has made many efforts to cut back on regulatory red tape this year. The pending CRA regulations are consistent with this effort. They make CRA more efficient -- that is, require less paperwork; and they will make CRA more effective -- in other words, provide more credit. The GAO will release a report shortly that specifically says that the proposed CRA regulations will reduce the paperwork burden of the existing regulations.

A couple of controversies about the new CRA regs remain.

First, the proposed regulations published in July would require race and gender reporting for small business and small farm loans. I support this proposal strongly. The only way to measure the actual performance of lending institutions around the country is to collect and publish this data. Remember, the regulators collected the HMDA data showing racial disparities in home lending for years but never took any action until the data were published. Public reporting of race and gender data is the only way to know if the credit markets are adequately serving all segments of the small business universe.

Second, I support reporting of this loan data by census tract. The proposal to make information available on an aggregate basis will not help the public know if small businesses throughout an area are getting adequate access to bank credit.

The regulators will be collecting this data anyway; I believe the public has a right to know. As in the case of race and gender, it is the public that is likely to be the best enforcer.

Finally, let me close by saying that, rather than talking about gutting CRA, as some on this Committee have suggested, if we really believe in the rhetoric of equal opportunity, if we really want to see fewer families on welfare, if we are really commited to economic growth, we should be talking about expanding CRA to mortgage bankers and large credit unions.

Study after study shows that these institutions do a much poorer job of serving low income communities, inner city areas, and minorities than do banks and thrifts. I will be

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introducing legislation later this year to make sure CRA applies to these institutions.

In conclusion, I want to emphasize that CRA is good business and good policy; that the pending regulations are consistent with the goal of cutting red tape; and that aggressively enforced community lending laws are the best way to replace a welfare society with an opportunity society.

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TESTIMONY OF

RICKI TIGERT HELFER
CHAIRMAN
FEDERAL DEPOSIT INSURANCE CORPORATION

ON

INTERAGENCY EFFORTS TO REVISE REGULATIONS
IMPLEMENTING THE COMMUNITY REINVESTMENT ACT

BEFORE THE

SUBCOMMITTEE ON FINANCIAL INSTITUTIONS
AND CONSUMER CREDIT
COMMITTEE ON BANKING AND FINANCIAL SERVICES
U.S. HOUSE OF REPRESENTATIVES

MARCH 8, 1995
ROOM 2128 RAYBURN HOUSE OFFICE BUILDING

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INTRODUCTION

Madam Chairwoman and Members of the Subcommittee, I appreciate and welcome this opportunity to testify before you today on the Community Reinvestment Act (CRA) and the interagency proposal to reform implementation of the Act. The Federal Deposit Insurance Corporation (FDIC) is strongly committed to carrying out its responsibilities under the CRA. The regulatory agencies on this panel have spent the last 21 months in an extensive effort to reform CRA regulations. This effort has included a series of seven public hearings across the country where hundreds of witnesses addressed some of the same issues and concerns addressed in your letter of invitation. While I am relatively new to the process, I want to commend my colleagues on this panel for their intensive efforts to make the CRA regulations less burdensome and more effective.

Federally-insured financial institutions perform a vital intermediary role in the communities in which they operate: In making loans with the money that depositors leave with them, they fuel economic growth. The CRA was enacted to encourage banks to make the oppportunity for economic growth available to qualifiying borrowers throughout their communities, by expanding

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the "convenience and needs" criteria that regulators have long used in weighing charter and branch applications to cover credit.

The record shows that the CRA has improved access to credit in communities across the country. The regulations implementing the CRA have encouraged many institutions to make substantial commitments to increase lending and services to all income levels.

I support the goals of the CRA, and I subscribe to efforts to focus attention on meaningful performance by banks and thrifts instead of on building unproductive paper trails.

LEGISLATIVE HISTORY

In introducing the Community Reinvestment Act 18 years ago, former-Senate Banking Committee Chairman William Proxmire said that it was: "intended to establish a system of regulatory incentives to encourage banks and savings institutions to more effectively meet the credit needs of the localities they are chartered to serve, consistent with sound lending practices." In somewhat less formal language at hearings on the legislation three months later, he said: "What this bill would do would be to try to make the banks more sensitive than they have been in the past to their responsibilities to provide for local community needs." These needs, he had noted when introducing the bill,

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included "domestic economic development, housing, and community revitalization."

The built-in latitude in the CRA -- the legislative directive to "encourage" but not "require" and the lack of specificity on how to go about it -- prompted regulators to hold public hearings around the country in 1978 for guidance prior to drafting implementing regulations.

The legislative history is clear, however, that the CRA was not intended to force banks to make unprofitable loans. The law specifically states, "In connection with its examination of a financial institution, the appropriate Federal financial supervisory agency shall assess the institutions's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with the safe and sound operation of such institution."

The banking agencies have found the CRA a difficult law to administer, in large part because it was intended to change the attitudes of lenders -- not simply draw distinctions between legal and illegal behavior -- and thereby increase lending for community development, a broadly defined target.

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OVERVIEW

This testimony addresses the effectiveness of the CRA in fulfilling its purpose of meeting the credit needs of the communities in which financial institutions operate. It discusses the problems that lenders and community representatives see with the current system for evaluating CRA compliance, and it describes how the proposal of the federal banking agencies addresses these problems. The testimony also discusses concerns about credit allocation and addresses how the CRA relates to equal credit and fair housing laws. Finally, it comments on recently introduced legislation affording certain institutions a "safe harbor" protection against denial of applications. As agreed by the Subcommittee, the agencies are submitting a separate, joint interagency statement, which discusses in detail the history of the CRA and the efforts underway to reform the regulations implementing the CRA.

THE EFFECTIVENESS OF THE CRA

Concern about redlining, in large part, motivated enactment of the CRA in 1977. As mentioned earlier, access to credit is essential to the financial viability of every community; this viability is threatened to the extent that artificial limits based on geographic location, demographic composition, or personal attributes not relevant to lending risk are imposed by

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lenders. The CRA is a statute that promotes community development by stipulating that financial institutions should serve the credit needs of their entire communities. It complements, but is different than federal fair lending laws, such as the Fair Housing Act (FHA) and the Equal Credit Opportunity Act (ECOA), which specifically prohibit discrimination by all lenders, not just insured financial institutions, in a broader range of housing and credit transactions.

The CRA does not require that institutions make specific types or amounts of loans and does not allocate loans to particular persons or geographic areas. Consequently, there are no hard data to quantify how much lending and investment is directly attributable to the CRA. There is, nevertheless, evidence that suggests the CRA has focused attention on lending opportunities that otherwise might have been overlooked. Since the passage of the CRA, FDIC compliance examiners report that lenders have demonstrated a willingness to offer new lending products and services that benefit low-income households. Financial institutions have expanded their marketing, often advertising through the use of media targeted to specific underserved neighborhoods and in some cases in languages other than English. Many FDIC-supervised institutions identify lending opportunities by working closely with community groups and state and local governments, often participating in special programs in

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conjunction with these groups. The FDIC has 24 Community Affairs Officers in eight regional offices that try to be catalysts for encouraging this interaction.

The banking industry has acknowledged that CRA has helped to put billions of dollars into low- and moderate-income communities, as indicated by the Consumer Bankers Association (CBA) in its 1993 testimony at interagency public hearings. In addition, CBA stated that, the CRA has allowed many financial institutions to recognize that there is a market in the revitalization of their communities and has led to creative ways to address the needs of underserved neighborhoods.

Despite positive results, the CRA examination process has long been the subject of criticism from both the banking industry and community organizations. Bankers repeatedly have claimed that guidance from the agencies is unclear, examination standards are applied inconsistently, and the current evaluation system is burdensome and emphasizes paperwork rather than a bank's record of making loans. Community organizations have complained that the current evaluation system is inconsistent and focuses too much on paperwork rather than performance. Overall, almost all of the comments called for change, although there was much disagreement about the specifics of how change should be accomplished.

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ADDRESSING THE PROBLEMS WITH THE CURRENT SYSTEM

In July, 1993, these concerns gave rise to a letter from the President to banking and thrift regulators that called for reform of CRA regulations. In response to that letter and to widespread criticism, the regulators have put substantial effort into reforming CRA regulations. In 1993, the agencies held a series of public hearings around the nation in order to understand the criticisms and concerns of interested parties, including representatives from financial institutions, the business community, consumer and community groups, and state and local government officials.

Following the hearings the banking agencies in December, 1993, issued a proposed rule (the "1993 proposal") that substituted a more performance-based evaluation system for the twelve assessment factors in the existing CRA regulations. Under the 1993 proposal, the agencies would evaluate an institution based on the results of actual lending, service, and investment performance rather than the method or process used to determine credit needs as is too often the case under the existing regulation. The agencies received over 6,700 written comments on the 1993 proposal. The FDIC alone received almost 2,400 comment letters.

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On October 7, 1994, the agencies published a revised proposal (the "1994 proposal"). This proposal addressed concerns raised in the public comments, while retaining the basic structure of the 1993 proposal. Many of the revisions incorporated in the 1994 proposal would lessen burdensome requirements on financial institutions. In general, the revisions simplified the 1993 proposed data reporting requirements and modified the tests for evaluating a bank's lending, investment and service performance to focus on community development. The comments received -- 7,100 by the agencies altogether, 2,059 by the FDIC alone -- are discussed in detail in the agencies' joint statement. I would like to highlight a few elements of the current proposal.

Like the 1993 proposal, the 1994 proposal would replace the existing twelve factors for assessing CRA performance, which focus largely on process and paperwork, with performance standards based on results. The proposal would eliminate the requirement that institutions prepare CRA statements, review them annually and document them in the minutes of the board of directors' meetings. Further, the agencies would no longer require institutions to justify the basis for community delineations or to document efforts in marketing or in ascertaining community credit needs. Resources formerly devoted to such procedural requirements -- time, money, and personnel --

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would be available for making loans and investments and providing services in the community.

Both the 1993 and the 1994 proposals contain a streamlined examination procedure for small institutions. Both proposals define a small institution as an independent institution with total assets of less than $250 million or an affiliate of a holding company with total bank and thrift assets of less than $250 million. The current proposal would evaluate a small institution under a streamlined assessment method to answer the question: Are its loan-to-deposit ratio and lending record reasonable relative to the institution's size, financial condition, and management expertise, and to the credit needs of its community?

In addition, to provide institutions flexibility in meeting their CRA obligation, the proposals would give all institutions the option of being evaluated on the basis of a Strategic Plan rather than on the lending, service and investment tests, or under the small institution assessment standards, discussed above. An institution's plan would have to specify measurable goals for helping to meet the credit needs of its service area, particularly the needs of low- and moderate-income individuals. The proposal requires giving the public 30 days to comment on the plan, lets the institution take account of the comments, and then provides for agency approval of the completed plan. Thereafter,

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the institution's CRA evaluation and rating would be based on how well the institution meets or exceeds the goals it has established for itself.

The 1994 proposal requires large insured depository institutions to collect and report race and gender data on loans to small businesses and small farms. In contrast, the proposal does not require small institutions to collect or report additional data.

Nearly every financial institutions that commented on the mandatory collection and reporting of race and gender data opposed it. A limited number of institutions did, however, express interest in having the option to collect such data for their own assessments of compliance with fair lending laws. Many institutions commented that fair lending enforcement should be handled under the ECOA and the FHA and proposed amending Regulation B, the Federal Reserve's regulation implementing the ECOA, to allow, but not require, institutions to collect or report the data.

Regulation B prohibits discrimination on the irrevelant, prohibited grounds of sex, race, color, religion, national origin, marital status, age, receipt of public assistance or the exercise in good faith of rights granted under the Consumer Credit Protection Act. Regulation B also currently prohibits a

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creditor from collecting information on the prohibited bases on any loan, except housing-related loans covered by the statutory requirements for data collection in the Home Mortgage Disclosure Act (HMDA), or unless otherwise required by statute, regulation, or an order issued by a court or a federal or state enforcement agency.

Comments from community organizations were overwhelmingly in favor of the collection and reporting of data on loans to small businesses and small farms owned by women and minorities. They contended that the data are necessary to assess adequately an institution's performance in meeting the credit needs of its community.

The collection of race and gender data on small business and farm borrowers could be used to support elements of the fair lending component of the CRA assessment, one of several factors used to evaluate whether an institution is helping to meet the credit needs of its "entire community." Concerns have been expressed, however, about the anomaly of requiring large banks and thrifts to collect data that Regulation B prohibits all other creditors from collecting. Removal of the restrictions in Regulation B would permit institutions to assess compliance with fair lending laws on all the prohibited bases, not only race and gender. The four agencies are giving serious consideration to

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the arguments both for and against collection of this data before deciding how to deal with the issue in the final regulation.

EXAMINATION AND SUPERVISION

The FDIC is the primary federal supervisor of approximately 7,100 insured financial institutions. Between 1990 and 1994, the FDIC conducted an average of 3,200 examinations per year for compliance with the CRA.

Last year the FDIC strengthened its examination and supervision efforts in the compliance area through the creation of the Division of Compliance and Consumer Affairs. The new division consolidates the compliance examination and enforcement responsibilities previously carried out by the Division of Supervision with the community outreach, consumer protection and civil rights oversight functions of the former Office of Consumer Affairs.

The FDIC has sought to assure that bankers receive consistent supervisory treatment from compliance and safety and soundness examiners. To that end, the FDIC has detailed 150 safety and soundness examiners to the compliance examination program. In addition, half of our consumer compliance examinations are conducted concurrently with safety and soundness examinations. Efforts are being made to increase the percentage

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of concurrent examinations to reduce the burden on financial institutions of multiple examinations and to increase the coordination and consistency among compliance and safety and soundness examiners.

Going forward, in an effort to ensure consistency among the regulatory agencies, we will issue joint examination guidelines on the new CRA regulation, and provide interagency training to examiners under the auspices of the Federal Financial Institutions Examination Council. Further, the FDIC is developing a community development course that will be attended by both compliance and safety and soundness examiners to increase examiner understanding of community development lending within the context of safety and soundness standards.

CONCERNS ABOUT CREDIT ALLOCATION

The 1993 proposal would have required an assessment of an institution's market share in low- and moderate-income neighborhoods compared to its market share in other parts of the institution's community. A number of comments characterized this comparison of market share as a form of credit allocation.

The 1994 proposal eliminated this market share component from the lending test. The lending test would continue to give significant weight to the geographic distribution of an

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institution's lending within the community it seeks to serve. It does not, however, require examiners to use a ratio to measure market share, nor does it mandate that a financial institution must make loans to every neighborhood in the area it serves. Rather, examiners would be required to evaluate a bank's efforts to provide credit and service to low- and moderate-income members of its community and to look at geographic dispersion of lending to determine that low- and moderate-income areas are not specifically excluded. The proposal makes clear at the same time that there is no magic lending ratio banks must meet and that all lending must be done in a safe and sound manner.

THE CRA's RELATIONSHIP TO FAIR LENDING LAWS

The focus of the CRA is on community development through access to bank credit and services. The CRA applies to federally-insured banks and savings associations. The fair lending laws, which include the Equal Credit Opportunity Act (ECOA), the Fair Housing Act (FHA), and the Home Mortgage Disclosure Act (HMDA), were enacted to address specific concerns. The ECOA contains absolute prohibitions against lending decisions, as outlined above, with respect to any aspect of a credit transaction. The FHA prohibits discrimination on similar grounds as the ECOA in any aspect of the sale or rental of housing, including the financing of housing. Both the ECOA and the FHA apply to all lenders and others involved in the extension

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of credit, not just depository institutions. Denial of credit on the grounds of a personal trait, which in no way relates to whether a borrower will be able to repay a loan, is not only repugnant to fair-minded Americans, it calls into question the soundness of the credit judgments a lender is making. The FDIC takes seriously its responsibility to monitor compliance with fair lending laws. In the past three years it has referred 26 cases to the Department of Justice under the ECOA and 97 cases to the Department of Housing and Urban Development (HUD) under FHA.

In the HMDA, the Congress imposed specific data collection requirements with respect to home purchase and home improvement loans. The agencies use this data to assist in determining if institutions are in compliance with the ECOA and the FHA with respect to home mortgage loans. In determining compliance with the CRA, the HMDA data are used to assist in determining whether financial institutions are serving the housing credit needs of their communities.

I view effective enforcement of the fair lending laws as necessary to assure the creditability and fairness of the banking system. When we examine an institution for CRA compliance, we take into account the institution's record with respect to illegal discriminatory credit practices, particularly where they suggest a pattern or practice of illegal conduct. Wholly apart from our obligations to refer violations of ECOA and FHA to the

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Justice Department and to HUD, respectively, the institution's record in this area is a key factor considered in our determination of how well the institution has met the credit needs of its community.

SAFE HARBOR PROVISIONS IN RECENTLY INTRODUCED LEGISLATION

The Community Reinvestment Improvement Act of 1995 (H.R. 317), introduced by Representative McCollum, creates an explicit "safe harbor" for institutions seeking approval of an application for a deposit facility. Under the bill, if the institution receives a Satisfactory or Outstanding CRA rating from the appropriate federal financial supervisory agency within the previous 24 months, an institution's application for a deposit facility cannot be denied on CRA grounds, unless an institution's CRA compliance has materially deteriorated since the evaluation.

The Federal Deposit Insurance Act outlines various statutory factors that must be considered by the FDIC in deciding whether to approve an application by a state-chartered insured institution for a deposit facility. The statutory factors include, but are not limited to, the financial history and condition of the institution, the general character and fitness of the management of the institution, and the convenience and needs of the community to be served. Although an institution's

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CRA rating is important in this process, particularly in assessing the degree to which the institution is serving the convenience and needs of the community, it is not conclusive. The effect of H.R. 317 would be to protect institutions from having applications delayed in the case of public protest. As a practical matter, such protests are rare at the FDIC. By way of illustration, of 2,749 applications on which the FDIC took action in 1994, only eight were protested on CRA grounds.

Our experience has shown that the lending strategies and performance of institutions can change appreciably, for better or worse, during a 24-month period. An institution receiving a CRA rating of "Needs to Improve" may thereafter begin to perform satisfactorily, while the performance of an institution receiving a rating of "Satisfactory" may deteriorate.

We find merit in the concept of providing incentives or rewards to banks for robustly meeting the credit needs of their communities. In light of the current efforts to reform CRA evaluations, however, it may make more sense to see how the reforms work before including a safe harbor provision.

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CONCLUSION

Over the past 21 months, the federal banking agencies have worked to reduce regulatory burden on banks and to produce clearer and more objective standards, both to guide institutions in their CRA compliance and to assess their performance. My participation in the process since October has led me to conclude that the FDIC and the other agencies represented here today are making a serious effort to wrestle with all the difficult issues that CRA reform has presented.

We are working to find a way to accomplish an effective and meaningful evaluation of an institution's CRA performance without burdensome paperwork and recordkeeping requirements on the one hand, and without undue reliance on ratios or formulas on the other.

We must make very clear that the objective of CRA is for financial institutions to provide credit and service to customers throughout their communities, not to build a mountain of paperwork to justify their efforts. No interest is served if bankers spend more time filling out forms or printing brochures than they spend in making sound loans in their communities.

While our examination standards need to be consistently applied, we must have the flexibility to assess the performance

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of an institution based on its capabilities and the needs of the community it serves. Each institution -- like each community -- is unique.

We need to ensure that everyone understands the laws and standards under which institutions will be evaluated. To accomplish this, we must continue to provide our examiners with the resources and training they need.

Finally, we regulators must keep in mind we have a dual responsibility: To encourage institutions to help meet the credit needs of their entire communities, while at the same time assuring that they meet the standards for safety and soundness.

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For Release Upon Delivery
March 8, 1995
10:00 a.m.

TESTIMONY OF

EUGENE A. LUDWIG

COMPTROLLER OF THE CURRENCY

Before the

SUBCOMMITTEE ON FINANCIAL INSTITUTIONS

AND CONSUMER CREDIT

of the

COMMITTEE ON BANKING AND FINANCIAL SERVICES

of the

U. S. HOUSE OF REPRESENTATIVES

MARCH 8, 1995

Statement required by 12 U.S.C. § 250:
The views expressed herein are those of the Office of the Comptroller of the Currency and do not necessarily represent the views of the President.

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INTRODUCTION

Madam Chairwoman, and members of the Subcommittee, I welcome this opportunity to discuss the efforts of the Office of the Comptroller of the Currency (OCC)--together with the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC), and the Board of Governors of the Federal Reserve System (FRB)--to change fundamentally how we evaluate the performance of banks and thrifts under the Community Reinvestment Act (CRA).

The current effort to reform the CRA regulations is an important part of the Administration's program to reduce needless regulatory burdens and make government work as it was intended--in this case, the government's goal is to encourage banks to help meet the legitimate credit needs of their communities. Upon coming to office, the Administration found that no other set of bank regulations was so universally criticized by bankers and customers than these regulations, criticized precisely because they created needless burdens on the one hand and failed to fulfill the purpose of the Act on the other.

Accordingly, at the request of the President, the bank and thrift regulators embarked on a fundamental reform of these regulations in the Summer of 1993. Our goal has been to focus the banking and thrift sector's attention on the substance of what the Act is intended to achieve--supporting the credit needs of our communities, in particular the needs of low- and moderate-income areas, small businesses, and farms--rather than process and meaningless paperwork.

Because the CRA program affects considerable numbers of people, institutions, and resources, and because the regulations, which have been in effect for so long, have been so thoroughly criticized, the regulators recognized from the beginning of the reform initiative that it was essential to go through a meticulous process of evaluation that involved the public at every stage of development. Accordingly, as my statement will describe, the reform process began with a series of public hearings, seven in all, held around the country, in large cities and rural towns. Over 250 witnesses participated at these hearings and provided thousands of pages of testimony. These hearings represented the most extensive effort on the part of the agencies to solicit public views on community reinvestment since the CRA was enacted. Following the hearings, the regulators issued a proposal that received thousands of public comments and then a further refined proposal that also received thousands of comments.

I am convinced that this open, transparent, and careful process will result, ultimately, in a regulation that fulfills the statutory purpose without imposing unnecessary burdens. I am also confident that this result could not have been achieved without such a meticulous process.

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There are several points I want to emphasize about the CRA itself and about the reform effort.

First, the CRA is about making good loans. I have learned in the course of our efforts to reform the CRA that there are numerous opportunities to make sound loans in all parts of a bank's community, including low- and moderate-income areas. As a result of CRA, banks and thrifts now serve individuals and neighborhoods that previously had little access to banking services; in so doing, they have found these markets profitable. Many financial institutions view these communities as places to expand their profit opportunities, rather than as places to make charitable investments. Richard Rosenberg, Chairman and Chief Executive Officer of BankAmerica Corporation, in a speech delivered last December, stated that "a long-term, sustainable community reinvestment program *does* benefit the corporation and its shareholders." He added, "[b]usinesses must view the inner city as a potential market, not an object of philanthropy." Those statements are absolutely correct--CRA is not a hand-out for distressed communities, nor does it encourage banks and thrifts to make bad loans.

Second, despite its successes, the CRA has fallen short of realizing its full potential. Financial institutions and community groups alike maintain that the current regulation places more emphasis on process and documentation than on performance. They also maintain that existing CRA performance evaluation standards are vague, and, some argue, inconsistently applied. As a result of this misplaced and unclear focus, banks and thrifts may be dedicating significant resources to documenting their activities rather than helping to meet the needs of their communities. Financial institution representatives are particularly aware of the costs associated with the existing system. In September 1993, Mike Patterson, President and Chief Executive Officer of Triangle Bank and Trust Company in Raleigh, North Carolina, made a statement to that effect: "we need to be relieved [from] having to create a paper trail detailing everything we have done to meet the twelve assessment factors. We see this as counterproductive because it takes time away from doing the things which could improve our CRA related loan programs." In August 1993, Frank L. Law, Senior Vice President of Clear Lake National Bank in Houston, Texas, expressed a similar view: "[i]t is this focus on the process rather than results that has created a documentation burden that costs banks thousands of dollars a year to ensure compliance with the Act."

Third, to address the problems associated with the existing CRA assessment process, the reform effort is aimed at shifting emphasis to an evaluation of the record of a bank in helping meet the credit needs of the communities from which it takes deposits. By making CRA evaluations more objective and performance-based, I believe that we can make the regulation more effective and also significantly reduce regulatory burden for the vast majority of banks and thrifts. These changes will enhance financial

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institutions' ability to make profitable loans in all areas of their communities.

To address the questions raised in your letter of invitation, my testimony today includes a background section on the history of the CRA and the concerns that led President Clinton to initiate the reform process. I also discuss the principles guiding the federal banking regulatory agencies' reform effort and the main elements of the two reform proposals that were issued for public comment. Finally, I summarize the major issues that appeared in the comment letters we received and describe how the 1993 and 1994 reform proposals respond to concerns people raised. The agencies are also submitting a joint statement, which provides greater detail on the history of the CRA and the reform initiative as well as other issues raised in your letter of invitation. In particular, that statement includes an extensive discussion of the main elements of the 1993 and 1994 proposed regulations.

BACKGROUND

The CRA was enacted in 1977 to prevent redlining and to ensure that banks and thrifts help meet the credit needs of all segments of their communities, including low- and moderate-income neighborhoods. In many respects, the CRA is an extension and clarification of the long-standing expectation that banks will serve the convenience and needs of their communities.

The CRA--and the regulations issued under the CRA--require federal regulators to assess the record of each bank and thrift in helping to meet the credit needs of all portions of its community, including low- and moderate-income neighborhoods, and to take that record into account when considering corporate applications for charters or for approval of mergers, acquisitions, branch openings, or office relocations.

Relationship with Fair Lending Laws. Your letter of invitation asks whether the CRA overlaps or conflicts with other existing equal credit and fair lending laws. The CRA differs fundamentally in purpose and substance from fair lending laws--the Equal Credit Opportunity Act (ECOA) and the Fair Housing Act (FH Act)--though there is some common ground. The fair lending laws apply to all lenders and seek to prevent discrimination in credit transactions. Specifically, they prohibit covered entities from refusing to grant credit based on certain customer characteristics or factors. By contrast, the CRA seeks to encourage banks and thrifts to help meet the credit needs of their entire communities, including low- and moderate-income neighborhoods. It does not expressly proscribe particular actions, as do the fair lending laws, nor does it identify prohibited grounds upon which a lender may not base credit decisions. However, since the CRA's inception, CRA examinations have included an assessment of fair lending performance under the principle that a lender that is discriminating is unlikely to be serving its entire

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community satisfactorily. In general, discriminatory lending adversely affects a bank's record of performance under the CRA, but a poor CRA record does not mean that a lender has discriminated.

Proposal Directly Addresses Problems with Existing CRA Process. The CRA provides a framework in which depository institutions and community groups can work together to promote the availability of credit and other banking services to under-served communities. Under the impetus of the CRA, many banks and thrifts have opened new branches, provided expanded services, adopted more flexible loan underwriting standards, and increased lending to all segments of society.

Despite these positive results, the current CRA process lacks credibility with the banking industry and with representatives of the communities that the Act is intended to benefit. Bankers maintain that the current implementation of the CRA results in excessive burden relative to the benefits that the system produces. At the same time, community and other groups maintain that many communities are not adequately served because the CRA evaluation process does not focus enough on actual lending, investments, and services provided.

It was against this backdrop of broad dissatisfaction with the current approach to CRA that President Clinton, in July of 1993, requested that the federal regulators of banks and thrifts make fundamental changes in the way we administer the CRA. The President established several broad principles to guide the agencies' reform efforts. He called for CRA assessment standards that are based on measurable performance, less burdensome CRA examinations that are more consistent and evenhanded, the elimination of unnecessary documentation requirements, better public access to information on CRA evaluations, and tougher actions against institutions with persistently poor CRA performance.

To ensure that CRA reform addressed those goals, the federal banking agencies held a series of public hearings in August and September of 1993 at seven locations around the country. The heads or the designees of the four agencies attended the hearings; I attended six of the seven hearings myself. As a result, my colleagues and I developed a great appreciation for the burden the current regulation places on banks and thrifts, the problems facing underserved low- and moderate-income areas in obtaining credit, innovative approaches some banks and thrifts have taken to serve their communities, and the complexity of the issues involved in CRA reform.

The principal goals of our reform effort are to improve the current CRA evaluation process and minimize regulatory burden on the banking industry by devising a rule that is performance-based and objective, and transparent. Time and time again, through their

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comment letters, both industry and community groups have made clear that they believe a new, performance-based CRA evaluation system should be based on objective measures of clearly defined parameters. I agree. A regulation that focusses on subjective or vague assessment factors--as the existing regulation does--creates at least the perception of inconsistent evaluations across institutions and leads to wide differences in opinion between institutions and community groups regarding performance.

MAJOR ASPECTS OF 1993 AND 1994 REFORM PROPOSALS

Following the seven public hearings held in August and September of 1993, the agencies worked together to craft a proposed regulation, which was published in the *Federal Register* on December 21, 1993. The OCC received 1813 letters commenting on the proposed regulation. Commenters included representatives of banks and thrifts, community groups, Congress, state, and local governments. After careful review and consideration of the comments received on the first proposal, the agencies published a second proposed rule in the *Federal Register* on October 7, 1994. The OCC received 2219 letters commenting on the second proposal.

Performance Tests. Both proposals would replace the twelve assessment factors in the existing regulation with three performance-based tests: lending, investment, and service. The 1994 proposal retained the principles and structure of the 1993 proposal, but made changes to the details in response to many of the concerns raised in the comments. Most commenters supported the agencies' goal of developing more objective, performance-based assessment standards that minimize burden while stimulating improved performance. Although many interested parties at the public hearings had advocated the use of objective criteria in evaluating CRA performance, upon reviewing the 1993 proposal, many commenters felt it relied too heavily on the mechanical application of numerical ratios and, as a result, would not foster fair and appropriate CRA assessments.

In response to these concerns regarding the 1993 proposal, the agencies, in their 1994 proposal, broadened the scope of the lending, investment, and service tests by including a wider range of quantitative and qualitative criteria. In particular, under the 1994 proposal, the comparison of an institution's market share in low- and moderate-income areas with its market share in other areas would not have the same central weight in the lending test that many commenters believed it had in the 1993 proposal. The lending test would continue to give weight to the geographic distribution of an institution's home mortgage, small business and small farm, and, at the institution's option, consumer loans, including the number and amount of loans in low- and moderate-income geographies. However, the lending test would also consider the distribution of loans to borrowers of different incomes and businesses of different sizes, the nature and extent of community development loans, and the institution's use of flexible or innovative

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lending practices. Of course, assessments of geographic distribution would continue to be made in light of the performance of other similarly situated institutions. However, the regulation would not mandate that a market share analysis be conducted. Such analysis could be used by examiners to assist in the geographic distribution assessment, but along with other analytical tools.

Similarly, in the service test, the percentage of branches accessible to low- and moderate-income geographies would not play as determinative a role as it appeared that it would play in the 1993 proposal. Branch location would continue to be an important element in assessing an institution's performance, but would not be the critical determinant. Factors such as the availability of other service delivery systems and the range and responsiveness of services provided would receive more prominence than in the 1993 proposal.

Options for Reducing Burden. The 1994 proposal would provide special evaluation options for a certain class of institutions. For instance, it would allow smaller banks and thrifts to be evaluated under a streamlined assessment method that would not require reporting of additional lending data. The streamlined method would apply unless an institution affirmatively requested another assessment method. This method would focus on the bank's loan-to-deposit ratio, degree of local lending, record of lending to borrowers and geographies of different income, and record of responding to complaints. The bank's fair lending record would be taken into account in assigning a final rating.

Also, every institution could choose to be evaluated pursuant to a pre-approved strategic plan, although this option would not relieve an institution from any reporting obligations that it otherwise would have. These special evaluation methods would in no way exempt any institution from the CRA rules.

Improved Examiner Training. Revising the CRA's implementing regulation is only part of our effort to improve the CRA evaluation process. In an effort to promote inter-agency consistency and better implementation of CRA policy, the agencies are evaluating different ways to improve examiner training and to increase interagency coordination in the implementation of the CRA. In conjunction with a new rule, the agencies would, of course, issue revamped joint examination procedures, including guidance regarding the public performance evaluation standards, the frequency of examinations, and the assignment of ratings. We would also conduct extensive examiner training to ensure the new rule is well understood and evenly applied.

In moving to a revised regulation with emphasis on performance, much of the burden associated with the existing rule can be dramatically reduced. For example, under the proposed rule, examiners would no longer be assessing the involvement of the

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institution's board of directors or its efforts to ascertain credit needs, market its products, and delineate its community. Additionally, the institution would no longer have to document for its examiners internal or external meetings, advertising programs, or the methods used to delineate its community. Because assessment standards would be more straightforward, extra documentation arising out of uncertainty about what will be of interest to the CRA examiners should be virtually eliminated. As proposed, all institutions would realize these benefits. However, there would be additional data collection and reporting for approximately the largest 20 percent of banks and thrifts--those with more than $250 million in assets. Those data are the necessary concomitant requirements of a more performance-oriented, fact-based assessment system.

Race and Gender Data Collection. Your letter of invitation asks how the proposed race and gender reporting requirements on small business and agriculture loans would affect depository institutions. The requirement that small business and small farm loan data reported to the agencies include information on the race and gender of small business and farm borrowers constitutes the one significant new data reporting requirement contained in the 1994 proposal. These data would be used to facilitate fair lending examinations, which, as I previously mentioned, have always been conducted in conjunction with CRA examinations and whose results can influence the overall CRA rating. Currently, fair lending assessments show only a partial picture of fair lending compliance, focusing on home mortgage lending, because that is the only type of lending for which there is systematic data (Home Mortgage Disclosure Act data) that can be used to determine whether applicants with similar credit profiles received comparable treatment. As a result, it is extremely difficult currently, if not impossible, for either regulators or lenders to assess fair lending in the small business loan area, that is, to compare loan files to determine whether people of different races or gender are being treated equally, since lenders cannot collect the data that reveal which are minority or women-owned businesses and which are not. In addition to enabling regulators to make a more complete assessment of an institution's fair lending performance, collecting these additional data would help banks and thrifts monitor their own fair lending performance.

CRA Is Not Credit Allocation. Your letter of invitation asks whether the revised rule would result in the allocation of credit. Although we have proposed using more objective measures to evaluate an institution's performance, the proposal would not lead to the establishment of implicit quotas or other mandatory credit allocation techniques within a given market. The 1993 proposal was criticized by some commenters who felt that it could lead to the allocation of credit; the 1994 proposal eliminated the features that gave rise to those concerns, such as the market share screen in the lending test. The agencies also eliminated a provision in the 1993 proposal that a loan-to-deposit ratio of 60 percent or more would presumptively be considered satisfactory. Although it was never intended to require small institutions to achieve a 60 percent loan-to-deposit ratio, many

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commenters interpreted the proposal that way. To avoid the apparent confusion, the 1994 proposal eliminated reference to any particular loan-to-deposit ratio. Evaluation of the adequacy of an institution's loan-to-deposit ratio would consider the institution's size, financial condition, and the credit needs of the institution's service area and would take into account, as appropriate, other lending-related activities, such as originations for sale on the secondary market and community development lending and investment.

In developing a final rule, we will not set forth a proposal that would require any institution, in any community, to make any particular loan, lend to any particular borrower or class of borrowers, or engage in any lending inconsistent with safe and sound banking operations. We will not adopt a regulation that allocates credit.

Safe Harbor Legislation. The Subcommittee's letter of invitation asks for our views on recently introduced legislation that would give qualified small institutions and those with ratings of at least "Satisfactory" a "safe harbor," exempting them from protests of their applications for expansion based on CRA concerns.

In my view, the key to the safe harbor debate is establishing an evaluation system that is viewed as not merely less burdensome, but fair and objective. Under such a system--which we are still striving to achieve in the reform effort--a high rating will have greater weight because it has integrity. Absent such an evaluation system, a safe harbor will be widely viewed as simply a disguised exemption that undermines the Act.

I do not believe it makes sense to consider a safe harbor until there is a meaningful evaluation system in place. At this point, the federal banking agencies must focus on concluding the rulemaking process and implementing the new CRA rule. Financial institutions and regulatory agencies need an opportunity to adjust to the new rule--and operate under it for some time--before we can reasonably consider legislation to establish a safe harbor.

CONCLUSIONS

Over the past year and a half, the agencies have gone to great lengths to gather as much information as possible on ways to improve the CRA regulation. As I described earlier, the agencies held public hearings at different locations around the country where we heard the testimony of hundreds of witnesses who offered their views on the CRA--its good points and its shortcomings. Additionally, in response to our two reform proposals, the agencies received many thousands of comment letters from community groups, the industry, and other members of the public. Through this effort, I have developed a thorough understanding of both the benefits that result from implementing the CRA and the principal problems with the existing regulation. I am encouraged by the widespread

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support for the goals and direction of the reform effort, and look forward to delivering a final rule that addresses the shortcomings of the existing rule.

Prompt completion of a new rule would end the atmosphere of uncertainty under which the industry, community groups, and examiners are operating currently. Once a new rule is in place, regulated institutions can devote their resources back to the business of delivering financial services to their communities. Prompt completion of a new rule would also enable the agencies to turn our attention to other projects, such as working to conduct examinations as efficiently as possible, minimizing unnecessary compliance burden, and ensuring consistency and reliability in the rating process. These tasks have been identified by all involved in the CRA process--industry, community groups, local governments, and federal banking regulators--as critical to achieving a fairer, more effective, and less burdensome CRA.

Although I cannot predict at this point exactly what the provisions of the final rule will be--that will be determined by the joint rulemaking process, which I expect will be completed very soon--I must underscore that our efforts will not produce a panacea. Reform of CRA regulations and examination procedures cannot solve all the problems of distressed rural and urban communities, nor answer all the complaints of bankers about regulatory burden. But I am confident that at the end of the process we can have a CRA assessment mechanism that is less burdensome for more institutions yet yields better results for the local communities the law is intended to benefit.

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EMBARGOED
until March 8, 10 am

Testimony
of
Jonathan L. Fiechter, Acting Director
Office of Thrift Supervision

concerning the

Community Reinvestment Act

before the

Subcommittee on Financial Institutions and Consumer Credit
United States House of Representatives

March 8, 1995

Office of Thrift Supervision
Department of the Treasury

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TESTIMONY OF JONATHAN L. FIECHTER
ACTING DIRECTOR, OFFICE OF THRIFT SUPERVISION
U.S. DEPARTMENT OF THE TREASURY

Before the

SUBCOMMITTEE ON FINANCIAL INSTITUTIONS AND CONSUMER CREDIT
COMMITTEE ON BANKING AND FINANCIAL SERVICES
U.S. HOUSE OF REPRESENTATIVES

March 8, 1995

Madam Chairwoman and members of the Subcommittee, I welcome your invitation to appear at today's hearing to discuss the Community Reinvestment Act ("CRA"). We take meeting the objectives of CRA seriously and consider the CRA to be an important component of our overall compliance process. The general objectives of the CRA are broad but sufficiently understood. Translating those objectives into clear and unambiguous standards, however, to be used as the basis for judging the community reinvestment performance of thousands of differently situated insured banks and thrifts, is challenging.

As you know, the agencies have been diligently working to reform the CRA regulations since July 1993. We have put a tremendous amount of time and effort into revising the basis on which we evaluate an institution's performance in helping to meet the credit needs of its community. Given the broad and diverse array of interests that have a stake in the administration of the Act, we anticipated that we would face some difficult problems in connection with this effort. While I believe we were all surprised at how complex the undertaking has become, I remain optimistic that we can address the needs of the industry and the public through the rule-making process.

The agencies have submitted a joint statement outlining the history of the CRA and discussing the regulations proposed in response to President Clinton's CRA reform initiative. I would like to use my time this morning to respond to the questions you have presented and highlight other relevant issues associated with our reform efforts.

The views I express today are those of the Office of Thrift Supervision ("OTS") and not necessarily those of the Administration.

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Fulfilling the Purpose of CRA

Your first question asks whether CRA is fulfilling its original purpose of ensuring that insured depository institutions are meeting the credit needs of their neighborhoods, and if not, what steps should be taken to improve compliance. I believe that insured depository institutions are making significant efforts to help meet the credit needs of the local communities where they are chartered to do business. For example, a review of Home Mortgage Disclosure Act ("HMDA") data over the past several years shows that the banking and thrift industries have significantly increased their share of mortgage loans in low- and moderate-income areas despite an overall reduction in their share of the mortgage market. It may be impossible to determine how much of the reinvestment in low and moderate income communities is due to the CRA, and how much is due to the realization by banks and thrifts that community development and affordable housing lending can be a profitable market niche.

I do believe that the CRA has acted as a catalyst to encourage banks and thrifts to devise new products to serve this niche and may have been the impetus for a major share of the community reinvestment that has occurred over the past several years.

When evaluating the success of CRA on the basis of whether community credit needs are being satisfied, however, it must be remembered that the bank and thrift industries represent a much smaller segment of today's financial system than they did when CRA was enacted in 1977. Since that time, banks and thrifts have lost a significant amount of the residential loan market to mortgage banks, credit unions, insurance companies, and other providers of credit.

Moreover, the nature and depth of the nation's community development problems go beyond the abilities of banks and thrifts alone to solve. The best way to address the credit needs of communities is to encourage communities, financial institutions, and the government to form partnerships to energize economic growth and revitalization by making credit and financial opportunities available to all people in all communities throughout the nation. No one party can or should be expected to do this alone. It is only through working together that meaningful community development will take place.

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The OTS encourages thrifts to participate in efforts to promote partnerships. For example, we have participated with the other federal banking agencies and local community groups in taking bank and thrift officials on bus tours through inner-city Los Angeles and Oakland to identify lending opportunities. Tours of other cities are also planned. In addition, the OTS, through its community liaison function, has sponsored a series of "Community Speaks" conferences where community groups present information on their goals, operations, and needs to local thrift officials. Efforts like these to promote partnerships -- where the government is working hand-in-hand with local community groups and lenders -- can stimulate economic growth and revitalization.

In fact, CRA is challenging thrifts to be more creative and to form alliances with others to tackle their communities' problems. We are seeing that many collaborative efforts at the local level among thrifts, banks, nonprofits, government, and community residents are producing tangible results. These partnerships -- which include community development corporations, consortia, or NeighborWorks groups, just to name a few -- are a way of amassing the resources necessary to address some of this nation's more difficult community reinvestment challenges. This is a very positive trend and one that I hope will continue on a much larger scale.

Relationship Between CRA and the Fair Lending Laws

Your second question, which is an excellent and timely one, asks about the relationship between CRA and the fair lending laws. Recent events have highlighted the need to understand the similarities and differences between the CRA and the fair lending laws. Both address important issues of credit access and opportunity, but they involve different statutes and different principles.

The most significant fair lending laws are the Equal Credit Opportunity Act ("ECOA") and the Fair Housing Act. These statutes make it unlawful for any lender to discriminate in the granting of credit on a prohibited basis, such as race, sex, religion, national origin, or marital status. The ECOA applies to any credit transaction, while the Fair Housing Act covers residential real estate-related activities. These laws provide for both civil and administrative enforcement. For example, the OTS, as well as the other banking regulators, can use their formal enforcement authority to issue cease-and-desist orders or impose penalties against insured financial institutions that fail to comply with these statutes.

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The CRA's emphasis is different. It has a geographic focus and applies only to federally insured banks and thrifts. The CRA responds to Congressional findings that insured depository institutions have an affirmative obligation to help meet the credit needs of their local communities, including the low- and moderate-income neighborhoods within those communities, consistent with safe and sound operations. The Act requires the banking agencies to use their authority to encourage insured depository institutions to meet that obligation. The agencies, in implementing the CRA, evaluate the records of banks and thrifts in helping to meet the credit needs of their communities. The enforcement scheme for the CRA is directly tied to the applications process. In other words, the banking regulators can deny certain corporate applications for expansion if the applicant's CRA performance record indicates that its institution is not adequately making its credit services available to its community.

The fair lending laws are incorporated into the implementation of the CRA. Evidence of discrimination and other credit practices that are prohibited by the fair lending laws are considered when formulating an institution's CRA rating. This is because an institution that is violating the fair lending laws cannot be considered to be helping to meet the credit needs of its entire community in an acceptable manner.

The CRA and the fair lending laws need not conflict nor overlap. Taken together, they protect and support access to credit without compromising the safe and sound operation of insured depository institutions.

Addressing Today's CRA Problems with Better Regulation

You also ask whether the final regulation will address problems with the existing regulation that are often cited by lenders. In the public hearings we held in the summer of 1993, as well as in both public comment periods following our regulatory proposals, we heard many complaints about the existing CRA regulation. As your question points out, three of the most prevalent were the vagueness, subjectivity, and paperwork burden associated with the existing regulation.

The OTS has been guided by three principles during the rule-making process to ensure that the final CRA regulation produces a better evaluation system than exists today.

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First, the final regulation must both evaluate performance with objective data and allow for subjective adjustments based on differences in financial institutions and the communities they serve. CRA will not work with a "cookie-cutter" approach. It is naive for us to assume that institutions of different sizes and business orientations serving different local areas with vastly different demographics can be, or should be, expected to fulfill their CRA responsibilities in the exact same way. The final regulation should encourage creativity and recognize that there are different ways for institutions to meet local credit needs.

Similarly, examiners charged with the responsibility for developing rational, supportable, public CRA performance evaluations and ratings must not be held to a rigid, unyielding, and unrealistic set of bureaucratic rules that frustrate their ability to go about their jobs. A reasonable degree of flexibility in interpreting objective data, for example, to construct fair CRA assessments must be paramount.

Second, the final regulation must improve the ability of the industry and the public to evaluate CRA performance on their own. There should be few surprises as a consequence of compliance exams. The existing regulation -- which may be overly subjective -- has created the perception of inconsistent evaluations of similarly situated institutions, and wide differences in perception among institutions and community groups over performance.

In many ways, this CRA rule-making process has been evolutionary. In response to the large volume of public criticism we heard about subjective application of the existing regulation, our first proposal was highly objective in nature. As we discovered in the ensuing comment period, most industry commenters interpreted that proposal to be too objective and rigid. The second proposal tried to achieve a better balance of objective criteria and regulatory flexibility in order to eliminate much of the subjectivity and vagueness that is present in the existing regulation. It is my hope that the final regulation will strike the appropriate balance between subjective and objective evaluation factors and will make it easier for the industry and the public to predict performance levels while avoiding the pitfalls of a one-shoe-fits-all approach. This will remain our goal in writing the final rule.

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Third, the final regulation must combine these first two principles in a clear manner. In our effort to address myriad conflicting objectives, we may have unwittingly added a degree of complexity that obscured our message. Clarity in presentation of the regulation eliminates guesswork and provides the industry, our examiners, and the public with an understood set of ground rules.

Another comment we heard is that the focus of evaluations should be on performance rather than documentation of the CRA process. We have been mindful of this comment throughout this rule-writing exercise. Both proposals eliminate much of the paperwork burden associated with the existing regulation. For example, institutions would no longer be required to prepare CRA statements and review them annually, document CRA matters in minutes of their boards of directors meetings, or document efforts in marketing and ascertaining the credit needs of their communities. It is important to recognize, however, that any CRA evaluation system that contains objective performance elements for lending will necessitate some collection and reporting of data. The agencies are trying to develop a balanced collection and reporting system that minimizes burden, provides us with necessary information to develop sound CRA assessments, and offers the public a reasonable basis on which to measure CRA performance.

Proposed Race and Gender Reporting Requirements

Your invitation letter asks for our comments on the proposed collection of race and gender data. Under the most recent proposal, the agencies sought comment on whether independent institutions with assets of $250 million or more, and institutions that are members of holding companies with $250 million or more in bank and thrift assets, should request that a small business or small farm borrower indicate the percentage of the business or farm owned by men and women, as well as the percentages owned by members of different ethnic and racial categories. The loan registers filed with the agencies would indicate whether an individual loan was to a business or farm that was more than 50 percent women-owned or more than 50 percent minority-owned. In its public file, the institution would disclose the number and amount of loans to minority- and women-owned small businesses and farms.

The collection of race and gender data was the most frequently addressed provision of the October 1994 proposal. The collection of the data was strongly advocated by community

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groups and some members of Congress. These commenters were particularly interested in the collection of the data to enhance the ability to detect discriminatory treatment of applicants and to support the fair lending component of the CRA assessment. In addition, some institutions indicated that the data would be a useful resource in self-assessing their lending practices and ensuring the nondiscriminatory treatment of loan applicants. The vast majority of banks and thrifts, however, opposed the provision due to the attendant collection costs.

The primary purpose of collecting race and gender data is for fair lending analysis. It is very difficult to determine whether a company's activities and policies are having an illegal discriminatory effect unless one can compare the treatment extended to one class of borrowers with that of another. In fact, this data would be a very useful tool for any institution to collect to ensure that its lending practices are not discriminatory. But today, with the exception of the residential mortgage loans, institutions are prohibited by federal regulation (Regulation B (12 CFR § 202)) from collecting such information.

I believe that the original intent behind this prohibition needs to be revisited. The general proscription exists to help assure that creditors do not take improper factors into account in their lending decisions. Under Regulation B, when a creditor is considering a nonresidential loan, the creditor may not request information on or consider the race or gender of the applicant. The intent of the regulation is to remove race or gender as a factor in whether or not to extend credit.

The experience with the HMDA data and analysis, however, suggests that the benefits of having race and gender data available for analysis may outweigh the risks of such data being misused. And the ability to identify and address illegal credit discrimination should not be limited to those institutions covered by the CRA. Consideration might also be given to removing the prohibition against the collection of race and gender data for any creditor.

Another issue is how any information collected should be used and to what extent it should be reported to the government and the public. There is a always a risk that the data will be subject to improper analysis and misinterpretation. Our experience with HMDA data and the popular misperceptions engendered by that data supports the view of the importance that the data be properly analyzed. We need to be careful not to discourage financial institutions from pursuing aggressive outreach and lending campaigns, which frequently

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attract an increased number of unqualified applicants whose eventual denials cause skewed lending patterns. It would be unfortunate if HMDA-like disclosure of these disparities and the resulting public scrutiny of them caused some institutions to abandon innovative strategies for marketing to small businesses.

Avoiding Credit Allocation

You ask whether the final regulation will result in credit allocation. A credit allocation scheme was not the intent of the drafters of the CRA statute, nor is it the intent of any of the federal banking agencies in our rule-writing efforts. We are working to develop a final regulation that focuses on actual performance. The use of criteria that take into consideration factors unique to an individual institution's circumstances will ensure that there is no one formula for achieving a certain rating.

Public Comments

The Subcommittee expressed an interest in the types of comments we have received and any efforts we have taken to address concerns. We have not yet reached agreement on all of the specifics of a final regulation at this time. Generally, the commenters appeared to prefer the second proposal over the existing regulation. As provided in more detail in our joint statement, the second proposal would broaden the scope of the lending, investment, and service tests by including a wider range of quantitative and qualitative criteria. Most commenters favored the better balance of objective and subjective measures in the second proposal.

In addition to reviewing comments received since the second proposal was published, OTS also field-tested the proposed rule through examinations of selected thrift institutions of various sizes and business strategies to get a better sense of how the second proposal might be applied in practice.

In the process of implementing any regulation, unforeseen circumstances may arise. Through these test examinations, we identified several potential implementation problems and will take steps to address them. For instance, we learned that the investment test described in the second proposal would have a negative effect on the overall ratings of thrifts. During the test examinations, we found that thrifts may be unfairly disadvantaged because of the

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limited investment authority provided federal savings associations under the Home Owners' Loan Act. We are exploring ways to incorporate into our CRA evaluation the limited investment authority of thrifts.

It also became clear to us that we need to revisit a requirement in the proposal that placed the primary burden of ascertaining community credit needs on the examiners rather than the industry. Clearly, institutions are in a better position to ascertain the credit needs of their communities. Finally, we uncovered various anomalies with the proposed definition of "service area" that might serve to disadvantage low- and moderate-income neighborhoods in specific cases.

Safe Harbors

One comment that we received from institutions was the desirability to grant institutions with a favorable CRA rating a safe harbor from protests on applications. As noted in our invitation letter, the Congress is considering various regulatory relief measures that include specific provisions that address aspects of the administration and coverage of the CRA. For example, H.R. 317, sponsored by Vice-Chairman McCollum, would provide institutions with CRA ratings of "satisfactory" or better a safe harbor from having an application denied on CRA grounds. The bill would permit agencies to remove the safe harbor if an institution's compliance with the CRA had "materially deteriorated."

Conceptually, I support the idea of providing meaningful incentives for institutions to achieve favorable CRA ratings. A safe harbor, as described in your question, is one frequently cited example of such an incentive. I would like to offer two observations about this particular safe harbor provision.

First, I am concerned that a safe harbor that includes institutions with satisfactory CRA ratings may not sufficiently encourage institutions to be aggressive and innovative in designing programs to serve their community. Pegging the applicability of the incentive at the satisfactory level may not encourage institutions to aspire to an outstanding level of performance. To truly encourage outstanding behavior from institutions, the Subcommittee might want to consider limiting the applicability of the safe harbor to institutions that receive an outstanding CRA rating.

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Second, during the public hearings we held as part of this reform effort, the safe harbor concept was raised repeatedly by industry representatives and consistently criticized by community group representatives. The general expression of criticism was grounded in widespread public belief that the CRA ratings assigned to institutions by the regulators do not accurately reflect performance. It, therefore, may make sense to revisit the issue of safe harbors after we have gained experience under the new performance-driven CRA assessment structure and have achieved a greater comfort level with assigned CRA ratings.

Conclusions

In conclusion, the final product of this rule-making effort should emphasize performance in lending, investments, and services and provide for the correct balance between qualitative and quantitative criteria. The final regulation must provide the public and the industry with a more credible and accurate vehicle for evaluating whether the purpose of the CRA -- to ensure that insured depository institutions are helping to meet the credit needs of their communities -- is being satisfied.

Several of your questions concern the need for CRA. I believe that CRA has acted as a catalyst in encouraging institutions to seek ways to alleviate the credit needs of poorer communities. It is equally clear, however, that CRA is not a panacea for solving the problems of this nation's communities. The better method for satisfying the credit needs of disadvantaged and underserved communities is to encourage community organizations, financial institutions, and the government to form partnerships and to work together. As mentioned earlier, only by such partnerships will meaningful community development occur.

Again, I would like to thank you, Madam Chairwoman, for your invitation and your interest in our reform efforts. I will be pleased to respond to any questions you may have.

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ORAL STATEMENT OF JONATHAN L. FIECHTER
ACTING DIRECTOR, OFFICE OF THRIFT SUPERVISION
U.S. DEPARTMENT OF THE TREASURY

Before the

SUBCOMMITTEE ON FINANCIAL INSTITUTIONS AND CONSUMER CREDIT
COMMITTEE ON BANKING AND FINANCIAL SERVICES
U.S. HOUSE OF REPRESENTATIVES

March 8, 1995

Madam Chairwoman and members of the Subcommittee, I appreciate your invitation to appear at today's hearing. My written testimony seeks to respond to your questions. In my remarks this morning, I would like to discuss one of the fundamental concerns of our CRA reform initiative: will the reform effort produce a regulation that addresses the problems with the existing regulation?

As you know, the four banking agencies have been striving to develop a revised CRA rule since the summer of 1993. In the public hearings we held, as well as in the two public comment periods, we heard many complaints about the existing CRA regulation and the manner in which it is administered. As your invitation letter points out, three of the most prevalent complaints were vagueness, subjectivity, and paperwork burden.

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The objectives of the CRA, while broad in nature, are generally understandable. Translating those objectives into clear and unambiguous standards, however, to be used as the basis for judging the community reinvestment performance of thousands of differently situated insured banks and thrifts, has been challenging.

The OTS has been guided by three principles during the rule-making process in an effort to help ensure that the final CRA regulation we produce will provide a better evaluation system than exists today.

First, the final regulation must evaluate performance with objective data. It must also allow for subjective adjustments based on differences in financial institutions and the communities they serve. Put simply, CRA will not work if we take a "cookie-cutter" approach.

A benefit of this country is the variety of different financial institutions, each responding to local economic conditions. These institutions can not be expected to fulfill their CRA responsibilities in exactly the same way. An institution in a small agricultural town faces a very different set of credit needs compared to an institution operating in the suburb of a large metropolitan area. The final regulation must both recognize these differences as well as encourage innovativeness and creativity. It must recognize that there are different ways for institutions to help meet local credit needs.

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Similarly, examiners charged with the responsibility for developing public CRA performance evaluations and ratings should not be held to a rigid and unrealistic set of regulatory provisions that frustrate their ability to go about their job. Instead, we must retain for our examiners a reasonable degree of flexibility in interpreting objective data.

Our second principle is that the final regulation should improve the ability of the industry and the public to evaluate CRA performance on their own. There should be few surprises as a consequence of compliance exams. The existing regulation -- which may be overly subjective -- created the perception of inconsistent evaluations of similarly-situated institutions, and wide differences in perception among institutions and community groups over performance.

This CRA rule-making process has been truly evolutionary. Our first proposal was highly objective in nature, in response to the large volume of public criticism we received over the subjective application of the existing regulation. But the solution to this problem, which we described in our December 93 proposal, was criticized for being too objective and rigid.

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Our more recent proposal sought to achieve a better balance of objective criteria and regulatory flexibility. It is my hope that the final regulation will strike the appropriate balance between subjective and objective evaluation factors. We must make it easier for the industry and the public to predict performance levels while avoiding the pitfalls of a one-shoe-fits-all approach.

Our third principle is that the final regulation should be presented in a clear manner. In our initial effort to address a myriad of conflicting objectives, we may have unwittingly added a degree of complexity that obscured our message. Clarity in presentation of the regulation eliminates guesswork and provides the industry, our examiners, and the public with an understood set of ground-rules.

The most common complaint with the existing regulation is that it focuses too heavily on documentation of efforts and too little on actual performance. The result was that we may have rewarded institutions that maintained extensively documented files and loose-leaf notebooks, while not giving sufficient credit to institutions with creative and successful lending programs.

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We have been mindful of this throughout our rule-writing process. Both proposals eliminate much of the paperwork burden associated with the existing regulation. For example, institutions would no longer be required to prepare CRA statements and review them annually, document CRA matters in minutes of their boards of directors meetings, or document efforts in marketing and ascertaining the credit needs of their communities.

It is important to recognize, however, that any CRA evaluation system that contains objective performance elements for lending will necessitate some collection of data. The agencies are trying to develop a balanced collection and reporting system that minimizes burden, provides us with necessary information to develop sound CRA assessments, and offers the public a reasonable basis on which to measure CRA performance.

To help ensure that the final regulation addresses the problems in the existing regulation, the OTS has conducted test examinations of selected thrift institutions. These test exams were conducted on thrifts of various sizes and business strategies to obtain a better sense of how the second proposal might be applied in practice.

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Through these test exams, we identified several potential implementation problems and are taking steps to address them. For example, we discovered that thrifts may be unfairly disadvantaged under the investment test because of the limited investment authority provided federal savings associations under the Home Owners' Loan Act.

Questions were also raised about the proposal to shift the primary burden of ascertaining community credits from the industry to agency staff. While our intent was to reduce burden on the industry, institutions responded that they are in a far better position to discern their communities' credit needs than the regulatory agencies.

While I believe we can develop a regulation that will produce a performance-based system, any final regulation will not be, and should not be, viewed as a panacea for solving the problems of the nation's communities. I believe CRA has served as a catalyst by encouraging institutions to pursue methods for alleviating the credit needs of poorer communities.

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The nature and depth of the nation's community development problems, however, go beyond the abilities of banks and thrifts to solve on their own. A better way to address the credit needs of communities is to encourage partnerships of communities, financial institutions, and the government. No one party -- or industry -- can energize economic growth and the revitalization of our neighborhoods on their own. Our rules must support such cooperative efforts.

Again, Madam Chairwoman, I would like to thank your for your invitation and your interest in our reform efforts. I will be pleased to respond to any questions you may have.

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For release on delivery
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March 8, 1995

Statement by

Lawrence B. Lindsey

Member, Board of Governors of the Federal Reserve System

before the

Subcommittee on Financial Institutions and Consumer Credit
of the

Committee on Banking and Financial Services

U.S. House of Representatives

March 8, 1995

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Madam Chairwoman, I appreciate the opportunity to provide the Federal Reserve's perspectives on the status of the Community Reinvestment Act (CRA), and our efforts to reform our system for assessing CRA performance. Although the agencies have submitted a joint statement, which I believe lays out in fair and comprehensive form the history and status of our CRA efforts, I would like to take some time to emphasize a few additional points.

First, let me say that the Federal Reserve Board fully supports this effort to reform our CRA regulations. It is, as a rule, advisable to take a close look at regulations periodically and CRA was overdue for such a look, even absent the President's prompting of July 15, 1993. During the past 20 months, I have been the Board's representative in the interagency process. This has involved not only formal meetings and hearings, but also informal trips around the country to see how CRA is actually working in practice. Our efforts to date have been an exhaustive -- and at times exhausting -- process of finding an appropriate balance among the sometimes conflicting objectives of CRA.

It is no secret that CRA reform has involved a longer process than any of us wanted. But I believe that the issue before us is too important to rush. The nature of the law itself and the resulting plethora of tough issues that confront the agencies have posed many challenges -- some foreseen , others not. I believe that the time we have spent on this project will, in the long run, prove to be time well spent. We do no one any favors if we institute a set of regulations which are unworkable

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in the field or produce bizarre anomalies as they are applied to the many and diverse markets with which we are dealing. Further, we will not be aiding the process of extending credit in traditionally underserved markets if we adopt regulations that cannot stand the test of time and do not have broad support and acceptance by those involved in the process. In particular, we will be doing more harm than good if we treat CRA as anything other than a way of developing and extending profitable market opportunities for financial institutions.

In my statement for the Board, I would like to focus on several reasons why the process has been so difficult and taken so long. In so doing, I also would like to explore some of what I believe are the misunderstandings about CRA, including assertions that the CRA process as presently constituted has had so little impact and is so unworkable that it requires radical revamping. Finally, I would like to outline some of the key principles the Federal Reserve believes should be reflected in any CRA reform.

CRA Difficulties

Some of the central issues with which the agencies are now dealing, in fact, have been well known from the beginning. In part, that's because those issues derive from the unusual content and structure of the law itself, and have plagued the CRA implementation process in varying degrees ever since the act was passed in 1977. There are, in short, inherent, unavoidable

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contradictions in any scheme to administer CRA. Moreover, the agencies have been charged with developing that process with a minimum of Congressional guidance.

In the absence of very much legislative direction, the agencies have been asked to:

- o develop clearer, more objective criteria or standards for measuring CRA performance, but without forcing institutions to engage in governmentally mandated or sanctioned credit allocation activity or compromise the safety and soundness of insured institutions.
- o assemble sufficient information about the needs of communities and bank activities to enable the agencies and the public to determine whether performance standards have been met, while minimizing compliance burden on the institutions, and protecting the confidentiality of the financial situation of the bank's customers.
- o ensure consistency in CRA evaluations while maintaining enough flexibility and judgement to consider fairly vast differences among banks in size, capacity, business strategies, and product mix, and the diversity of communities in terms of their size, economic condition, programs and resources.

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These goals are often contradictory. All of these core issues involve important matters of public policy, and difficult trade-offs. Let me briefly elaborate on the inherently contradictory nature of these objectives. Consistency and objectivity are laudable goals. But, to be implemented in a regulatory scheme, they require both a set of statistical data and a formulaic basis for evaluating those data. The more rigid the formulas which are applied, the greater the consistency, but the lower the variety of outcomes and allowance for local circumstances which is permitted.

Some may argue that a sufficiently detailed set of data and complex set of formulas will permit regulators to capture the variety of local circumstances which exists. Ultimately such quantifiable evaluations could be applied to individual loan decisions. Such an approach is now a risk in such areas as fair lending, for example. But, given the public nature of the CRA disclosure process, such detailed data collection and reporting involves a degree of intrusion into the affairs of a bank's customers that we have tended, in this country, to find objectionable. Carried to its logical conclusion, such a process would tend to replace examiner judgment and personal evaluations of character and creditworthiness with evaluations based solely on quantifiable criteria. In my view, while such an approach may seem superficially fairer than the current system, it might ultimately reduce economic opportunity and might prove

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counterproductive in aiding traditionally underserved populations.

In addition, given the complexity and diversity of our financial system and the markets it serves, one may suspect whether any nationally imposed set of formulas on performance, no matter how sophisticated, could ever be made to work. As a result, subjectivity and some degree of inconsistency and attendant unfairness will be inherent in any CRA enforcement process we develop.

I believe that my colleagues and I have confronted these issues head-on and are evolving a set of rules that balances the maximum amount of flexibility in implementation with the spirit of objectivity and consistency in CRA enforcement which the President called for. However, getting to that point has not been easy.

Nature of the Law

As our joint statement indicates, CRA is indeed a highly unusual law. At first glance, CRA's mandate to us as a regulatory agency appears fairly simple. Under CRA, we have four primary duties: to encourage banks to help meet the credit needs of their communities, including low- and moderate-income areas; to assess bank records of performance through examinations; to produce publicly available evaluations of bank CRA performance; and to take their records of performance under CRA into account when evaluating proposals for expansion.

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Note that all of these requirements are for regulatory action. Although CRA says that we are to encourage banks to help meet community credit needs, the act does not require any specific bank actions. The CRA reminds banks and thrifts about their charter obligations, but does not specifically define them in a way that would provide guidance on reinvestment questions. The act also says that banks should "help" meet community credit needs, but does not specify what kind of help, or how much help, is necessary or appropriate.

Further, in calling on the supervisory agencies to assess bank performance, the act does not tell us or the banks what good CRA performance is, or what types of specific measures the regulators might use to define good performance. The CRA also requires the agencies to consider an institution's CRA performance when reviewing its applications involving depository facilities, but leaves to the agencies the task of determining what the consequences of poor CRA performance will be and when and how those consequences should be applied.

Even on relatively simple, but important matters, such as what constitutes an institution's community, whether "services" should be included in the concept of helping meet credit needs, whether banks should be judged on credit extended to low- and moderate-income persons, or only to borrowers in low- and moderate-income neighborhoods, the act provides little help to regulators, bankers or community representatives.

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In the absence of guidance on principles, standards, or definitions in the CRA, the agencies have been forced to attempt to add much more substance through regulation than is usual for the agencies, to an extent that may be unique for financial regulators. And as this committee knows, the public policy process requires consideration of highly divergent views and interests in an attempt to strike a compromise acceptable to affected parties. This is not a comfortable role for the agencies.

It is not my purpose to suggest that Congress should rewrite the law to clarify its intent. I am simply attempting to describe the circumstance in which we've found ourselves, and indicate that this too, has contributed to the difficulty of the reform process. Moreover, there are other factors that have complicated the task.

Public Scrutiny and Involvement

Although it is extremely vague, CRA is unusual in quite another way. Virtually every other banking law and regulation involves two primary parties--the agency and the bank. The CRA, however, compels the agencies to look beyond the bank itself and assess the role the bank plays in its community. While supervision of the safety and soundness of financial institutions involves us in a primarily two-way conversation with the bank about its policies, practices, and financial condition, CRA

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brings a third-party to the table--the bank's community or the public at large.

As the members of this Committee are well aware, the "public" is a large and amorphous group of diverse interests. Often, the voice of the public is interpreted as belonging to the individual or group that can marshall the greatest communication skills. Thus, even a theoretical three-way conversation about CRA among the agencies, banks, and the public, is in practice hard to hold, and often can be quite contentious.

One of the reasons for the increasingly contentious nature of the discussion is that CRA has become much more prominent and important to the involved parties. Public disclosure of CRA evaluations, which began a few years ago as a result of amendments to the Act, has focused greater attention on this issue. More than ever, the CRA performance of financial institutions is being discussed in the press and media, and virtually every group or association with a constituency focused on housing and community development has demonstrated some interest in CRA over the last few years. On the local level, elected officials, trade unions, church groups, and civil rights groups have become active in CRA protests. In those instances where governmental dollars for economic development have dwindled, communities have often turned attention to the private sector and the prospect that CRA will be a strong encouragement to private financial institutions to assume a more direct role in revitalization.

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Much of this public interest is based on a realistic understanding of what CRA says and how private financial institutions work. But some is not. Public pressure, at times, has brought needed correction to insensitive or recalcitrant institutions. At other times, the ability to threaten adverse publicity and delay has no doubt led to abuses in demands from particular special interest groups claiming to represent the public.

The CRA also has become increasingly important to the management of financial institutions. Many now recognize that in an era of growing competition, CRA performance may be critical to an institution's ability to adjust to the new banking environment. CRA-related activities can help develop new markets, potentially profitable business, and improve a bank's public image. Also, bankers, and even some bank analysts, now recognize that cleaning up the deficient CRA record of an institution, both before and after consummation of a merger or acquisition, can be a costly process.

Consequently, for both the public and financial institutions, concerns about CRA performance have intensified. This has produced a commonality of interest in clarifying standards. However, views about the appropriateness of the law, the attributes of good CRA performance and the effectiveness of the supervisory agencies have become increasingly divergent.

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__Evolving Views__

Some may think that the current reform effort is simply directed at correcting the administration of the law to return to what it should have been from the inception of CRA in 1977. But this may be too limited a view. In fact, given the increasing intensity of interest in CRA over the years from all sides, the expectations about the CRA performance of banks have evolved considerably.

In CRA's early years, a commonly held view was that CRA's essential purpose was geographic in nature: to help ensure that banks would not ignore the needs of low- and moderate-income areas in their communities. Today, however, there is a widely held view among community groups that banks can, and should, do more. This may involve aggressive outreach, the use of new marketing tools, and the evolution of new loan products designed to increase loan approvals to low- and moderate-income borrowers.

The current emphasis is not on simply assuring that segments of communities are not ignored, but on dynamic, affirmative efforts. As a result, even institutions that have demonstrably increased mortgage and other credit extensions in lower-income areas, and expanded their participation in community development, are not infrequently criticized for failure to do more. I might add that we regulators have, to a substantial degree, concurred with the evolution in thinking in this area. Our expectations of what banks should be expected to do to comply

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with CRA are much more aggressive than they were ten or fifteen years ago.

CRA Complaints

Not surprisingly, along with these rising expectations, many in the banking community have come to view agency CRA efforts as increasingly burdensome and unfair. These views have intensified even as the agencies have taken explicit steps to reduce burden, especially for small banks.

At the same time, community and consumer groups often view agency efforts as weak and have suggested a number of changes, including new disclosure provisions, to help ensure that banks and supervisory agencies approach their CRA responsibilities effectively. Further, community groups say the CRA ratings are much too high and they contend that the banking agencies are much too lenient. They point to the fact that over 90 percent of the institutions do get a satisfactory or better rating.

Both bankers and community representatives have alleged that the evaluations of the agencies are not equally comprehensive, and that the CRA ratings assigned are not always the same for banks that appear to have similar performance. And both bankers and community groups continue to charge that the agencies appear more interested in ensuring that institutions

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have the appropriate CRA procedures and paperwork, than actual lending programs in their communities.

All of these frustrations are real, but as I've tried to indicate they are probably natural products of the CRA law itself as well as the 1990's view of CRA, which is quite different from its modest beginnings in 1977.

Although the complaints about CRA are real, to some extent I believe many are based on misunderstandings. First, I want to note here that the Board is not particularly disturbed by the ratings distribution for state member banks which are virtually identical to those of other regulators. Yes, over 90 percent do pass. But CRA ratings are not, and frankly for several reasons should not be, as some have suggested, the result of "grading on a curve."

I do not mean to say that the Board or the other agencies have been infallible in assigning ratings. But at the Board, we have put tremendous resources behind intensive examiner training on CRA, fair lending, and other related issues. A great deal of time and effort also have been spent, especially over the last three years, in reviewing CRA evaluations to ensure that they reflect what we believe are fair outcomes and are as comprehensive and consistent as we can make them.

Moreover, through our Community Affairs programs at Reserve banks, the Federal Reserve System has developed or sponsored over the last five years over 650 educational conferences, seminars and workshops for bankers and others on CRA

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and the types of community development lending and investment programs available to help them respond to community credit needs. We believe these programs--attended by thousands of bankers--have had a positive effect.

Finally, we have been examining each state member bank for CRA performance once every 18 months to two years for over 16 years. The cumulative effect of our training, educational programs and examinations, I believe, makes it highly likely that most banks generally understand their CRA obligaticns and should know what needs to be done to achieve adequate performance.

And frankly, our goal--the goal of CRA, I believe--is to encourage all institutions to have, in substance, good, or outstanding CRA programs. Just as we would not entertain the notion that bank CAMEL ratings should somehow be proportional--meaning that at least a certain number of banks should, a priori, fail their safety and soundness examinations--we do not believe this should be assumed for bank CRA performance ratings. Just as we try to help banks with financial problems to solve them and return to safe and sound operations, we also have been helping banks with CRA problems to improve their programs. CRA evaluations are certainly not grading on a curve. We believe that all banks could be outstanding, if they chose to be.

The regulatory burden of CRA may have been overstated somewhat by the industry. Most of the more vigorous complaints about regulatory burden come from community bankers who understandably remain concerned and pressed by the cumulative

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effects of all of the consumer laws and regulations passed over the last 25 years in addition to CRA. Cumulatively, these regulations have been costly to all institutions, and certainly have fallen disproportionately on smaller banks. Given CRA's vague prescriptions and the uncertainty of the examination process, CRA may have become a stalking horse for frustration with regulatory costs in general.

My point is that I think some caution is called for in assessing the extent of CRA's burden, and its purported enforcement.

CRA'S Impact

Despite CRA's lack of clarity and the criticisms of CRA from all quarters, I believe that CRA has had a significant impact on the availability of credit in low- and moderate-income areas. In fact, I fear that the focus on the imperfections of CRA--many of them probably unavoidable--has misdirected the public debate. Far too much emphasis has probably been placed on the problems of CRA, rather than its strengths. Here is a government program that has entailed little bureaucracy, great local autonomy, and virtually no federal tax dollars to administer. Yet its impact on communities can probably be measured in billions of dollars in community and economic development activity, benefitting the most distressed parts of communities.

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CRA has helped stimulate loans for home mortgages, housing construction and rehabilitation, and small and minority business development in low- and moderate-income communities. Banks and thrifts have made tremendous strides to explore new loan underwriting standards to better accommodate the circumstances of lower-income borrowers without sacrificing safe and sound lending principles. The HMDA data for 1992 and 1993 show encouraging signs that the greatest percentage of growth in home mortgages is to low-income and minority borrowers.

More banks and thrifts are seeking and participating in public/private partnerships in both urban and rural communities than ever before. A growing number of bank-led community development corporations or multi-bank lending consortia are supporting home ownership, small business development and other projects benefitting low- and moderate-income areas. Moreover, all this has been accomplished with no significant adverse effect on safety and soundness. And though as I've said we support this reform effort, the record suggests that we want to be very cautious in avoiding unintended consequences from any proposed changes in CRA.

Federal Reserve Principles for CRA Reform

Finally, Madam Chairwoman, let me be clear about the Federal Reserve's position on a number of issues related to CRA and the reform process. First, as indicated, in our view, CRA has had a beneficial effect on many communities and institutions.

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On balance, we believe that the law is worthy of being maintained, provided it is administered in a sensible fashion.

Second, one of the major risks in the reform process is that changes we may make to CRA's regulations could result in unintended and unwarranted credit allocation. I want to emphasize that the Board is very concerned about this prospect. Let me assure this committee that the Federal Reserve has no wish to produce a regulatory scheme that would result in governmentally imposed credit allocation driven from Washington. But despite our best intentions, this is an undeniable risk. One of the strengths of CRA that we should take special care to preserve is its flexibility and responsiveness to local conditions. Under any scheme, banks should still be able to determine how best to serve the needs of their communities. We must not substitute the judgment of the agencies for the judgement of the banks. I do not believe that any other alternative would be acceptable to the Board, and we will not endorse any reform approach--no matter how well intentioned--that violates this principle.

Third, we must be very cautious in attempting any revision of the regulations, given the uncertainties involved in how an entirely new set of regulations will actually affect bank behavior. I am particularly concerned about the unintended consequences of regulation which may actually harm existing minority owned or oriented financial institutions, or undermine the efforts of small community based banks or non-profit institutions, or cause banks to leave markets or avoid

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experimentation due to a fear of increased risk. Wholesale or radical change invariably ends up as counterproductive. Underserved markets do not need alternating periods of extreme policy activism followed by extreme neglect. They require steady, moderate, predictable, and workable efforts.

In that regard, I would emphasize that the Board historically has endeavored to steer a steady course on CRA, adopting modest changes in policy to respond reasonably to new conditions and expectations, but avoiding radical changes that could have unfortunate consequences. We believe that approach has been the correct one.

Fourth, any pursuit of more objectivity in the rating scheme must be tempered with a recognition of the potential adverse consequences of any mechanical system that doesn't allow considerable agency judgment. I think that was brought home clearly in the responses by many in the banking industry to the first reform proposal, which proposed a formulaic market share test as the primary element in a rating system. There were just too many unforeseen problems with the concept.

Fifth, any reform structure must recognize the uniqueness of small institutions and the disproportionate burden they bear from any regulation, CRA or otherwise. I believe that any final proposal will accommodate a streamlined examination for smaller banks, though it will not exempt them from their CRA obligations.

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Sixth, any increased data reporting must be justified. It is important to bear in mind that the primary cost of detailed data reporting is not borne by the banks, but by their customers. The detailed reporting of individual loans now required under HMDA, for example, means that applicants' incomes and other sensitive pieces of information, are placed in the public domain. While Congress has determined that the benefits of such reporting outweigh the costs in that particular instance, the assumption that further detailed reporting is necessarily beneficial should be carefully scrutinized.

Seventh, while we can understand the desire to develop additional incentives for good CRA performance, discussion of a variety of safe harbor proposals over the years has generally provided protection to too many institutions whose performance may be barely satisfactory and too few when limited to only those rated "outstanding." One solution the Congress may want to consider is to establish a new rating category of "strong satisfactory" and focus some benefits to institutions at that level or higher.

Finally, we believe it especially important that the commitment to safety and soundness be maintained. Community reinvestment must be economically sound and ultimately engender adequate rates of profitability, if it is to be sustained. If CRA is to work over the long term, economic sense, not shifting views about CRA obligations, must be the driving force. Giving money away is not what CRA is or should be about, and while some

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flexibility in loan terms may at times be appropriate, we do not support anything other than safe, sound and profitable lending.

Conclusion

The CRA reform process has been very arduous and difficult, and certainly has taken longer than desired. But I believe that the Board, along with the other agencies, has made a good faith effort to adhere to the President's request. The Board has devoted a tremendous amount of time and energy, as have the Reserve Banks, to the reform process.

Our work is not done, however, and we welcome this committee's interest in this process. Our task is to develop a CRA regulation and evaluation process that is superior to the one now in place, but one that will not have adverse long-term consequences. I can assure you of the Federal Reserve's commitment to this goal.

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REPEAL the Community Reinvestment Act!

Testimony

by

William A. Niskanen

Chairman

The Cato Institute

Subcommittee on Financial Institutions and Consumer Credit

House Committee on Banking and Financial Services

8 March 1995

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Madam chairwomen and members of the subcommittee:

The Community Reinvestment Act should be repealed--not reformed or restricted but repealed! For no conceivable set of regulations on a bank is consistent with the objective of the Act to meet "the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of such institution."

In general, current regulations require banks to demonstrate that they are reaching out to all segments of the local credit market in a safe and sound manner. The criteria for a satisfactory rating are subjective and somewhat arbitrary but, as a rule, compliance is not extraordinarily burdensome. The primary effect of the current regulations is to increase the cost of operation, especially for small banks and in low income ares, without any significant effect on the allocation of new credit.

So far, banks have not been required to meet objective targets for loans in specific neighborhoods or to specific groups. The regulations proposed in December 1993, however, would have established a standard that small banks make loans in a community at least equal to 60 percent of the deposits from that community. There were several serious problems with is proposed regulation:

- The CRA does not provide statutory authority for a loan-to-deposit test.
- For a given supply of deposits, this regulation would have reallocated loans from communities with a high

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demand for loans to communities with a lower demand--misallocating credit over space and reducing the safety of the banking system.

- The more likely consequence of this regulation is that banks would have run off deposits in areas of low loan demand, probably by reducing deposit rates or closing branches--an unintended effect that is wholly contrary to the objective of the CRA.

Fortunately, after 6,700 mostly negative comments, the regulations proposed in December 1993 were withdrawn.

Unfortunately, the regulations proposed in September 1994 are even worse. Let me count the ways:

- The "assessment context" provision would create the framework for pervasive credit allocation to politically favored groups. The regulatory agencies would evaluate a bank's CRA performance in terms of a regulator's perception of the overall credit and service needs of a community and the performance of other lenders. The 60 percent loan-to-deposit ratio has been dropped, but the regulators would have the authority to set a higher ratio in specific cases. This provision would be the genesis of massive micromanagement by the regulators and massive paperwork by the banks.
- The proposed regulation would override any concern about bank soundness. The regulations proposed in

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December 1993 had included statements that banks are not expected to make loans that are expected to result in losses, to expand their branching network, or to operate facilities at a loss. These protections are not included in the proposed new regulations.

- Banks should not be required to collect data on the race and gender of the owners of small firms that make loan applications. The CRA does not provide authority for any regulatory decisions based on such data, and the potential use of these data is not defined in the proposed regulations. The potential for abuse in the use of these data is also substantial.

The above comparisons should be sufficient to illustrate why the Community Reinvestment Act should be repealed. Current regulations are only moderately costly but are otherwise innocuous. The proposed new regulations would be very costly to the economy, to the banking system, and to the communities they serve. Congress should be most critical of proposals to use regulatory powers to reallocate credit, either across neighborhoods or among groups. The primary long term effect of such measures would be to further contract the banking system, increasing the number of neighborhoods dependent on check cashing outlets and pawnshops.

The Community Reinvestment Act was the wrong solution to a genuine problem, for the most part created by other government regulations. Until recently, federal restrictions on interstate

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banking and state restrictions on intrastate branching severely restricted bank competition in local markets and the potential for geographic diversity of loan portfolios. These restrictions have been substantially reduced, promising a more competitive banking system that is more responsive to the interests of both depositors and borrowers and less vulnerable to adverse economic conditions in specific regions. Another effect of considerable importance: competition among banks is also the best discipline on discrimination among loan applicants on any basis other than credit risk.

Don't try to fix the Community Reinvestment Act. It can't be done. Repeal it.

Thank you.

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Testimony of

Lucy H. Griffin

on the

Community Reinvestment Act

before the

Subcommittee on Financial Institutions and Consumer Credit of the House Committee on Banking and Financial Services

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Testimony of
Lucy H. Griffin

before the

Subcommittee on Financial Institutions and Consumer Credit
of the
House Committee on Banking and Financial Services

March 8, 1995

The Community Reinvestment Act has imposed an unintended and massive burden on the banking industry. The extent of CRA compliance burden varies based on the size, location, and effort level of the institution. However, certain factors are consistently components of this burden.

Consistency of interpretation is a persistent problem. Banks and thrifts cope with inconsistent interpretations and actions between agencies, between regional offices of the same agency, and between examiners. There is no certainty for banks facing a CRA examination or filing an application. A bank's carefully developed business plan for growth or expansion can disappear in the time it takes to file a protest.

Second, inconsistencies in the skill level of examiners contribute to the inconsistency of interpretation. As examiners struggle with applying CRA in examinations, they create new interpretations and new requirements which spread to other examiners, other offices, and from agency to agency.

Third, banks must maintain a fine balance to manage the constant tension between CRA and safety and soundness. Many banks have committed high levels of time and resources to develop skills needed to run an effective CRA program and to make "CRA loans." Safety and soundness examiners may criticize these loans because they deviate from standard and familiar underwriting practices.

Documentation, originally introduced as a technique for measuring and proving success, has grown to be the largest component of the CRA regulatory burden.

Enforcement of fair lending laws, now being interpreted in conjunction with CRA, is driving banks to identify and compete for new markets among groups that have never had any banking relationship. The unfamiliarity of these customers with banking practices and financial terminology often results in confusion. Banks find it necessary to provide counseling and education for these new customers. They also need to maintain documentation, not only for self-protection but to ensure that the customer's requests are recorded and understood.

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In the effort to increase services to low- and moderate-income communities, banks are increasingly affected by criticism for services provided to high income customers unless they can demonstrate some quantifiable balance with efforts to serve low- and moderate-income customers. Concerns about fair lending interpretations and enforcement have complicated this.

In addition to the inconsistencies in examinations that produce burden, there are aspects of CRA examinations that result in misleading comparisons between banks. First, the agencies do not have the capacity to examine the CRA performance of large banks in every community in which they are located. However, each independent bank is examined for CRA. The result is that a community bank in a small community is looked at differently and held to a different standard than the branch office -- located across the street -- of a large regional bank. In fact, the branch office of the larger bank may not be examined for CRA at all.

Second, in the interstate banking context, small banks are held to a higher standard -- in their local community -- while the competing branch of a regional bank is not held to any CRA standard by itself. Many community banks fear that these branches of interstate banks may actually take money out of the community to support CRA efforts in locations which are examined. The resulting disinvestment would leave the community bank bearing the full burden of supporting its community's economy. The current CRA examination system would not identify and prevent this activity.

Finally, banks do business in different markets. In some cases, they use specialization to target and compete effectively in certain aspects of overlapping markets. Imposing a rule that tries to compare a bank that does business in cities A and B with a bank that does business in cities B and C cannot have clear results. In fact, the comparison may be totally inappropriate.

Efforts to develop techniques to compare banks may have the unfortunate result of causing all banks to be the same. CRA is at its best when it is a forward-looking, flexible and dynamic process. Unfortunately, the "enforcement" process has forced many banks to commit resources to non-productive and burdensome proof of compliance. In effect, it forces the bank to concentrate on form rather than substance -- making loans. CRA can stagnate in the process. Some of the solutions to these problems may be found by looking to the original purpose of CRA.

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1. *Is CRA fulfilling its original purpose of ensuring that banks and thrifts are meeting the credit needs of their entire community including low- and moderate-income neighborhoods? If not, what steps need to be taken to improve compliance?*

CRA requires each bank to help meet the credit needs of its community. To do this, the bank must be familiar with its community, identify credit needs that the bank can support, and tailor services and products to its particular community.

In order to evaluate the success of a bank in carrying out this process, the evaluator must take into account not only the actions of the bank but also put them in the context of the bank's unique community. This process by its very nature defies standardization, but standardization is the key tool for regulatory examinations.

Standardization, whether it is a list of performance expectations and approved activities, or the steps and criteria used to measure compliance, defeats the purpose of CRA. Standardization, by definition, fails to take into account the very differences that CRA is intended to promote. Standardization involves an assumption of sameness.

Standardization is also a significant source of burden. Much of the compliance burden is the result of having to do something in a specific way and having to do so correctly, with attention to the smallest detail. This is true not only for CRA, but for compliance requirements such as Truth in Lending, Truth in Savings, and Real Estate Settlement Procedures.

It is an irony of CRA that standardization actually creates confusion. Often a standard rule or procedure doesn't work in different settings.

For example, CRA enforcement focuses on the amount of lending that takes place in "low income geographies." A whole science of "geoanalysis" has been developed -- and continues to develop -- to measure the extent to which banks are lending in low income and moderate income census tracts.

However, there are many communities, primarily non-urban and rural, that do not have economically segregated living patterns. The low- and moderate-income residents of these communities live side by side with the higher income residents. Geoanalysis, designed for urban settings, simply doesn't work in these communities. It doesn't find the low- and moderate income residents. In fact, they tend to disappear in the statistics. However, banks and thrifts doing business in these communities must conduct geoanalysis simply to satisfy the regulatory standard. Simply put, the process is a waste of resources.

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Standardization is the only readily available tool for the regulatory agencies to use for CRA evaluations under the current system of examinations. Solutions to this may lie in either increased skills for examiners, or a return to the original use of CRA: taking into account a bank's performance when considering an application.

CRA was originally meant to "encourage" banks and thrifts to help meet the credit needs in their community and thus provide an essential component to a healthy local economy. However, as carried out, many banks and thrifts find that the supervisory review of CRA has become focused on enforcement. This should hardly be an unexpected result: the procedures and techniques available to the bank regulatory agencies are specifically designed for enforcement, not for encouragement.

CRA also contemplated a process involving three key participants: the bank or thrift, the regulatory agency, and the community. The process requires the regulatory agency to take into account the bank's or thrift's record of helping to meet community credit needs. In conducting examinations and in considering the application, the regulatory agency considers input from the community itself as a means of ensuring that the bank has effectively and correctly identified community credit needs.

Community input is central to the CRA process. The regulations specify several points at which banks and thrifts should seek, accept, and respond to community input. They are required to initiate contacts with community organizations and individuals, to take and respond to requests or suggestions for community investment products and services, and to respond to any complaints filed with the institution. The adequacy of these responses is reviewed in each examination.

In addition to this ongoing input, members of the community may protest an application and raise concerns about the institution's actual practice of helping to meet community credit needs and responding to requests and suggestions from the community. In theory, the protest should be an effort of last resort by the community organization. In reality, few protests are the culmination of any documented effort to work with the bank or thrift. The protest is often the first contact initiated by the community group.

The act ensures that groups have the ability to protest applications, but does not impose any obligation to attempt to raise their concerns with a bank before an application is filed. Because of this, there is no procedural protection for banks and thrifts that have worked actively to identify and meet community credit needs. When a bank files an application, it cannot rely on its rating to predict whether the application will be delayed by CRA considerations.

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To remedy this, the regulatory agencies should be authorized to take into account the efforts made by any protesting group to work with the bank prior to the application. The agencies should be directed to consider negatively the fact that a group has not previously made efforts to bring concerns to the attention of the bank.

2. *Does the CRA overlap or conflict with other existing equal credit and fair housing laws?*

Each separate piece of compliance legislation and its related regulations are adopted in a specific context to resolve a specific concern or set of concerns. Legislation is usually considered a context that is isolated from related practices and concerns. As a result, compliance requirements do not always work effectively as an integrated whole. The result can be "duelling regulations."

For example, the Home Mortgage Disclosure Act (HMDA) and its implementing Regulation C require reporting of all applications together with characteristics of the applicant, the location of the subject property, and the disposition of the application.

Many of the lenders subject to HMDA initiate applications and submit them to secondary market purchasers for approval. To prevent double reporting, the regulation provides that in this situation, the secondary market purchaser making the decision should report both the approvals and the denials.

To support the goals of fair lending and CRA, many of these institutions bring back the applications denied by the secondary market and review them to determine whether they can make the loan and retain it in the bank's portfolio. Typically, for every 100 of these second reviews, the bank will be able to make a loan to only three or four of the applicants.

However, because the bank is considering this application in a new context, the bank must now report its decision on each of the applications reviewed in this manner. It cannot report only the approvals. The resulting denial rates reported under HMDA are staggering. Banks and thrifts need to decide whether to take this risk of exposure under HMDA, or cancel the review program for these loans.

The result is a report of denials that, as a practical matter, is artificially inflated. The fact is that the applicant asked for credit only once at that lender's office. However, because of the second review procedure and the reporting rules for loans that are sold, the application gets counted twice.

But this type of second reviews has ramifications beyond HMDA. Under the Equal Credit Opportunity Act and its implementing

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Regulation B, creditors are required to notify each applicant of the action taken. When the creditor gives a second review to this already denied application, it may need to give a second adverse action notice to the applicant.

Regulation B also sets constraints on the type of credit help, such as counselling, that banks and thrifts can offer to applicants. Regulation B requires the creditor to make a decision and send a notification within 30 days of receiving an application. It also requires creditors to act promptly on applications it receives. To comply with the timing and notification rules, credit counseling must be offered outside the context of applications.

Both ECOA and the Fair Housing Act prohibit prescreening on a prohibited basis. Credit counseling can look very similar to prescreening, particularly when an individual being counseled has a great deal to do before qualifying for credit. Examiners tend to scrutinize credit counseling programs closely because of the possibilities of prescreening. For banks and thrifts, the consequences of failing this scrutiny are substantial. Findings of a possible pattern and practice of discrimination must be referred to the Department of Justice and are also reflected in the institution's CRA rating.

Another example of "duelling regulations" occurs under the Real Estate Settlement Procedures Act (RESPA). RESPA prohibits the payment of fees and kickbacks in certain real estate transactions. HUD's Regulation X makes clear that under RESPA, a referral by itself has no value. Fees may only be charged and paid at a fair market value for actual services performed.

However, to carry out CRA lending obligations, banks and thrifts need to be able to develop avenues for finding borrowers and attracting those borrowers to the bank. Some community groups have offered to refer applicants to the institutions, but would impose a fee -- for example, $500.00 -- for the referral itself. These fees would violate RESPA. As a result, the potential for improving activities under CRA is cut off by another law.

Small banks doing business in small communities find that the restrictions on lending to insiders can also restrict the ability of the bank to develop and carry out programs. For example, directors of the bank may be among the few people qualified to develop affordable housing projects and to deal with obstacles to development projects such as zoning laws. However, to the extent that the director would need financing for the project, the bank may be limited by restrictions on lending to insiders.

In addition, the bank's relationship with the director would be a controlled business relationship under RESPA. Thus, the director could be prohibited from referring purchasers to the very bank that inspired the project.

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The agencies should be authorized to identify these regulatory conflicts and create exemptions that support the purposes of the laws involved.

Fair lending enforcement complicates the CRA process. As a result of recent actions by the Department of Justice, banks and thrifts must consider the community-wide impact of each product, each advertisement, and each expansion or acquisition decision. Its CRA program must look not only at income levels and related credit needs, but then analyze the impact of the program on different groups. This necessary analysis adds to the already cumbersome documentation generated by CRA.

3. *Would the revised proposal address the problems lenders see with the current system which they believe is vague and subjective and imposes undue paperwork? Specifically, how would the proposed race and gender reporting requirements on small business and agriculture loans affect depository institutions.*

The proposal involves at least as much paperwork as the present rule. Moreover, the rule falls short of providing the predictability that banks and thrifts need. The principal factor in the uncertainty of examination results is that different examiners, with different skill levels and different ideas, will come to different conclusions.

Much of the demand for documentation comes from examiners who are unskilled at CRA. Their requests for documentation amount to seeking hard evidence. Examiners, particularly when aware that their report and rating will be a public document, are reluctant to draw conclusions without "proof" to rely on.

The existing system requires banks to be able to prove to an examiner the level and extent of the bank's CRA program. Such proof cannot be provided without paperwork. Each request for additional documentation becomes a new bottom line for CRA, adding to the burden. There is nothing in the new proposal that will prevent this from continuing to happen.

Documentation, although burdensome, has the attractiveness of providing a familiar tool to both banks and examiners. The most difficult aspect of CRA is that it involves the assessment of actions that are not tangible: the degree to which the bank has interacted with members of its community, making judgments about the appropriateness of who the bank contacted, and assessing the results of those contacts.

This type of assessment is distinct from the skills used by examiners for other regulations. Examiners measure and quantify. Their job is to identify mistakes. As a group, they are not well

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equipped to make the social, economic, and political judgments called for in CRA evaluations.

What is needed is a core of skilled and experienced examiners who have the knowledge and CRA experience needed to conduct thorough and fair examinations. Also, examiners should support their evaluations with their own documentation -- the materials they reviewed and the people they interviewed.

Banks and thrifts need some assessment of what they are doing right. They need guidance and support in these efforts. The agencies presently have CRA specialists in both headquarters and regional offices. These specialists have acted as technical support for banks and have not been heavily involved in examinations. However, they are generally the best qualified staff in the regulatory agencies to make the evaluations called for in the CRA examination.

Many CRA efforts have involved non-lending activities. In order to bring qualified applicants into the bank, and to ensure that applicants have access to affordable housing, banks and thrifts have found it necessary to undertake nonlending activities to support these needs. These activities include education programs, counselling programs, and financing and technical support for development projects. These activities have often gone unrecognized in examinations. The CRA specialists understand the value of these efforts and their relationship to results.

The proposed data collection for small business and agriculture loans is modeled on HMDA. It is useful, therefore, to look at the track record of HMDA. Two concerns stand out. First, HMDA is proving to be riddled with errors and omissions. Most of the errors, made in good faith, result from the complexities of the rule. Bank staff preparing the loan application register need to correctly interpret and apply the rule to a wide variety of situations that arise. In addition, there are numerous opportunities for error with data entries, the bank's software, and the interaction of the bank's software with that of the agencies.

Second, in providing answers about lending discrimination, HMDA is a disappointment. HMDA is useful for raising questions but it is not useful for drawing conclusions. The reports do not contain enough information to explain and understand the reports.

For example, the data itself do not make clear whether a high minority denial rate is result of successful outreach effort or illegal discrimination. The data do not show whether the credit demand was "effective" or whether applicants were unprepared. The reports do not show whether the bank or thrift provided or referred denied applicants to credit and homeownership counseling. These actions have everything to do with a successful CRA program but are invisible on HMDA reports.

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Given the problems with accuracy levels in HMDA reports and the established limitations of HMDA data, there is no justification for the significant additional burden that the proposed data collection would impose.

4. *Since the original intent of the CRA was to meet community credit needs, and not result in credit allocation, would the revised rules meet that original goal?*

The revised rules only change the process by which banks and thrifts would be evaluated. They do not alter the process of CRA. The existing rule provides guidance on how to achieve a result. As such, it is a model affirmative action plan. Under the present rule, banks are measured on process. The proposed rule would look only at the results. However, banks will not achieve the results unless they continue their work on process. Looked at this way, the rules change little or nothing.

However, by omitting a review of process and looking only at results, the rules take a clear step toward allocating credit. Banks and thrifts would be measured by their lending in numbers and dollars by location.

Although the proposal would take into account the market context of the bank, there will inevitably be standards developed on a national basis that will be a starting point for assessing the lending performance. Experience shows us that these standards will quickly build into requirements -- and those requirements will amount to credit allocation.

5. *What are your views on recently introduced legislation that would give qualified small institutions and those with ratings of at least "Satisfactory" a "safe harbor" protecting them from having an application denied on CRA grounds?*

The Community Reinvestment Act should encourage community groups to work constructively early in the process rather than only during a protest. A modified safe harbor would encourage this to happen. Providing recognition of a rating achievement should support this process by motivating community groups to participate in the bank's efforts before applications are filed.

A safe harbor proposal should take into account two different situations. First, an institution that is presently chartered to do business in the community and seeks to expand by branching or by acquiring another institution should have access to a safe harbor for its rating achievements in that community. If the institution has been present in the community, there has clearly been opportunity for community groups to work with that institution and

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the examination process reviews the institution's responses to community input. The absence of any effort to provide input and work with an institution that has committed the effort to earn a good rating should not enable a community group to later protest that institution.

However, a bank applying to enter a community by opening a branch or acquiring an existing institution presents a different situation. In this example, there has been no opportunity for the community group to work with the bank. Restricting the input of a community group by providing a safe harbor may not be appropriate when the bank's application is for the purpose of moving to the community for the first time.

A safe harbor would also support the original CRA goals of encouraging banks to help meet community credit needs by providing motivation to earn a good rating. At present, only low ratings provide certainty. The intense and usually expensive efforts needed to earn a "Satisfactory" or "Outstanding" provide no guarantees for a bank's future. It only enables the bank to stay in the arena. The incentives actually offered are negative. Instead, they should be positive.

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TESTIMONY BY

CATHERINE P. BESSANT

SENIOR VICE PRESIDENT

COMMUNITY INVESTMENT EXECUTIVE

NATIONSBANK CORPORATION

BEFORE THE

SUBCOMMITTEE ON

FINANCIAL INSTITUTIONS AND CONSUMER CREDIT

OF THE

COMMITTEE ON BANKING AND FINANCIAL SERVICES

UNITED STATES HOUSE OF REPRESENTATIVES

MARCH 8, 1995

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Chairwoman Roukema, Mr. Vento, and Committee Members, my name is Cathy Bessant, and I am the Community Investment Executive for NationsBank. I appreciate the opportunity to be here today to present my company's view of the Community Reinvestment Act.

NationsBank is America's fourth largest banking company, with almost 2000 branches, serving more than 650 communities. We are vitally interested in each of those communities. We operate our company with the belief that NationsBank can grow only if the communities we serve are economically strong. For us, community development is far more than some nebulous concept of the "right thing to do"; we believe it is absolutely critical to the success of our company and our communities.

Of course, many are skeptical--and with good reason--about the sincerity of the banking industry on this issue. And some believe that banks intend to use the current political environment to minimize their responsibilities. Of course I cannot speak for other banks, but I am here to tell you that NationsBank is putting enormous effort behind its goal of being the best community development lender in the United States.

My objective today does not include a detailed recap of our success towards meeting this goal. Additional information in this regard is contained in my written statement. Suffice it to say our efforts have been diverse and that they have been extensive. We have long gone beyond rhetoric and are generating results. We could not be more serious about getting the business of community development right.

So, if anyone expected me to advocate doing away with the CRA, look out. NationsBank has long advocated a more effective, results oriented Community Reinvestment Act. My purpose before you is to advance that objective.

To that end, I would like to begin with some observations about the state of the community development industry.

First, the Community Reinvestment Act has played a critical role in the advancement of community development. Quantitative estimates begin by asserting that community reinvestment programs prompt some $4-6 Billion of lending per year. Our experience suggests that this figure is conservative. Whatever the correct number, it is clear that the CRA has been a major contributor to financial investment in underserved areas.

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Second, this financial investment must be made to be sustainable. This means, essentially, removing impediments,---including regulatory disincentives---to effective community development and supporting mechanisms---including rational regulation and incentives---which enhance the safety and profitability of this lending. Reforming the Community Reinvestment Act can--and must--be accomplished in a way that does both.

Third, the critical question is whether the CRA in its present form would continue to advance community development. I believe it would not. Conceptually the CRA is sound; however the evolution of the regulatory process has resulted in a system that detracts from community development and actually risks the sustainability of these activities.

Specifically, the current regulatory environment is unworkable in essentially four ways:

The process remains very burdensome. The emphasis on paperwork over performance is substantial. It is costly, distracts resources and energy from community development, and prohibits effective management of community development lending as a business. With all respect to the progress the regulators have attempted to make in this area, one only needs to read the rating guidelines to understand the importance of this issue.

Second, **inconsistency and subjectivity are significant problems.** The current regulatory standards of measurement are wholly subjective. Performance is measured and defined by regulatory guidelines using vague terms like--and I quote--"significant", "ongoing", "sound" or "adequate". This measurement system guarantees a subjective outcome. Intra-agency and inter-agency inconsistency remains problematic in the examination process, application of performance standards, and over time. When regulatory applications, public perception, and business development often hinge on community reinvestment performance, the stakes are far too high for inconsistency and subjectivity to persist.

The single most important issue for NationsBank in the CRA reform effort is achieving objective--and consistent--standards for performance measurement.

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Objective standards of measurement, however, do not mean that one size has to fit all. The success of any measurement system depends on its applicability to diverse sets of circumstances. Objectivity, consistency, and diverse applicability are NOT mutually exclusive. We must not let the debate over standard-setting prompt us to retreat to an ill-defined subjective system.

Third, **the current regulatory and judicial frenzy over CRA and Fair Lending should be unacceptable**. There are few regulators who are not claiming jurisdiction over CRA and Fair Lending. In this area, NationsBank is answerable not only to our primary regulator, the OCC, but also to the Federal Reserve, HUD, the Department of Justice, and several state agencies. Virtually every element of regulation varies in its interpretation among the various agencies and these interpretations are often inconsistent if not down right contradictory. CRA and Fair Lending are important and sensitive but role clarification and rationalization must be undertaken.

Finally, **the application approval process is in need of considerable improvement**. Simply put, even banks with outstanding CRA ratings are subject to uncertainty, cost, and delays due to the treatment of public comments received as part of the application process. Public input is important. However, the performance rating and application processes must be engineered to prevent unnecessary cost and delay.

The proposed regulatory changes to the CRA are a significant step in the right direction. In pursuing these changes, the regulators have been diligent, participative, and thoughtful and should thus be commended. It is clear that the proposed regulations "raise the bar" in terms of performance standards. At the same time, and importantly, the proposal eliminates considerable unnecessary paperwork and distracting documentation requirements.

In order for this effort to be successful, however, there remains some necessary reworking of the current proposal. The needed changes and additions are detailed in my written submission. Most importantly, additional work is needed to make measurement standards truly objective, gross volume and market share emphasis must be eliminated, and critical elements --- including specifically examiner training and an interagency appeals process --- must be addressed.

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I am often asked whether this reform should be "scrapped". Absolutely not. The present system is damaging to community development efforts. But the reform effort is not complete. The accomplishment of important revision is critical to the workability of, and the ability of NationsBank to support, the proposed reforms.

The issue of race and gender reporting on small business lending could not be more timely nor more controversial. Yes, it will be costly. Quite costly. Yes, it will be subject to much misinterpretation. Gathering this information, however, is perhaps the only way to begin to understand the extent of credit availability for small businesses.

The effect of public disclosure of home mortgage lending cannot be ignored in this debate. Awareness of lending patterns has prompted product innovation, marketing advancement, and in short has changed significantly the availability of credit for many Americans. The only way to prompt similar innovation and advancement in the area of business lending is to have and to analyze race and gender data.

NationsBank supports the collection and reporting of information on the gender and race of small business borrowers. Equally important, however, is maintaining equity in imposed cost and reporting structure among competing institutions and ensuring that the data will be meaningful. Collection of race and gender information through the Community Reinvestment Act actually distorts the context of business lending data and ensures a competitive disadvantage for financial institutions subject to the CRA.

In many areas, non-bank lenders dominate the small business lending market. Additionally, the exemption of small institutions ensures that 75% of the institutions engaged in lending to small businesses will not be reporting. There is no hope for gathering relevant data when the bulk of the lending community will not be reporting. This eliminates the possibility for HMDA-like advancement in small business lending.

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An alternative and superior approach would be to collect such information under the Equal Credit Opportunity Act (Reg B). Collecting in this manner ensures cost and burden equity, and would mean that virtually all small business lenders would be reporting, thus making the data meaningful. Collecting race and gender information will produce important advancement, but doing it under the CRA is unfair and can only result in inaccurate data.

In short: if we are going to collect the data, lets collect it from everyone engaged in small business lending.

One area where the reform effort does not go far enough is in improving the regulatory application process. The issue is simple: why have a rating and examination system if these ratings are not used in handling regulatory applications? The term "safe harbor" has many negative connotations and the concept is resisted by community advocates. This resistance is, in my opinion, unwarranted. Public sentiment should be sought regularly, and the proposed regulations provide for this. To add to the cost, time, uncertainty, and generally cumbersome nature of regulatory applications when we have an ongoing performance rating process is at best counterproductive.

"Safe harbor" merely maintains the integrity of the examination rating process and is very important to strengthening the CRA. I urge you to give meaningful value to CRA--incent institutions to strive for the high ratings--not just because they want to or have to, but because there is real, tangible benefit for living up to high standards.

In this vein, I also would like to address the issue of credit allocation. Cries of "credit allocation" clearly are being mounted in resistance to the proposed reforms. This debate, to me, ignores the fact that the present system of regulation is effectively de facto credit allocation. The "study of the week" by community groups or academicians sets standards for how performance "should" look. The process the regulators go through now to determine what levels of lending are "reasonable" require an assessment of what is "enough". What is missing is an objective, consistent, and PUBLIC definition of what is reasonable, what performance should look like, or what is "enough". The "super secret" form of credit allocation that operates now can only be improved by fair and accurate articulation of expectations.

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In closing, I challenge you to support and encourage aggressive regulatory reform in the area of Community Reinvestment. Setting standards and evaluating performance consistently--in conjunction of course with removing costly and burdensome paperwork -- will do much to benefit our communities. Whatever the standards, NationsBank will exceed them. Not because we have to, but because our communities--and our own success-- are depending on it.

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NationsBank

Community Investment Program
Fact Sheet

Description: The NationsBank Community Investment Program (CIP) is a collection of special products and services developed for low- and moderate-income individuals and for small businesses.

Program Mission: NationsBank is committed to being the community investment leader in the financial services industry through the development and delivery of effective programs, products and services that generate lending and investment in underserved markets in a manner that benefits NationsBank communities and shareholders.

Background: NationsBank established its Community Investment Program in 1988, and since then has set a high standard for aggressive, proactive community-focused lending and support. The NationsBank Community Investment Group is staffed by 140 professionals who work full time to develop innovative programs and services for economic and community development.

Commitment: In 1992, NationsBank made a 10-year, $10 billion commitment to community development lending. Targets include:

- consumers in low- and moderate-income areas or those with incomes below 80 percent of the market median;
- small businesses and businesses in low- and moderate-income areas;
- real estate projects that use low-income housing tax credits or benefit low-income consumers;
- agricultural loans, including government-sponsored loans;
- loans to non-profit groups, financial intermediaries and others serving low- and moderate-income areas; and
- special-purpose credit programs, such as the Child Care Development Loan Fund.

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NationsBank CIP Fact Sheet
Page 2

Results: In 1992, the first year of the $10 billion commitment, NationsBank loaned $2.2 billion to consumers in low- and moderate-income areas for mortgages, home improvements, education, auto financing and debt consolidation and to small businesses to help them expand. In 1993, $2.9 billion was loaned in these markets.

Areas of Emphasis:
Consumer and Small Business Education
Affordable Housing
Small Business Development
Access to Financial Services
Low- and Moderate-Income Consumer Issues

Initiatives:

Education and Technical Assistance – NationsBank established the Education and Technical Assistance unit in 1992 to develop consumer education curricula and work with community-based organizations to deliver credit education and technical assistance to consumers and small businesses in traditionally underserved neighborhoods. By the end of 1993, NationsBank had teamed with more than 200 community partners to facilitate free Home Buyer, Banking Basics and Community Small Business education programs that nearly 10,000 participants have attended.

Product Development – NationsBank develops and delivers products and services to meet identified community needs. Products vary depending on the needs of the community. Most banking centers offer special checking accounts with reduced rates, residential mortgage programs with flexible financing requirements, and small business loans for operating services.

Public/Private Partnerships – NationsBank seeks opportunities to create and implement partnerships with the public and private sectors to promote community development. Examples include working with the NAACP to create Community Development Resource Centers and partnering with the National Urban League to establish Community Loan Review Boards.

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Initiatives: (cont.)

Community and Economic Development – NationsBank emphasizes affordable housing and technical assistance to small businesses in underserved areas. Services include mortgage and home improvement loans, small business operating assistance, small business loans, student loans and education programs.

Target Marketing – NationsBank uses nontraditional messages and selected media specifically to reach the low- and moderate-income sectors and small businesses.

Community Development Equity Group:

The Community Development Equity Group (CDE) includes the Community Development Corporation (CDC), a subsidiary of NationsBank that is dedicated to revitalizing low-income neighborhoods. Established in 1978, the CDC provides real estate development services and creative financing for residential and commercial developments in inner-city areas. CDE also includes the Small Business Investment Corp. (SBIC), which makes equity investments in economically disadvantaged small businesses and businesses located in historically underserved areas. In 1993, CDE created Nations Housing Fund to invest $100 million in affordable rental housing developments that qualify for low-income housing tax credits.

Community Investment Executive:

Catherine P. Bessant
Senior Vice President
Principal Community Investment Officer

Community Investment Regional Managers:

Barry Smith
Florida, Georgia, Tennessee, Kentucky
404/607-4231

Sally Barley
Maryland, Virginia, Washington, D.C.
410/547-4094

Carlton Tolbert
Texas
214/508-1513

Monica McDaniel
North Carolina, South Carolina
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NationsBank Background: NationsBank Corporation is a financial services company that provides products and services nationally and internationally to individuals, businesses, corporations, institutional investors and government agencies. NationsBank has a retail banking franchise in 10 states and the District of Columbia and consumer finance offices in 33 states.

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NationsBank

1993 National Community Investment Highlights

Initiatives

- Made more than 35,000 calls on small and minority-owned businesses to solicit new banking relationships and to expand existing ones.

- In partnership with the National Urban League, NationsBank established Community Loan Review Boards in 18 NationsBank cities. The purpose of the Community Loan Review Board is to provide any NationsBank applicant who has been denied a home mortgage or home improvement loan the opportunity for additional review. The Community Loan Review Board also offers free credit counseling.

- Instituted the NationsBank Neighborhood Program, whereby NationsBank associates, community leaders and residents work together to address the needs of underserved inner-city neighborhoods. NationsBank Neighborhood targets inner-city communities that have inadequte social services, little or no new economic development and that have traditionally been underserved by financial institutions.

- Developed an extensive network with more than 200 community partners to facilitate consumer credit education and small business technical assistance. Provided more than 500 credit education seminars including Home Buyer Education classes and Banking Basics classes to more than 10,000 participants.

- Established a partnership with the Enterprise Social Investment Corporation to create the $100 million Nations Housing Fund. The partnership provides the largest investment in affordable housing tax credit properties in the United States.

- Implemented Community Loan Days in 33 cities, bringing lenders and other NationsBank associates to the community to take loan applications, provide technical assistance and conduct a variety of credit education workshops.

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Initiatives (cont.)

- Through the NationsBank Small Business Lending Unit, committed or invested in various specialized programs to provide equity and loan financing to small businesses in low- and moderate-income areas.

- Continued participation in the Child Care Development Loan Fund to provide long-term funding to child-care facilities with loan guarantees provided by the U.S. Small Business Administration.

- Supported educational initiatives including Adopt-A-School, Adopt-A-Role-Model, Kids Bank, Junior Achievement and Partners in Education.

- Continued implementation of the minority and women-owned vendor policy calling for 10% of NationsBank outside purchases to be with minority suppliers. This corporate goal was exceeded in 1993.

Results

- Loaned more than $463.2 million in mortgage and home improvement loans to families in low- and moderate-income areas.

- Conducted more than 23,000 meetings with community leaders to discuss the credit needs of the community and to identify possible solutions.

- Participated in more than 1,600 outreach programs that provided credit education and increased awareness of NationsBank products and services to small businesses and limited-income consumers.

- Continued an aggressive advertising campaign targeted to low- and moderate-income consumers and small and minority-owned businesses throughout the NationsBank franchise to promote the Bank's image, credit products and education services.

- Conducted training sessions for NationsBank associates on new community investment programs and market development strategies.

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NationsBank

Making a Difference: NationsBank Lends $5.1 Billion In Low- and Moderate-Income Neighborhoods

$10 BILLION COMMUNITY INVESTMENT LOAN COMMITMENT

NationsBank committed to make a minimum of $10 billion in community investment loans over a ten year period. Since the first year of the commitment, NationsBank has loaned more than $5.1 billion in low- and moderate-income areas, $2.2 billion in 1992 and $2.9 billion in 1993. To date, 36% of the loans were made to consumers and 64% to businesses.

COMMUNITY INVESTMENT CONSUMER LENDING

1993 Consumer Lending
(Mortgage Corp., Secured by Real Estate and Other Consumer)
National: Made 68,878 consumer loans totaling $1,007,408,000 to consumers in low- and moderate-income areas, a 1% decrease in loans from 1992.

COMMUNITY INVESTMENT COMMERCIAL LENDING

1993 Business Lending
National: Made 5,487 business loans totaling $1,015,884,000 in low- and moderate-income areas, a 12% decrease in loans from 1992.

1993 Commercial Real Estate Loans
National: Made 2,805 commercial real estate loans totaling $838,970,000 for programs in low- and moderate-income areas, a 62% increase in dollars from 1992.

1993 Agricultural Lending
National: Made 680 agricultural loans totaling $36,537,000 in low- and moderate-income areas, a 22% decrease in loans from 1992.

COMMUNITY INVESTMENT LENDING HIGHLIGHTS

1993 Small Business Lending
National: Made 36,362 loans in amounts of less than $500,000 each to businesses, totaling $2,485,975,000 , a 9% increase in loans from 1992.

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COMMUNITY INVESTMENT LENDING HIGHLIGHTS(CONTINUED)

1993 Housing Related Lending by Census Tract
(excluding refinanced loans)
National: Made 10,515 home mortgage and home improvement loans totaling $463,270,000 in low- and moderate-income census tracts, a 24% increase in loans from 1992.

1993 Housing Related Lending to Minorities
(excluding refinanced loans)
National: Made 11,183 home mortgage and home improvement loans totaling $608,480,000 to minority applicants, a 29% increase in loans from 1992.

1993 U.S. Small Business Administration (SBA) Lending
National: Made 250 SBA loans totaling $65,311,000, a 33% increase in loans from 1992.

1993 Child Care Development Fund Lending
National: Made 21 loans totaling $4,092,000 through the child care development fund, a 9% decrease in loans from 1992.

For more information about the NationsBank Community Investment Program, please contact Patti Escudero at (214)508-2239.

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NATIONSBANK

$10 Billion Commitment Lending Results

in Low- and Moderate-Income Areas - NATIONAL

($ in Thousands)

	1992		1993		TOTAL	
	#	$	#	$	#	$
Consumer Lending						
Mortgage Corp Lending	7,025	$399,265	3,978	$269,941	11,003	$669,206
Secured by Real Estate	3,373	85,785	10,642	379,836	14,015	$465,621
Other Consumer	59,070	391,829	54,258	357,631	113,328	$749,460
Total Consumer	69,468	$876,879	68,878	$1,007,408	138,346	$1,884,287
% of Total Lending	88%	38%	88%	35%	88%	36%
Commercial Lending						
Business Lending	6,258	878,438	5,487	1,015,884	11,745	$1,894,322
Commercial Real Estate	2,725	515,598	2,805	838,970	5,530	$1,354,568
Agricultural	869	35,935	680	36,537	1,549	$72,472
Total Commercial	9,852	$1,429,971	8,972	$1,891,391	18,824	$3,321,362
% of Total Lending	12%	62%	12%	65%	12%	64%
TOTAL LENDING	79,320	$2,306,850	77,850	$2,898,799	157,170	$5,205,649

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NATIONSBANK
1993 COMMUNITY INVESTMENT LENDING HIGHLIGHTS
NATIONAL
($ in Thousands)

OTHER LENDING	1992		1993		TOTAL	
	#	$	#	$	#	$
Small Business Lending						
Under $50,000	23,057	$428,031	23,941	$453,748	46,998	$881,779
$50,001 to $100,000	4,841	$373,890	5,891	$454,802	10,732	$828,692
$100,001 to $250,000	3,543	$602,215	4,218	$694,414	7,761	$1,296,629
$250,001 to $500,000	2,151	$814,312	2,312	$883,014	4,463	$1,697,326
Total Under $500,000	33,592	2,218,448	36,362	2,485,978	69,954	$4,704,426
Housing Related Lending By Geography (Low- and moderate-income tracts)	$7,025	$399,265	$10,515	$463,271	17,540	$862,536
Housing Related Lending To Minorities	$7,543	$387,241	$11,183	$608,480	18,726	$995,721
SBA Lending	$188	$50,795	$250	$65,311	438	$116,106
Child Care Development Fund Lending	$23	$6,174	$21	$4,092	44	$10,266
Equity Investments	0	$0	11	$18,295	11	$18,295

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NationsBank
Housing Related Lending [1]
Excluding Refinanced Loans

NATIONAL (TOTAL FRANCHISE STATES) [2]

MARKET SEGMENT	APPLICATIONS				% CHANGE: 1992-1993		DENIAL RATES	
	1992		1993		NUMBER OF APPLICATIONS	DENIAL RATES	# Denials ÷ # Applications	
	#	$(000)	#	$(000)			1992	1993
TOTAL	73,762	$4,752,276	84,511	$5,979,876	14.6%	-7.1%	17.0%	15.8%
BY CENSUS TRACT [3]								
Low & Moderate Income Tracts	13,231	$476,934	16,295	$705,279	23.2%	-9.7%	25.7%	23.2%
- Low Income Tracts	3,951	$124,597	4,790	$169,419	21.2%	-6.7%	28.3%	26.4%
- Moderate Income Tracts	9,280	$352,337	11,505	$535,861	24.0%	-10.6%	24.5%	21.0%
Upper Income Tracts	60,531	$4,275,342	68,216	$5,274,597	12.7%	-7.3%	15.1%	14.0%
Predominantly Minority Tracts	10,066	$346,699	12,418	$659,721	23.4%	-11.1%	29.6%	26.3%
Non-Minority Tracts	63,696	$4,405,576	72,093	$5,320,155	13.2%	-6.7%	15.0%	14.6%
BY APPLICANT RACE								
Total Minority	14,286	$597,266	18,398	$889,718	28.9%	-4.6%	26.7%	27.3%
- African-American	8,324	$323,566	11,061	$528,747	32.9%	-2.6%	31.0%	30.2%
- Hispanic	4,062	$145,149	5,058	$181,591	24.9%	-10.2%	28.5%	25.6%
- Other Minority	1,990	$128,551	2,279	$179,380	19.9%	-10.9%	19.2%	17.1%
Total Non-Minority	59,476	$4,155,010	66,113	$5,090,157	11.2%	-11.3%	14.2%	12.6%
BY APPLICANT INCOME [3]								
Low & Moderate Income	15,910	$438,589	18,224	$600,583	14.9%	-8.3%	27.6%	25.5%
- Low Income	8,241	$174,833	9,224	$241,626	11.9%	-8.5%	31.7%	29.0%
- Moderate Income	7,669	$263,756	9,000	$358,957	17.4%	-8.4%	23.5%	22.0%
Upper Income	56,862	$3,854,265	65,778	$4,993,767	15.7%	-8.4%	14.0%	13.1%
Income data not provided	990	$459,421	509	$385,526	-48.6%	13.4%	18.7%	21.2%

(1) Mortgage and Home Improvement Loans
(2) Reflects activity in all NationsBank franchise states.
* Not applicable, as there was no activity in one or both years.

(3) Income and minority classifications are based on 1993 estimates of median income and race.
Low income = tract median or applicant income ≤50% of base median income.
Moderate income = tract median or applicant income >50% and ≤80% of base median income.
Upper income = tract median or applicant income >80% of MSA base median income.
Base median income = State, MSA, or County median household income, as appropriate.

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NationsBank
Housing Related Lending [1]
Excluding Refinanced Loans

NATIONAL (TOTAL FRANCHISE STATES) [2]

MARKET SEGMENT	ORIGINATIONS				% CHANGE: 1992-1993		DENIAL RATES	
	1992		1993		NUMBER OF ORIGINATIONS	DENIAL RATES	# Denials ÷ # Applications	
	#	$(000)	#	$(000)			1992	1993
TOTAL	53,693	$3,818,040	61,320	$4,505,275	14.2%	-7.1%	17.0%	15.8%
BY CENSUS TRACT [3]								
Low & Moderate Income Tracts	8,506	$332,624	10,515	$463,270	23.6%	-9.7%	25.7%	23.2%
- Low Income Tracts	2,419	$84,994	2,946	$110,707	21.0%	-6.7%	28.3%	26.4%
- Moderate Income Tracts	6,087	$247,630	7,569	$352,563	24.3%	-10.8%	24.5%	21.9%
Upper Income Tracts	45,187	$3,485,418	50,805	$4,042,005	12.4%	-7.3%	15.1%	14.0%
Predominantly Minority Tracts	5,962	$235,165	7,519	$336,006	26.1%	-11.1%	29.8%	26.3%
Non-Minority Tracts	47,731	$3,582,875	53,801	$4,169,269	12.7%	-6.7%	15.0%	14.0%
BY APPLICANT RACE								
Total Minority	8,670	$416,758	11,183	$608,480	29.0%	-4.9%	28.7%	27.3%
- African-American	4,990	$215,902	6,594	$349,424	32.1%	-2.6%	31.0%	30.2%
- Hispanic	2,398	$103,814	3,013	$127,038	25.0%	-10.2%	28.5%	25.6%
- Other Minority	1,282	$97,042	1,576	$132,018	22.9%	-10.9%	19.2%	17.1%
Total Non-Minority	45,023	$3,401,281	50,137	$3,896,795	11.4%	-11.3%	14.2%	12.6%
BY APPLICANT INCOME [3]								
Low & Moderate Income	10,086	$305,485	11,653	$413,623	15.5%	-8.3%	27.8%	25.5%
- Low Income	4,952	$113,041	5,602	$153,718	13.1%	-8.5%	31.7%	29.0%
- Moderate Income	5,134	$192,444	6,051	$259,907	17.9%	-8.4%	23.5%	22.0%
Upper Income	43,048	$3,123,162	49,349	$3,879,552	14.6%	-6.4%	14.0%	13.1%
Income data not provided	559	$389,393	318	$212,101	-43.1%	13.4%	18.7%	21.2%

(1) Mortgage and Home Improvement Loans
(2) Reflects activity in all NationsBank franchise states.
* Not applicable, as there was no activity in one or both years.

(3) Income and minority classifications are based on 1993 estimates of median income and race.
Low Income = tract median or applicant income ≤50% of base median income.
Moderate Income = tract median or applicant income >50% and ≤80% of base median income.
Upper Income = tract median or applicant income >80% of MSA base median income.
Base median income = State, MSA, or County median household income, as appropriate.

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NationsBank
Housing Related Lending [1]
Including Refinanced Loans

NATIONAL (TOTAL FRANCHISE STATES) [2]

MARKET SEGMENT	APPLICATIONS				% CHANGE: 1992-1993		DENIAL RATES	
	1992		1993		NUMBER OF APPLICATIONS	DENIAL RATES	# Denials ÷ # Applications	
	#	$(000)	#	$(000)			1992	1993
TOTAL	130,166	$10,002,221	177,993	$13,957,066	36.7%	-10.5%	14.3%	12.6%
BY CENSUS TRACT [3]								
Low & Moderate Income Tracts	19,701	$869,107	29,082	$1,400,324	47.6%	-13.6%	23.6%	20.4%
- Low Income Tracts	5,363	$205,182	7,565	$314,439	41.1%	-10.9%	26.6%	23.7%
- Moderate Income Tracts	14,338	$663,924	21,517	$1,085,885	50.1%	-14.7%	22.5%	19.2%
Upper Income Tracts	110,465	$9,133,114	148,911	$12,556,765	34.6%	-10.2%	12.7%	11.4%
Predominantly Minority Tracts	14,269	$608,517	20,323	$1,125,972	42.4%	-11.7%	27.4%	24.2%
Non-Minority Tracts	115,917	$9,393,704	157,670	$12,831,117	36.0%	-10.2%	12.7%	11.4%
BY APPLICANT RACE								
Total Minority	20,535	$1,070,166	30,638	$1,760,882	49.2%	-6.4%	26.0%	24.9%
- African-American	12,218	$574,727	18,417	$976,043	50.7%	-3.0%	29.7%	28.6%
- Hispanic	5,184	$238,284	7,408	$354,477	42.9%	-10.2%	25.5%	22.9%
- Other Minority	3,133	$257,154	4,813	$430,362	53.6%	-19.6%	16.6%	13.3%
Total Non-Minority	109,651	$8,932,055	147,355	$12,196,206	34.4%	-14.2%	12.9%	10.3%
BY APPLICANT INCOME [3]								
Low & Moderate Income	21,958	$694,231	29,741	$1,084,757	35.4%	-11.3%	26.6%	23.6%
- Low Income	10,729	$265,483	14,333	$430,300	33.6%	-12.1%	31.4%	27.6%
- Moderate Income	11,229	$428,748	15,408	$654,457	37.2%	-9.6%	21.9%	19.8%
Upper Income	106,211	$8,744,586	145,377	$12,267,023	36.9%	-7.7%	11.7%	10.9%
Income data not provided	2,017	$563,403	2,875	$585,309	42.5%	-60.5%	16.2%	6.4%

(1) Mortgage and Home Improvement Loans
(2) Reflects activity in all NationsBank franchise states.
* Not applicable, as there was no activity in one or both years.

(3) Income and minority classifications are based on 1993 estimates of median income and race.
Low Income = tract median or applicant income ≤50% of base median income.
Moderate Income = tract median or applicant income >50% and ≤80% of base median income.
Upper Income = tract median or applicant income >80% of MSA base median income.
Base median income = State, MSA, or County median household income, as appropriate.

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NationsBank
Housing Related Lending [1]
Including Refinanced Loans

NATIONAL (TOTAL FRANCHISE STATES) [2]

MARKET SEGMENT	ORIGINATIONS				% CHANGE: 1992-1993		DENIAL RATES	
	1992		1993		NUMBER OF ORIGINATIONS	DENIAL RATES	# Denials ÷ # Applications	
	#	$(000)	#	$(000)			1992	1993
TOTAL	98,526	$8,142,862	137,447	$11,258,591	39.5%	-10.5%	14.3%	12.6%
BY CENSUS TRACT [3]								
Low & Moderate Income Tracts	13,049	$631,228	19,888	$995,528	52.4%	-13.9%	23.6%	20.4%
- Low Income Tracts	3,384	$143,242	4,944	$221,204	46.1%	-10.9%	26.6%	23.7%
- Moderate Income Tracts	9,665	$487,986	14,944	$774,324	54.6%	-14.7%	22.5%	19.2%
Upper Income Tracts	85,477	$7,511,635	117,559	$10,263,052	37.5%	-10.2%	12.7%	11.4%
Predominantly Minority Tracts	8,766	$421,749	12,920	$674,322	47.4%	-11.7%	27.4%	24.2%
Non-Minority Tracts	89,760	$7,721,114	124,527	$10,584,258	38.7%	-10.2%	12.7%	11.4%
BY APPLICANT RACE								
Total Minority	12,841	$758,175	19,603	$1,259,863	52.7%	-6.4%	26.6%	24.9%
- African-American	7,391	$382,463	11,335	$660,605	53.4%	-3.0%	29.7%	28.6%
- Hispanic	3,217	$176,753	4,660	$259,014	44.9%	-10.2%	25.5%	22.9%
- Other Minority	2,233	$198,959	3,608	$340,245	61.6%	-19.9%	16.6%	13.3%
Total Non-Minority	85,685	$7,384,687	117,844	$9,998,717	37.5%	-14.2%	12.0%	10.3%
BY APPLICANT INCOME [3]								
Low & Moderate Income	14,137	$484,457	19,742	$763,155	39.6%	-11.3%	26.6%	23.6%
- Low Income	6,460	$169,797	8,928	$277,998	38.2%	-12.1%	31.4%	27.6%
- Moderate Income	7,677	$314,660	10,814	$485,156	40.9%	-9.6%	21.9%	19.8%
Upper Income	83,171	$7,206,680	115,176	$10,104,383	38.5%	-7.7%	11.7%	10.6%
Income data not provided	1,218	$451,725	2,529	$391,043	107.6%	-60.5%	16.2%	6.4%

(1) Mortgage and Home Improvement Loans
(2) Reflects activity in all NationsBank franchise states.
* Not applicable, as there was no activity in one or both years.

(3) Income and minority classifications are based on 1993 estimates of median income and race.
Low Income = tract median or applicant income ≤50% of base median income.
Moderate Income = tract median or applicant income >50% and ≤80% of base median income.
Upper Income = tract median or applicant income >80% of MSA base median income.
Base median income = State, MSA, or County median household income, as appropriate.

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NATIONSBANK
LOW- TO MODERATE-INCOME LENDING PRODUCTION / DEMOGRAPHIC TRENDS
NATIONAL (TOTAL FRANCHISE STATES)

	1992		1993		PERCENT
	# LTM	% TOTAL	# LTM	% TOTAL	CHANGE
Production Trends					
Average Number of Originations per Low- to Moderate-Income Census Tract - $10 Billion Commitment					
Housing Related Lending	1.47	*	1.82	*	23.8%
TOTAL LENDING	19.97	*	20.70	*	3.7%
Housing Related Product Trend					
New Originations	8,506	65.2%	10,515	52.9%	23.6%
Refinance Originations	4,543	34.8%	9,373	47.1%	106.3%
TOTAL	13,049	100.0%	19,888	100.0%	52.4%
Demographic Trends					
Census Tracts Classified as Low- to Moderate-Income	3,971	36.1%	3,760	33.1%	-5.3%

* Not applicable

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NationsBank

November 18, 1994

Communications Division
Office of the Comptroller of the Currency
250 E. Street, S.W.
Washington, DC 20219
Attn: CRA Regulation Revision

Mr. William W. Wiles, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, N.W.
Washington, DC 20551
Reference: Docket No. R-0822

Mr. Robert E. Feldman
Acting Executive Secretary
Federal Deposit Insurance Corporation
1776 F Street, N.W.
Washington, DC 20429
Attn: CRA Regulation Revision

RE: Community Reinvestment Act Regulations; Proposed Rule

Dear Sirs:

Thank you for the opportunity to comment on the second draft of the proposed Community Reinvestment Act Regulations. These regulations, as proposed, represent significant advancement in the administration of community reinvestment responsibilities. This advancement will directly benefit our neighborhoods and communities by focusing attention--and indeed CRA ratings--on lending performance, service accessibility, and community development investment.

It is clear that the proposed regulations "raise the bar" in terms of performance standards. At the same time, and importantly, the proposed regulations eliminate considerable unnecessary paperwork and distracting documentation requirements.

It is also clear from the second draft that the thousands of comments received regarding the first proposal were taken seriously. These comments were given importance that far exceed the expectations of community advocates, bankers, and all other interested parties.

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POSITIVE ASPECTS OF THE PROPOSAL

There are many positive aspects of the new proposal. While the purpose of this document is to suggest areas of potential improvement, the following represent the most important positive aspects of the proposal:

- Revision of the Market Share Test in favor of a more balanced lending test approach;

- Inclusion of community development lending and heightened importance of community development investment.

- Refinement of the Strategic Plan Process, making it a more viable option;

- Inclusion of alternative delivery systems in the Services Test.

- Expansion of the comparative lending analysis beyond geographic information alone.

- Significant progress toward the elimination of emphasis on process and documentation.

SPECIFIC COMMENTS FOR PROPOSAL ENHANCEMENT

Following are the points of consideration deemed to be most critical:

Assessment Context

It is clear that the proposal attempts to remove the burden of documenting needs analysis from financial institutions by calling for an assessment context to be developed by the relevant regulatory body. Removal of this burden is important, as it comprised one of the most documentation-intense assessment factors and generated little value compared to effort expended.

In order for the assessment context process to be workable, it must be:

- Available early enough to be incorporated into an institution's planning;

- Consistent across regulatory agencies and for all financial institutions within a given market;

- Stable over time.

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Assessment Context (cont.)

The proposal, which calls for a separate context to be developed for each CRA examination, contains none of these attributes. Further, there is considerable room for disagreement between the regulating agency and the financial institution, requiring that each financial institution independently create an assessment context in order to support its position regarding any disagreement. Hence, the burden reduction objective is not accomplished.

As an alternative, a joint regulatory assessment context should be developed for each MSA by a specified date (consistent with the initial date for data collection) for a multi-year period. In order to facilitate lender and community advocate input, the assessment contexts should be subject to public comment before they are finalized. These contexts could be supplemented by individual institution contexts, completed by the appropriate regulator, and added at the time of examination.

Establishment of such a context process would: (1) ensure consistency within and among regulatory agencies and within markets; (2) help financial institutions develop their CRA strategies; (3) facilitate public input into this process in a consistent fashion; (4) minimize disagreements between examiners and institutions; and (5) preserve the intended documentation burden reduction.

Service Area Determination

The proposed regulation attempts to clarify the methodology to be used in establishing service areas. Given the continued likelihood of inconsistency and disagreement in this important area, NationsBank recommends that the agencies provide for advance ratification of service areas. This process could call for the submission of proposed service areas every two years. Service areas would be deemed to be ratified should the relevant agency not comment on the submissions within 60 days. This process would replace a process that generates considerable unproductive discussion in each examination and which causes undue uncertainty for financial institutions.

Additionally, inclusion of ATM's in service area determination is inappropriate. Automated teller machines are essentially extensions of branch networks. ATM's do not initiate customer relationships, often do not have deposit taking capabilities, and do not have on-site credit extension capabilities. Taken to the logical next step, inclusion of ATM's suggests that personal computers and bank-by-telephone programs also should have a

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Service Area Determination (cont.)

bearing on service area determination. Branch locations should be the only critical determinant in service area.

Failure to exclude ATM's from the determination of service area represents a significant disincentive to offering this highly popular component of service delivery.

Technical Compliance/Public File Maintenance

The requirements for branch-based public file availability and information to be contained within such files have been substantially expanded in the proposed regulations. Practical experience indicates, however, that branch-based information is rarely accessed by the public. The vast majority of requests for public-file type information are received over the phone or in writing. In fact, the volume of requests for such information during full year 1993 made in actual NationsBank branches totaled less than 20---among all 1800 NationsBank branches.

The requirement of maintaining public file information in a large branch network is incredibly cumbersome, costly, and prone to error. Additionally, it detracts from energy that could be devoted to more productive activity. It is clearly not a significant public need. Posted CRA notices could include an address from which such information could be obtained, substantially easing this compliance burden without compromising in any way the public availability of such information.

Services Test

The agencies intend for assessment under the service test to consider the availability of alternative delivery systems. This consideration is most appropriate. However, while the regulation specifically addresses the availability of alternative delivery systems, the service performance ratings in Appendix C do not specifically reference alternative delivery systems. To help ensure that examiners are not too narrowly focused when assigning service performance ratings, the first criterion should reference "service delivery systems, including alternative delivery systems as well as branches and ATM's......"

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Appeals Process

The Lending, Investment, and Service Tests, as contemplated in the second draft of the proposed regulation, provide for considerable examiner discretion in the application and assessment of comparative performance measures. This heightened discretion should allow important flexibility and accommodation for individual market needs and constraints. At the same time, however, the opportunity for inconsistency within and among regulatory agencies also is increased. In fact, it was this concern about inconsistency that was foremost in much of the testimony from financial institutions and community advocates in the public hearings conducted at the initiation of the CRA reform process.

In order to manage this level of discretion, there must be an improved method of addressing the potential for interagency inconsistency and for disagreements between financial institutions and their regulators.

A joint agency appeals process should be established. This process could be administered through the FFIEC or any other joint regulatory body. A process for timely and thoughtful resolution of issues should be developed. This process would minimize inconsistent application of discretion and enhance financial institution confidence in the equity of the ratings process.

Data Collection

There are four critical points to be made regarding data collection:

1. Geocoding Outside of Service Area

It is clear that the intent of the Community Reinvestment Act is to ensure the equitable availability of lending services and equitable distribution of lending patterns within the service areas of financial institutions. The geocoding of lending activity outside of a service area is unnecessary, irrelevant, costly, and inconsistent with the intent of the Act itself.

Elimination of this requirement is critical. Failure to do so will result in a substantial increase in the burden of the Community Reinvestment Act, with no benefit to the examination/performance assessment process.

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2. Race and Gender Data on Small Business Lending

NationsBank supports the collection and reporting of information on the gender and race of small business borrowers. Whatever the challenges and opportunities associated with the collection and reporting of HMDA data, it is clear that the data has led to public, private, and secondary market efforts that have, simply put, caused hundreds of millions of dollars in home mortgage loans to be made to low- and moderate-income and minority borrowers. Similar advancement--in all sectors public, private, and secondary market--is crucial in order to fill the gap between the needs of small/minority owned businesses and the current market reality. This advancement is not possible without race and gender information.

Equally important, however, is maintaining equity in imposed cost and reporting structure among competing institutions, and ensuring that the methodology for collecting such information is not counter to the objectives of community development. Collection of race and gender data through the Community Reinvestment Act is counter to community development, distorts the context of such data, and ensures a competitive disadvantage for financial institutions subject to the CRA.

In many areas, non-bank lenders dominate the small business lending market. Additionally, the exemption of small institutions ensures that 75% of the institutions engaged in lending to small businesses will not be reporting the race and gender of their small business borrowers. There is no hope for the gathering of relevant data when the bulk of the lending market is excused from reporting requirements. This eliminates the possibility for meaningful advancement in the area of small business lending by distorting data, and thus is counterproductive to the intent of maximizing lending to disadvantaged small businesses.

An alternative and superior approach toward the objective of gathering race and gender data on small business lending is to do so under the Equal Credit Opportunity Act. Collecting this data under Regulation B would ensure that information is gathered for the vast majority of small business lenders, would contribute to a level regulatory environment for all involved in the small business lending market, and thus provide meaningful, actionable information for use in expanding the small business lending market.

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Effective Date (cont.)

which would be incurred if the changes were accomplished over twelve months. Given that the value of the data collected for a partial year is questionable, there is no corresponding benefit to be realized from this doubling of cost. As such, the requirements for data capture should be initiated no earlier than one year from the publication of the final CRA regulations.

Reporting on Outstandings vs. Originations

The intent of data collection is to facilitate analysis of lending activity. As proposed, the draft regulations call for the reporting of data based on year-end outstanding balances, with production data (data regarding loans originated) to be provided at the option of the financial institution. Reporting in this manner does not achieve the stated objective of providing meaningful information for lending analysis purposes.

The differences between loans outstanding at the end of a period and loans originated within a given period can be substantial. Loans can be securitized and sold as part of routine balance sheet management techniques. Loans can be originated and paid off in the same period. Lines of credit can be extended to borrowers who may choose to temporarily pay them down at year end as the customers themselves engage in balance sheet management. Due to these and many other factors, the use of outstanding loan balance as a measure of lending activity is inaccurate and will in all likelihood be anything but reflective of a financial institutions performance in extending credit.

Additionally, reporting loan outstandings is counter to reporting requirements under HMDA which call for the reporting of loans originated. This inconsistency is confusing to the public and makes data comparison and aggregation very difficult. This inconsistency also creates a cost problem, as financial institutions must create two reporting systems.

The relationship between the two methodologies should be reversed. Data collection that is required should be based on originations, with the reporting of balances outstanding included at the option of the individual financial institutions. This will provide valid information regarding lending activity and provide for consistent reporting

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Reporting on Outstandings vs. Originations (cont.)

between HMDA and CRA data reporting. Further, it will be much more efficient from a systems perspective.

Summary

The preceding recommendations are critical to successful implementation of the proposed revised Community Reinvestment Act regulations. Questions regarding these comments should be directed to Catherine P. Bessant, Principal Community Investment Officer, at (202) 624-1018.

Again, thank you for the opportunity to comment on the proposed regulation.

Catherine P. Bessant
Senior Vice President

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3. Small Bank Reporting

The streamlined procedures for small banks ($250 Million in assets or less) regarding examination procedures and documentation requirements is necessary and appropriate. Exemption from data reporting, however, is anti-competitive and counterproductive to community development.

In many smaller markets, branches of large banks compete directly with community banks. Stated alternatively, branch offices of large banks must be community banks in order to compete effectively in the markets they serve. Under the proposal, similarly situated competitors in like markets would be subject to different reporting requirements. This contributes to an uncompetitive cost structure and reporting differential and therefore a distinct competitive disadvantage.

Additionally, the exemption of small banks from the data reporting requirements makes the value of this information minimal at best. It is widely recognized that small banks, as defined in the proposed regulation, comprise approximately 75% of the financial institution industry. It is impossible to ascertain the true working of a market where the information available from which to draw conclusions comes from only 25% of the market participants. In order for this data to have true community development value, the reporting must be comprehensive and capture the vast majority of the market forces.

As is the case with the collection of information under HMDA, data reporting requirements should apply to all financial institutions.

4. Additional Concerns

Effective Date

Given that final regulation may not be published until early 1995, the capture of data beginning July 1, 1995, is physically impossible and prohibitively costly. While the implementation of the new reporting will, of course, necessitate systems changes, the acceleration of these changes that will be necessary in order to comply with the July 1 effective date will cause significant additional expense.

NationsBank estimates that the expense of implementing the changes within six months will cause the associated expense to be double that

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TESTIMONY REGARDING THE COMMUNITY REINVESTMENT ACT
BEFORE THE
SUBCOMMITTEE ON FINANCIAL INSTITUTIONS AND CONSUMER CREDIT
OF THE
U.S. HOUSE OF REPRESENTATIVES
COMMITTEE ON BANKING AND FINANCIAL SERVICES

March 8, 1995
Washington, D.C.

Chairwoman Roukema and Members of the Subcommittee, thank you for requesting my testimony regarding the Community Reinvestment Act ("CRA") and the pending inter-agency CRA regulatory reform effort. My office counsels banks on CRA-related issues, and I served as Special Counsel to the New York State Banking Department during the formulation of its proposed revisions to the rules implementing the substantially identical state law. This testimony is based upon my experience advising banks and New York on CRA compliance matters and is not presented on behalf of any individual institution or the New York Banking Department.

My testimony will summarize the evolution of the CRA and then make the following points:

- The CRA has directly resulted in significant community lending and development activities, but the existing enforcement mechanism is fundamentally flawed;

- The inter-agency reform proposal represents a material improvement over present compliance procedures;

- A "safe harbor" provision insulating banks with outstanding CRA records from community protests that unfairly delay the regulatory application process would serve as a powerful incentive for institutions to implemant superior CRA programs; and

- Institutions that have had their fair lending practices favorably assessed by their primary regulator should be shielded from Justice Department and HUD review of the same practices.

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The Evolution of the CRA

The CRA was enacted by Congress in 1977 in response to allegations that banking and thrift institutions were engaged in the practice of "redlining." Senate Banking Committee Chairman and bill sponsor William Proxmire of Wisconsin broadly defined "redlining" as the taking of deposits received from customers in lower-income neighborhoods and investing that money elsewhere. See 123 Cong. Rec. S8958 (June 6, 1977). Of particular concern was the relationship between the alleged "redlining" and the deterioration of urban neighborhoods.

The CRA is a broadly worded statute which requires each federally-insured commercial bank or thrift institution that grants credit to the public in the ordinary course of business to meet "the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with the safe and sound operation of such institution." 12 U.S.C. §2903.

Congress revisited the CRA in 1988 when hearings were conducted by the Senate Committee on Banking, Housing and Urban Affairs. In his opening statement, Senator Proxmire expressed his displeasure with the regulators' enforcement of the CRA:

> Regulators seem to think that we're all living in Lake Woebegone. Like the children of the fictional village, U.S. lenders are all above average. Almost all get high ratings year after year and almost none is ever held back.
>
> The committee surveyed CRA rating procedures and found that more than 97 percent of all lenders passed with flying colors. What's more, in the lst 10 years, only 8--that's 8 of 40,000 applications reviewed by the agencies were denied. I wish we had graders like that when I was in school. CRA: Hearings Before the Committee on Banking, Housing and Urban Affairs of the U.S. Senate, 100th Cong. 2d Sess. 7 (1988).

Moreover, community group protests and newspaper reports contemporaneous with the Senate hearings seemed to provide evidence that lending discrimination and credit exportation in urban areas continued. See "The Color Of Money," Atlanta Journal and Constitution (May 1-4, 1988).

As a result, Congress amended the CRA rating system to make ratings and written evaluations public. Effective with examinations beginning on or after July 1, 1990, institutions received one of the following CRA ratings: "outstanding," "satisfactory," "needs to improve" or "substantial noncompliance." 12 U.S.C §2906(b)(2). The rating is contained in a written "CRA Performance Evaluation" prepared by the regulators, a version of which must be made available to the general public by the institution.

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In connection with the statutory amendment, regulators issued guidelines on ways to develop an effective CRA process, with particular emphasis on board of director and senior management involvement, an expanded CRA statement, and documentation procedures. 55 Fed. Reg. 18163 et seq. (May 1, 1990).

Enhanced Enforcement/Enhanced Investment

The current era of heightened CRA enforcement has been marked by increased regulatory vigilance and the unprecedented practice of publicizing bank examination results. Although it is impossible to measure precisely how much community investment is a direct result of the heightened enforcement, few would reasonably contest the regulators' contention that:

> The CRA has come to play an increasingly important role in improving access to credit among under-served communities--both rural and urban--across the country. Under the impetus of the CRA, many banks and thrifts opened new branches, provided expanded services, and made substantial commitments to increase lending to all segments of society. 59 Fed. Reg. 51233 (October 7, 1994) (Introduction to the inter-agency proposal).

Further, the CRA provides a significant boon to neighborhood-based organizations that meet community credit needs in ways that traditional lenders cannot. Such organizations often loan money in smaller amounts than banks can profitably lend and factor their unique understanding of the community and of loan applicants into their credit decisions.

In 1994, Neighborhood Housing Services of New York City ("NHS"), an organization dedicated to creating, preserving and promoting affordable housing, used private and public money to originate $10.25 million in housing loans to credit-starved neighborhoods and facilitated $11.8 million more in direct bank loans. In 1989, prior to the enhanced emphasis on CRA, NHS originated less than $650,000 in loans and was unable to facilitate any borrowing. NHS, which is supported by over 100 banking and thrift institutions, attributes this extraordinary growth to banks' increased CRA concern and awareness.

Heightened enforcement of the CRA has also resulted in the creation of new investment vehicles intended to serve community development needs. The Global Resources for Affordable Neighborhood Development program ("GRAND"), a consortium of foreign and domestic banks, helps finance the construction of low- and moderate-income housing in New York City through private loans. To date, twenty-six institutions, most of them foreign-owned wholesale banks, have committed $85

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million to GRAND. Many of these institutions were not involved in CRA in any meaningful way prior to the era of enhanced enforcement.

Enhanced Enforcement/Enhanced Dissatisfaction

Notwithstanding the increased CRA-related investment, serious problems remain. Bankers and community activists have expressed dissatisfaction with many of the elements of heightened CRA enforcement. Their main criticisms involve tha subjective nature of the compliance process, the dependence on onerous paperwork during evaluations and the resultant ratings, which sometimes seem insufficiently related to a bank's actual community reinvestment activities. The lack of readily ascertainable evaluation standards and the examination emphasis on "soft" factors, such as the volume of community contacts made by a bank or the number of times its board of directors discusses CRA, are also areas of concern.

The regulatory guidelines have proved, in significant respects, to be unclear or unhelpful, and bankers have struggled to design and implement CRA compliance programs with only vague regulatory direction. Particularly disadvantaged are wholesale banks, institutions subject to the CRA because of their deposit insurance, but which do not maintain branches and do not draw deposits from or lend to a community in any conventional sense. Wholesale banks were largely ignored by the regulators during the first decade of CRA. Their de facto inclusion now forces regulators to jerry-rig the law's provisions, so that they fit institutions that are not in the business of extending retail credit in any meaningful way.

Bankers also vigorously object to their regulatory applications being held hostage to the demands of community groups. Too often, consideration of an application is delayed, while the regulators re-review the CRA performance a bank that has received an "outstanding" rating as a result of its regular CRA examination.

Community activists have their particular concerns as well. They maintain that CRA examinations fail to focus on lending to lower-income neighborhoods, allowing institutions to receive favorable ratings based solely on lending in higher-income arees. Community groups also complain about the lack of hard loan data and of a meaningful enforcement mechanism for institutions with poor CRA records that do not file regulatory applications.

The Reform Efforts

Hence, the New York Benking Department and then the federal regulators, after public hearings and comment, have each issued proposed regulations to carry out CRA reform.

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The New York Proposal

The New York proposal, issued in October 1993 and now in abeyance pending the outcome of the federal process, illustrates one state's approach to addressing these concerns. The State CRA, enacted in 1978 and modeled on the federal law, is similarly applicable to a varied range of institutions: retail and wholesale, foreign and domestic, urban and rural, money center and community.

The New York proposal is designed to make community reinvestment an ongoing program, with enforcement emphasis shifted from the regulatory application process to the annual examination. Its overriding goal is to reduce the unpredictability and inconsistency of CRA evaluations, by basing an institution's grade primarily on its aggregate CRA investments. (A summary of the New York proposal is appended hereto as "Exhibit A.")

The plan's centerpiece is a quantitative rating system that employs a numerical formula to calculate a bank's preliminary CRA rating. The formula is based on the ratio of dollars an institution invests in CRA activities to the dollar amount of its FDIC-assessed deposits. Different categories of CRA activities are afforded different weights. For instance, housing and small business loans in low-income census tracts are weighted more heavily than the same loans made elsewhere in a bank's community.

The preliminary rating set by the numerical formula can be adjusted if warranted by the qualitative aspects of an institution's CRA program. An institution that discriminates or inadequately serves segments of its community would receive a lower rating than the formula dictates, while one that aggressively markets in low and moderate income neighborhoods could have its rating increased.

The quantitative rating system would be coupled with a significant incentive for institutions to achieve and maintain the highest rating. The New York plan provides a safe harbor from CRA-based regulatory protests for banks with three consecutive "outstanding" ratings. This safe harbor is intended to enhance the importance of the examination process by exempting consistently highly rated banks from CRA protests.

The concept of a safe harbor has consistently been the subject of much opposition from community organizations, whose representatives contend that any restriction on their ability to protest would dilute CRA enforcement. They have particular concern about the accuracy of the examination and rating process that could lead to a safe harbor.

The New York plan attempts to address this concern with the quantitative-based rating system, as well as a through a formal community group comment period. The

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comment period would provide community organizations with an explicit role in the Department's evaluation of each institution.

The Federal Proposal

The federal inter-agency proposal also attempts to evaluate banks based on their actual performance in meeting community credit needs. The proposal rejects the strict New York quantitative approach, and would instead appraise most banks' CRA performances by using a five-tier standard to grade them in fourteen lending, service and investment categories. (A summary of the federal proposal is appended hereto as "Exhibit B.")

The federal proposal is a major improvement over the existing system of CRA enforcement. It strikes a careful balance between measuring hard lending data and accounting for variables such as the particular needs and characteristics of a bank's service area and an institution's own unique abilities and expertise. It also eliminates the paperwork currently necessary in order for examiners to review records of every CRA-related phone call and meeting. If, as expected, the proposed small business and farm loan data collection requirements are dropped from the final inter-agency rule, CRA compliance will become a much less paper-intensive and much more efficient process, a result that is critical to the success of CRA reform.

Significantly, the inter-agency proposal also acknowledges that wholesale and limited purpose institutions require different CRA rules. Instead of subjecting these banks to examination under the same tests as retail institutions, a special community development test recognizes that wholesale institutions must comply with the CRA through nontraditional means, including indirect lending, grants and investments.

The federal proposal is noteworthy for its inclusion of a strategic plan option, the purpose of which "is to provide more certainty and flexibility for those institutions that wish to meet their obligation in a fashion that they believe may not be appropriately assessed by the standard performance tests." 59 Fed. Reg. 51243 (October 7, 1994) (Introduction to the inter-agency proposal). The strategic plan option specifically responds to the demand for certainty in the examination process by permitting any institution to design its own CRA program, based upon the specific needs of its community and the business strategy of the bank. Once designed, a plan is submitted to the regulator for pre-approval, and the bank is evaluated according to whethar the plan's goals have been met.

Improving the Federal Proposal By Including a Safe Harbor

The inter-agency proposal lacks one important component--a meaningful incentive for institutions to strive for outstanding CRA performance. If even the highest-rated

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banks are still subject to CRA-protests in connection with certain regulatory applications, banks may lack motivation to achieve anything more than a satisfactory rating.*

A provision insulating institutions with outstanding CRA records from regulatory protests would provide a meaningful incentive to attain an outstanding rating.

The absence of a safe harbor under existing regulation has diminished the significance of on-going compliance by placing enforcement emphasis on the regulatory application process. As a result, the CRA enforcement process has been damaged in the following ways:

- The expectation of community-initiated regulatory protests is an incentive for banks to defer community investment until the application process, in order to be perceived as making concessions to the protestor;

- The reliance on protests is a disincentive for community groups to work with banks on an ongoing basis;

- Protests, which often occur during a time-sensitive merger or acquisition, do not lend themselves to a rational evaluation of protestor demands; and

- Reliance on protest as the primary enforcement method means that bona fide community needs may not be addressed unless and until a bank files an application.

Notwithstanding these problems, deficiencies in the existing examination process make community group dependence on regulatory protests understandable and predictable. However, the examination process is about to be replaced with a more objective, performance-based system that should make safe harbors more palatable.

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*The regulators are charged with assessing each institution's record of meeting community credit needs and are directed to "take such record into account" in their evaluation of certain applications for regulatory approval. These include applications for a charter; for deposit insurance; to open a new branch or other deposit taking facility; to relocate a home or branch office; to merge, consolidate or acquire the assets or liabilities of another institution; to form a bank or thrift holding company; or for a holding company to acquire an institution or merge with another holding company. The application process includes a public participation period, during which the public may submit comments on how well an institution has served its community's credit needs. 12 CFR §25.8; 12 CFR §228.8; 12 CFR §345.8; 12 CFR §563e.8

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The inter-agency proposal will allow community groups to play a genuine role in the examination process, by providing them with important CRA-related information. Groups will have access to a bank's public file, which will include various lending data and other institution-specific information. In addition, the regulators will begin publishing planned examination schedules, allowing for timely public comment on an institution's CRA performance as part of the regular examination.

Increased community investment by the largest number of banks is best accomplished by linking a safe harbor to an outstanding rating or to consecutive outstanding ratings. Tying a safe harbor to a satisfactory evaluation, achieved by approximately 90% of the industry, is unlikely to result in intensified community investment.

The prospect of a safe harbor will provide substantial incentive to any bank that anticipates making a CRA-subject application, which, given the expected consolidation of the banking industry, promises to be a substantial number. In exchange for outstanding CRA performance, these banks will be able to enter the regulatory application process with CRA-related peace of mind.

CRA and the Fair Lending Laws

CRA examinations specifically assess an institution's compliance with the Equal Credit Opportunity Act (15 U.S.C. § 1691) and the Fair Housing Act (42 U.S.C. §§3601-3619), and the regulators systematically discuss such compliance in a section of each bank's CRA Performance Evaluation entitled "Discrimination and Other Illegal Credit Practices." The Federal Reserve Board, the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation and the Office of Thrift Supervision have all stressed and demonstrated the transcendent importance they attach to enforcing the fair lending laws.

A bank's primary regulator is best able to evaluate the bank's fair lending performance, and its determination should, accordingly, be conclusive. Yet, the fair lending laws are also enforced by the Justice Department ("DOJ") and the Department of Housing and Urban Development ("HUD"), each of which may conduct its own independent investigation. The result can be different federal agencies reaching contradictory conclusions under the same statutes.

An irrational regulatory framework that results in inconsistent findings does nothing to achieve society's fair lending-related goals. Instead, it engenders confusion, uncertainty and a sense of helplessness and frustration among banks that have a genuine desire to engage in non-discriminatory lending practices.

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An institution that has had its fair lending practices favorably assessed by its primary regulator should be shielded from DOJ and HUD review of the same activities. The banking agencies should be given exclusive jurisdiction over assessment of bank compliance with the Equal Credit Opportunity and the Fair Housing Acts. Otherwise, whatever changes are ultimately made to CRA compliance, the goal of establishing a rational regulatory framework to ensure that banks lend in a non-discriminatory manner will remain elusive.

Conclusion

The extended reform effort, now in its nineteenth month, risks hampering community development initiatives at a time when, whatever one's opinion of the existing scheme, more resources than ever are being devoted to CRA compliance.

This unintended by-product of CRA reform most severely impacts banks that want or need to do the most: those with fledgling or deficient CRA programs and those desirous of enhancing their existing efforts. These institutions have postponed potentially expensive and time-consuming initiatives, because they are uncertain of the rules that will apply once CRA reform is completed.

The delay affects other institutions as well. Strategic planning, an important component of most business endeavors and one specifically encouraged by the regulators for CRA, is acutely hampered by the uncertainty regarding the future legal framework. Few institutions have the confidence to make long-term commitments in the face of possibly radical regulatory change.

And if the banks are holding back, it is obviously their communities that suffer. Potential CRA activities, especially those involving grants and lending through intermediaries, endeavors which are deemphasized for retail banks under the pending proposal, are being carefully evaluated in light of anticipated changes. If there's any doubt as to its future eligibility, an activity is put on hold.

The longer CRA reform takes, the more important it becomes that the process ends. Put another way, pending reform may be worse than no reform at all.

Thank you.

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EXHIBIT "A"

(Vol. 61) 651

ANALYSIS AND PERSPECTIVE

PROPOSED CHANGES TO NEW YORK STATE CRA COMPLIANCE AND ENFORCEMENT PROGRAM

By Warren W. Traiger*

On Oct. 7, 1993, the New York Banking Board issued for comment a proposal to substantially revise administration of the state's Community Reinvestment Act. The proposal would repeal the existing rules governing CRA enforcement and substitute a new Part 76 of the General Regulations of the Banking Board intended to foster ongoing compliance by banks and greater participation by community representatives.

Although directly affecting only institutions chartered by New York State, the proposal has national relevance as the federal supervisory agencies consider parallel changes to the federal Community Reinvestment Act. New York's venture into CRA reform may well serve as a model for the federal effort.

The state has enforced its own reinvestment act since 1978. Its CRA is modeled on the federal law and is similarly applicable to a varied range of institutions: retail and wholesale; foreign and domestic; urban and rural; money center and community. The issues of subjective standards, onerous paperwork, and inconsistent ratings also are the focus of the state reform effort.

The proposal is the product of a year-long process, during which the state Banking Department considered more than 100 formal comments on a series of CRA-related questions posed by Banking Superintendent Derrick Cephas, from representatives of the banking industry, community-based organizations, and national, state, and local governments.

The comments, many of which were delivered at two days of public hearings in March, reflected a great deal of dissatisfaction with CRA administration but also a reluctance to change. Much of the reluctance stemmed from the considerable distrust among the industry, community groups, and regulators. Some of the more sophisticated players essentially indicated that no matter how flawed the existing system, at least they understood how to effectively operate under it.

Yet the comments and the Banking Department's own regulatory experience demonstrated that CRA enforcement emphasis was concentrated on the regulatory application process, instead of on continuing bank compliance and community group participation.

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This focus often led to CRA protests in which bank applications were held hostage to demands of community groups. The protests did not lend themselves to rational evaluation of such demands, and the emphasis on protests meant that bona fide community needs were not addressed unless and until a bank filed an application.

OVERVIEW

Accordingly, the New York Banking Department's proposal is designed to make community reinvestment an ongoing program, with enforcement emphasis shifted from the regulatory application process to an enhanced annual examination process.

The Banking Department is soliciting public comment on the proposal, which contains the following key provisions, until Dec. 15, 1993:

- **Quantitative Formula** — CRA ratings would be based primarily on the dollar amount a bank invests in CRA-related activities, as a function of its Federal Deposit Insurance Corp.-assessed deposit base. Different categories of CRA activities will be afforded different weights (Part 76.6);
- **Safe Harbor** — A bank with three consecutive "outstanding" ratings would be exempt from CRA-related application challenges (Part 76.8);
- **Enhanced Community Group Participation** — Community organization input on a bank's CRA performance would be formally solicited as part of the examination process (Part 76.7);
- **Rating Appeals Process** — Banks would be permitted to appeal their preliminary CRA ratings prior to publication (Part 76.6);
- **Eligible Investment List and Activity Pre-Clearance** — A non-exclusive list of categories of activities eligible for CRA credit would be provided by the Banking Department. The department also would pre-clear endeavors not on the list (Parts 76.3 and 76.4); and
- **Revised Community Delineation Standards** — Wholesale and retail institutions would have different standards by which to delineate their CRA service areas and to select investments (Part 76.5).

SUMMARY OF PROVISIONS

Part 76.1
Statement of Purpose

This section explains the rationale for substantially revising compliance responsibilities and en-

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forcement procedures under New York's Community Reinvestment Act (Banking Law Section 28-b).

The revision is intended to encourage continuing bank compliance and community group participation, rather than the current CRA enforcement focus on the regulatory application process. Accordingly, the proposal largely measures CRA performance with quantitative data.

The Banking Board also asserts that an institution's responsibility to meet the credit needs of its community under CRA must be "consistent with safe and sound banking practices and the free exercise of management discretion."

Part 76.2
Definitions

This section contains definitions of the following terms used in Part 76: "community bank," "community development loan or investment," "farm loan," "retail bank," "small business loan," "Total CRA Activity," and "wholesale bank."

Part 76.3
Certain CRA-Eligible Activities

This section is intended to provide guidance regarding the categories of investments that will quality for CRA credit under the quantitative formula (Part 76.6).

It begins with a declaration that direct lending in an institution's service area is the primary method by which retail banks are expected to fulfill their CRA responsibilities. Wholesale banks may place greater reliance on indirect loans and activities in their service areas.[1]

The section contains a list that supplements the types of lending traditionally eligible for CRA credit, i.e., direct loans to individuals and small businesses, with other eligible activities.[2] The list is composed of categories of investments, loans, grants, and pro-bono activities for which institutions may receive CRA credit when conducted in their service areas.[3] A summary of the list follows:

CRA-ELIGIBLE ACTIVITIES

Eligible Lending or Investments

- Investments in, loans to, or asset purchases of community development banks;
- Community development loans or investments[4] to or in corporations helping to meet the credit needs of low- or moderate-income individuals;
- Investments in or loans to financial intermediaries or consortia that serve and benefit low- and moderate-income areas and their residents;
- Investments in New York state and local government agency bonds benefiting low- and moderate-income areas;
- Origination of or participation in low- and moderate-income housing, community development, or economic development loans or pools of loans;
- Origination of or participation in guaranteed loans or loan pools of federal, New York State, or municipal economic development agencies, such as the Small Business Administration, Farmers Home Administration, Federal Housing Administration, as well as MESBICS, SSBICs, and SONYMA;
- Bridge financing to small businesses that provide goods or services to government entities and to community groups approved for but awaiting public hearing;
- Credit facilities to non-profit day care programs or non-profit organizations that assist small businesses or provide health care facilities or job training programs in low- and moderate-income areas;
- Credit facilities to minority or women business enterprises organized to principally engage in affordable housing and/or community development activities;
- Investments in or loans to businesses that will result in job creation or retention in low- and moderate-income areas;
- Investments in joint projects with New York State and municipal economic development agencies;
- Investments in minority-owned banks or banks that are headquartered in and primarily serve low- and moderate-income neighborhoods;
- Investments or loans to financial intermediaries or consortia organized to make small business loans or to develop or rehabilitate housing in low- and moderate-income areas;
- Investments, including deposits, in community development credit unions; and
- Real estate equity investments under Part 37 of the Banking Board regulations.

Eligible Grants

- Grants to financial intermediaries or consortia that serve and benefit low- and moderate-income areas and their residents;
- Grants to non-profit day care programs or non-profit organizations that assist small businesses or provide health care facilities or job training programs in low- and moderate-income areas;
- Grants or pro bono legal or financial advise to minority or women business enterprises organized to principally engage in affordable housing and/or community development activities; and
- Grants to financial intermediaries or consortia organized to make small business loans or to develop or rehabilitate housing in low- and moderate-income areas.

Eligible Pro Bono Activities

- Pro bono financial advice to municipalities that serve low- and moderate-income areas;

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[1] "Wholesale" and "Retail" banks are defined in the discussion of Part 76.5 below.

[2] In the letter accompanying the proposal, the Banking Department stresses that the list is for "guidance only" and is "merely representative" of the types of activities that would qualify for CRA credit.

[3] As explained in the discussion of Part 76.5 below, in certain instances wholesale banks may also receive credit for activities conducted outside their service areas.

[4] A "community development loan or investment" has as a principal purpose the stabilization or rehabilitation of a low- or moderate-income community or material long-term economic benefits to such a community and its residents.

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• Pro bono legal or financial advise to non-profit day care programs or non-profit organizations that assist small businesses or provide health care facilities or job training programs in low- and moderate-income areas; and

• Grants or pro bono legal or financial advice to minority or women business enterprises organized to principally engage in affordable housing and/or community development activities.

Part 76.4
Requests for Prior Review

This section establishes a pre-clearance process that allows institutions to seek a prior review by the Banking Superintendent regarding the CRA eligibility of a proposed activity not listed in Part 76.3 above.

A determination issued by the Superintendent specifically will disclaim any recommendation or endorsement as to the activity's appropriateness or its safety and soundness ramifications. Prior determinations will be made available to the public under the Freedom of Information Law.

Part 76.5
Delineation of Service Areas

This section establishes different CRA community delineation standards for wholesale and retail institutions.

"Wholesale bank" is defined as an institution "that does not engage in the business of soliciting and accepting deposit accounts in amounts of $100,000 or less from the general public." "Retail bank" is defined as any other institution subject to CRA.

A retail bank may delineate its service area using:

- Existing boundaries, such as metropolitan statistical areas or counties in which its offices are located;
- Its effective lending territory, defined as the area surrounding each office or group of offices where it makes a substantial portion of its loans; or
- Any other reasonably delineated area that meets the purposes of CRA.

A wholesale bank may define its service area according to the retail bank standards above or as the entire city in which its headquarters is located. A wholesale bank that has a satisfactory record of CRA activity within its service area will receive credit under the quantitative formula set forth in Part 76.6 for activities conducted anywhere in New York State.

If an institution delineates its service area so the low- and moderate-income areas are arbitrarily excluded or in any other manner that is inconsistent with the three options above, the Banking Department will revise the delineation and evaluate the institution's CRA performance in accordance with the revised community delineation.

Institutions are required to use their independent business judgment to determine the most appropriate way to serve community credit needs. No institution is required to establish a new banking facility or offer a particular product or service pursuant to CRA.

Part 76.6
Annual CRA Assessment

This part sets forth the process by which the Banking Department will make its annual CRA assessment and grade each institution. The final examination result will be published by the department, which will also make a written summary available upon public request.

Examinations will be performed at least annually, and at least one of every three assessments will be conducted at the institution. (The department also conducts off-site examinations.) Except for "community banks" (see below), an institution's preliminary CRA rating will be determined according to the following calculation:

$$\text{Preliminary rating} = \frac{\text{Total CRA Activity}}{\text{CRA Deposit Base}}$$

An institution's **Total CRA Activity** is defined as the sum of the dollar amount of each eligible CRA loan, grant, or investment multiplied by a corresponding adjustment or weighting factor (see below).

Different categories of CRA activities are afforded different weights. For instance, housing and small business loans in low-income census tracts will be weighted more heavily than the same loans made elsewhere in a bank's community. Additionally, retail banks will not receive credit for investments in consortia or intermediaries that exceed 50 percent of their Total CRA Activity or for grants that exceed 15 percent.

Total CRA Activity will consist of all outstanding CRA-eligible loans and investments,[1] all CRA-eligible grants and pro-bono activities since the last assessment; and all CRA-eligible loans and investments occurring since the last assessment that are no longer outstanding. The institution also may ask the Banking Department to consider non-bank affiliate or subsidiary CRA-eligible activities in its calculation. However, the department then will also review other CRA-related matters pertaining to the affiliate or subsidiary, including its compliance with consumer lending laws.

CATEGORY OF INVESTMENT	ADJUSTMENT FACTOR (WEIGHT)
<u>Direct Consumer Loans</u>	
Generally	1.0
To low/moderate-income	2.0
To residents of New York State "economic development zones" or low income census tracts	2.5

[1] A legally binding commitment to fund a loan will be weighted as if the loan were funded, but generally only for the year in which the commitment was issued.

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Loans and Investments to Consortia or Intermediaries (limited to 50% of a retail bank's total CRA activity)	
General benefit	1.0
Specific benefit to low and moderate income	2.0
Benefit to NYS "economic development zones" or low-income census tracts	2.5
Community Development Loans and Investments (see footnote 6)	
General benefit	3.0
Benefit to NYS "economic development zones" or low-income census tracts	4.0
Housing Loans	
Mortgages to finance owner-occupied 1 to 4 family homes	1.0
Mortgages to finance owner-occupied 1 to 4 family homes in low and moderate income areas	2.0
Mortgages to finance owner-occupied 1 to 4 family homes in areas designated as NYS "economic development zones" or low income census tracts	2.5
Construction loans, end loans, or mortgages to finance multi-family housing units	1.5
Construction loans, end loans, or mortgages to finance multi-family housing units in low and moderate income areas	2.5
Construction loans, end loans, or mortgages to finance multi-family housing units in areas designated as NYS "economic development zones" or low-income census tracts	3.0
Small Business and Farm Loans[6]	
In service area generally	1.5
In low- and moderate-income area	2.5
In areas designated as NYS "economic development zones" or low-income census tracts	3.5
Letters of Credit, Guarantees, and Other Credit Enhancements	
Supporting small business lending	1.0
Supporting community development lending programs	3.0
Supporting community development lending programs in areas designated as NYS "economic development zones" or low-income census tracts	4.0
Miscellaneous	
Loans or investments in community development banks	3.0
Grants to non-profit organizations organized to address the needs of low- and moderate-income persons (May not exceed 15% of a retail bank's total CRA activity)	7.0
Purchase for investment of state or local bonds, which proceeds are expended for specific benefit of low- and moderate-income persons	1.0
Purchase for investment of project finance bonds that advance the purposes of CRA and which proceeds are expended in New York but outside the service area	1.0
Reasonable and verifiable cost of pro bono services set forth in Part 76.3	7.0

The **CRA Deposit Base** is defined as the average deposit totals reported for FDIC assessment purposes since the institution's last CRA assessment.

The calculation will result in a percentage that will correspond to a preliminary rating set forth in separate tables for retail and wholesale banks:

Rating	Retail Bank	Wholesale Bank
Outstanding (1)	Over 30%	Over 8%
Satisfactory (2)	30% to 20%	8% to 5%
Needs to Improve (3)	19.9% to 15%	4.9% to 3%
Substantial Non-Compliance (4)	Under 15%	Under 3%

The preliminary rating may be revised if the department's review of the following qualitative factors indicates that a different rating more accurately reflects an institution's CRA performance: community need ascertainment and marketing; board of director participation; discrimination-related findings; branch openings and closings; issues unique to the bank and its community; special programs to meet the credit needs of low- and moderate-income persons and small businesses; facilitation of CRA activities by other banks; and other factors deemed relevant by the Superintendent.

"Community banks"[7] will not be subject to this analysis. Instead, banks meeting the criteria in footnote 5 will automatically receive a CRA rating of satisfactory unless the department determines that qualitative factors dictate a different rating.

This section also provides for a rating appeals process, allowing an institution to contest its tentative rating before it is publicly adopted. Each institution will receive notice of the department's tentative findings and have 20 days (with an additional 25 days for good cause) to file a notice of appeal. An appeal may be based only on (1) material factual errors in the department's findings or relied on by the department in its findings or (2) failure by the department to consider significant information provided to it during the examination.

[6] A "small business loan" is a commercial loan in an original amount of $1 million or less. A "farm loan" is a loan secured by farmland or advanced to finance agricultural production in an original amount of $500,000 or less.

[7] A "community bank" is defined as a retail bank with (1) assets of $150 million or less; (2) average aggregate net loans at least 65 percent of it total average deposits; and (3) at least 65 percent of the average aggregate amount of its loans within its CRA service area.

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Part 76.7
Community Group Participation

This section facilitates greater community group involvement in the CRA examination process by providing community groups with notice of which banks are scheduled for examinations over the next calendar quarter and inviting group input on a formal questionnaire.

The questionnaire, also published for comment, solicits information on community group contact with the bank, the bank's relationship to the community, and the bank's lending, marketing, and advertising activities.

Part 76.8
Review of Applications

This section enumerates the types of state regulatory application approvals subject to an institution's CRA performance:

- Opening a branch or public accommodation office (Section 29 NY Banking Law);
- Bank holding company matters (Section 142 NY Banking Law);
- Reciprocal interstate acquisitions (Section 142–b NY Banking Law);
- Reciprocal interstate branching (Section 223 and Section 224 NY Banking Law); and
- Mergers and asset purchases (Section 601–b NY Banking Law).

It further provides that neither the Banking Board nor the Superintendent may reject an application on CRA grounds if the applicant has received three consecutive outstanding ratings. This safe harbor is contingent upon the institution not having been found to have engaged in discriminatory lending practices under Section 296–a of New York's Executive Law.

CONCLUSION

The final New York regulations are expected to be promulgated at approximately the same time that the federal regulators, at the direction of the president, are due to issue their own CRA reform proposal.

Since Banking Superintendent Cephas has repeatedly indicated that he will not place CRA burdens on state-regulated institutions that do not exist for those subject only to federal law, it is unlikely that New York's reform process will conclude with a competing system of state regulation.

Instead, the proposal is best viewed as an important contribution to the national deliberations on CRA revision. The rules that flow from the proposal have the potential to greatly influence federal CRA changes, and industry representatives should treat it accordingly as they react.

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EXHIBIT "B"

A Brief Guide To Federal CRA Reform - The Revised Proposal

PART ONE: SETTING THE STAGE

I. The service area

How an institution defines its service area (community) depends on whether it is a retail bank or a wholesale or limited purpose bank.

A **retail bank** is in the business of making home mortgage loans, loans to small businesses or farms or consumer loans. A retail bank must delineate its community to include equidistant areas around each deposit taking facility that originates such loans or has them outstanding. A community may not normally extend beyond state or metropolitan statistical area (MSA) boundaries.

A **wholesale bank** is not in the business of extending home mortgage, small business or farm or consumer loans to retail customers. A **limited purpose bank** offers only a narrow product line, like credit cards or car loans, to a national or regional market. A wholesale or limited purpose bank may delineate its community as an area around its office or as a broader statewide or regional area that includes the area surrounding its office. **An institution must make a written request to the regulator in order to be considered a wholesale or limited purpose bank.**

No bank's service area may arbitrarily exclude low- or moderate-income areas or reflect illegal discrimination.

II. Information about the community

Examiners will gather demographic data on income and housing. They will develop information on community credit needs from sources that include community organizations, state and local governments and economic development agencies.

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III. Information about the bank

An institution will collect data on its **home mortgage loans** (based on HMDA reports); **small business and farm loans** (using call report definitions with supplemental race and gender information); and, at its option, **consumer loans** (reports to contain loan amounts outstanding and the locations and incomes of borrowers).

The regulator will also factor the following bank-related information into the examination:

- Product offerings and business strategy;
- Institutional capacity and constraints;
- Past CRA performance and the CRA performance of similar lenders;
- The **Public CRA File**, which will contain composite information on two years of lending activity (for banks with over $250 million in assets), as well as any public comment related to CRA performance; and
- Anything else deemed relevant.

IV. The assessment method

Unless an institution selects the **strategic plan option** described below, retail banks will be assessed according to the **lending, investment and service tests** outlined in Part Three and wholesale and limited purpose banks according to the **community development test** depicted in Part Four. An institution with under $250 million in assets that is not part of a holding company with $250 million or more in assets may choose the **small bank assessment option** set forth in Part Five.

PART TWO: THE STRATEGIC PLAN OPTION

Every bank has the option of adopting a plan setting forth its CRA strategy for up to five years. The bank must formally solicit public comment on its plan in a general circulation newspaper in its service area for at least 30 days. The plan and any public comment must be **submitted to the regulator for approval** at least three months prior to the plan's effective date.

The Plan must:

- **Provide annual measurable goals** in each relevant performance category; and
- Propose performance which is **at least satisfactory**. **"Outstanding"** goals may also be specified.

The examiner will evaluate a bank's performance according to whether the plan's goals have been met or exceeded. Should a bank fail to meet its goals, its CRA performance will be rated as either needs to improve or substantial noncompliance.

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PART THREE: RETAIL BANKS

THE LENDING TEST

The lending test is the focus of a retail bank's CRA evaluation. It measures an institution's record of serving its community through home mortgage loans, small business and farm loans, community development loans and, at the bank's option, consumer loans. **Community development loans** address affordable housing or other community development needs that benefit low- or moderate- income individuals or small businesses or farms and are not being met by the private market. A bank may also elect to include its affiliate, consortia and third party loans as part of its lending test assessment.

	LENDING TEST RATINGS				
	Outstanding	High Satisfactory	Low Satisfactory	Needs to Improve	Substantial Noncompliance
Responsiveness to Community Credit Needs	Excellent	Good	Adequate	Poor	Very Poor
Percentage of Loans in Service Area	Substantial	High	Adequate	Small	Very Small
Geographic Distribution of Loans in Service Area	Excellent	Good	Adequate	Poor	Very Poor
Distribution of Loans among Income Levels and Business Sizes	Excellent	Good	Adequate	Poor	Very Poor
Record of Serving Credit Needs of Economically Disadvantaged	Excellent	Good	Adequate	Poor	Very Poor
Use of Innovative or Flexible Lending Practices	Extensive	Uses	Limited	Little	None
Level of Community Development Loans	Leadership	High	Adequate	Limited	Few, if Any

A bank's performance need not fit every aspect of a rating profile to receive that rating.

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THE INVESTMENT TEST

The investment test evaluates how well a bank is helping to meet community credit needs through investments, deposits, membership shares in a credit union or grants that:

- Primarily benefit low- or moderate-income individuals or small businesses or farms;
- Address affordable housing or other community development needs, unmet by the private market; or
- Involve donating, selling on favorable terms or furnishing rent-free a bank branch in a minority neighborhood to a minority or women's depository institution.

	INVESTMENT TEST RATINGS				
	Outstanding	High Satisfactory	Low Satisfactory	Needs to Improve	Substantial Noncompliance
Level of Qualified Investments	Excellent	Significant	Adequate	Poor	Few, if any
Use of Innovative or Complex Investments	Extensive	Significant	Occasional	Rare	None
Responsiveness to Community Needs	Excellent	Good	Adequate	Poor	Very Poor

A bank's performance need not fit every aspect of a rating profile to receive that rating.

THE SERVICE TEST

The service test analyzes the bank's retail service delivery system (including branches and other facilities) and its **community development services,** defined as services that primarily benefit low- or moderate-income individuals or small businesses or farms and address affordable housing or other community development needs, unmet by the private market.

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	SERVICE TEST RATINGS				
	Outstanding	High Satisfactory	Low Satisfactory	Needs to Improve	Substantial Noncompliance
Service Delivery System	Readily Accessible	Accessible	Reasonably Accessible	Limited Accessibility	Inaccessible
Record of Retail Facility Openings and Closings	Improved Access	No Adverse Affect	Generally No Adverse Affect	Adverse Affect	Significant Adverse Affect
Convenience of Service to Community	Tailored To Community	Not Inconvenient	Not Inconvenient	Inconvenient	Significant Inconveniences
Community Development Services	Leader	High Level	Adequate	Limited	Few, if Any

A bank's performance need not fit every aspect of a rating profile to receive that rating.

ASSIGNING A RATING

A retail bank's rating is assigned based on its aggregate point value under the three tests.

	COMPONENT TEST RATINGS				
	Outstanding	High Satisfactory	Low Satisfactory	Needs to Improve	Substantial Noncompliance
Lending Test	12	9	6	3	0
Service Test	6	4	3	1	0
Investment Test	6	4	3	1	0

AGGREGATE POINTS	RATING
18 or more	Outstanding
9 to 17	Satisfactory
5 to 8	Needs to Improve
4 or fewer	Substantial Noncompliance

If an institution's aggregate point total is more than twice its lending test score, its total is reduced to twice that score. **A rating may also be lowered based upon evidence of lending discrimination or other illegal credit practices.**

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PART FOUR: WHOLESALE AND LIMITED PURPOSE BANKS

The community development test evaluates a wholesale or limited purpose bank's record of investments, lending and services. The bank may elect to include affiliate, consortia or third party lending in its evaluation and may receive credit for CRA-related activities outside its service area to the extent that it conducts them within its community. **In order to be assessed under the community development test, an institution must request and receive confirmation of its status as a wholesale or limited purpose bank from its regulator prior to an examination.**

	COMMUNITY DEVELOPMENT TEST RATINGS			
	Outstanding	Satisfactory	Needs to Improve	Substantial Noncompliance
Level of Community Investment, Lending and Services	High	Adequate	Poor	Few
Use of Innovative or Complex Investments, Loans and Services	Extensive	Occasional	Rare	None
Responsiveness to Community Needs	Excellent	Adequate	Poor	Very Poor

A bank's performance need not fit every aspect of a rating profile to receive that rating.

PART FIVE: THE SMALL BANK OPTION

A bank with under $250 million in assets that is not part of a holding company with $250 million or more in assets may choose this assessment option (**no loan reporting required**).

A small bank will receive a **satisfactory** rating if it:

- Has a reasonable loan-to-deposit ratio;
- Makes a majority of loans in its service area;
- Has a reasonable distribution of loans across income levels and business sizes;
- Takes appropriate action in response to CRA-related written complaints; and
- Has a reasonable geographic distribution of loans in its service area.

A small bank may receive an **outstanding rating** if it exceeds satisfactory standards and a **needs to improve** or **substantial noncompliance** rating if it fails to meet those standards.

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NED BROWN
300 PARK AVENUE SOUTH
SEVENTH FLOOR
NEW YORK, NEW YORK 10010
(212) 388-0200

Testimony before the Subcommittee on Financial Institutions and Consumer Credit
Re: Community Reinvestment Act (CRA)

Madame Chairwoman, Members of Congress, thank you for the opportunity to provide testimony on the critical issue of the Community Reinvestment Act. There will be many people who will appear before this Subcommittee who will give you their opinions regarding CRA and the direction it should go. I would like to take a different direction - one that deals with data and facts.

My company, Financial Modeling Concepts, is a unique software company that works for banks to help them make profitable loans in low to moderate income areas and to the individuals that fall within that spectrum. We're in the business to help banks find credit-worthy customers to whom they can make good loans. Absent of CRA, the banks might not make the extra effort to reach this market. Our company is based in New York, Long Island and Boston. Allow me to explain briefly our mission and how we approach our business. Most of our employees have extensive experience dealing with demographic data and developing mathematical models. Two years ago, we recognized a need to help banks make profitable loans in LMI areas and increase their penetration. First, we started with the regulators. We've met with the top compliance people of the regulatory entities that testified earlier today. We wanted to understand from their perspective where the needs were in the marketplace, and how to help the banks. The regulators identified three key areas:

- Helping the banks to quantify the potential for the major credit products in LMI areas.

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- Make their marketing effort more efficient by driving down the net cost on a per loan basis.
- Extending credit to as many qualified individuals as possible.

What does our company do that is unique? We are in the modeling business as it relates to CRA lending. In other words, we try to predict future needs based on present and past behavior (see attached article). Let me explain. Banks keep on their data file name, address, loan type and balance information for each loan. We take that data from our clients and append available demographics like age, estimated income, marital status, presence of children, home ownership, etc. If you have thousands or millions of these individual files as we do, you can begin to develop highly accurate predictive models. In other words, by looking at individual demographic data in LMI areas, we can predict with a higher level of confidence whether this individual is more likely to want and need one of the following credit products: purchase mortgage, home equity loans, mortgage refinance, unsecured installment loans or a credit card. Our objective is to help the banks provide credit in all forms as widely as possible into their communities.

Having explained what we do, allow me to share with the Subcommittee what we've learned looking at our clients' files. First, we determined to whom the banks are lending. On the mortgage side, the principal beneficiaries of CRA are solidly in the lower end of the middle class. Regardless of race, whether they are African-American, Hispanic, Asian or Caucasian, these are fairly typical middle-class Americans - albeit at the lower end. Nearly half of the mortgage holders in our client bank's data files make between $20,000 to $50,000 in total household income. Demographically, nearly 58% are single and many are single parents. And the average mortgage balance is $61,000. Stereotypes might suggest that CRA lending is low income and risky - the actual loan records disprove that misperception.

For installment loans, the principal target is a bit different. Installment loans are particularly important in LMI areas for auto purchases and major appliances. The average installment loan balance in our data file is

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approximately $13,000, and it appeals to an entirely different target than that of purchase mortgages. For installment loans, 57% make below $30,000 in estimated household income - down substantially from the purchase mortgage base. Demographically, an even greater percentage (65%) of the installment loan base are single as opposed to mortgage loans. Further, a large percentage of people over age 55 carry installment loans according to our bank loan records. For specific markets, we've also included a bank loan analysis in LMI areas for Albany, New York and Philadelphia, Pennsylvania. While we cannot see the actual faces of these individuals, the information about them tells us a lot. Many of these people are the struggling middle class members of our society who are trying to stay above water. They pay their bills, they have jobs and they are working to live the American dream.

Having given you a factual perspective, allow me to answer those questions the Sub-committee raised that are within our expertise.

Is CRA fulfilling its original purpose of ensuring that banks and thrifts are meeting the credit needs of their communities? Yes, but only partly. There is no question that it has been hard to find customers to qualify many of these loans. But there are two pieces of good news. New technologies like the ones we use make it easier and more cost-efficient to make CRA loans. And, much of the profitable lending potential still goes untapped in these communities. Is this technology successful? Well, I can tell you that we give every one of our clients a moneyback guarantee on our work. If they are not satisfied that their lending rate goes up, their net marketing cost per loan and the rejection rates go down, then we give them back their money. We haven't had one taker yet. The point is that we are proving day-to-day that there are people to be served in LMI communities and money to be made by the banks. It takes a little more "know-how", but it is very profitable business.

Who benefits from CRA lending? As was pointed-out earlier, it is clearly the lower end of the middle-class. And racially, LMI lending disproportionately benefits Whites because they make-up the majority of many LMI communities. In the preceding charts, we've analyzed the white

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composition of LMI communities for several Metropolitan Statistical Areas (MSAs). The markets we used are in Maryland, Wisconsin and Florida.

To the issue of "safe harbors", I have only a sideline view as it pertains to H.R. 317. While the proposed "safe harbor" for more than ninety percent of the banks might be too high, there definitely should be greater incentives for banks who do an excellent job. Some of my bank clients have suggested to me that those with two consecutive outstanding ratings for CRA should get two years of "safe harbor" on applications.

Finally, I would encourage you to look at CRA as a large building block in the foundation of our communities. As Congress continues to move ahead on legislation that will affect the middle-class, it's important to take a macro view on the role that Community Reinvestment plays. The availability of private capital is the cornerstone to economize strength in every urban and rural community. As the government seeks to reduce entitlement programs to lower income areas, private capital that is prudently placed becomes the cheapest form of economic assistance. From that perspective alone, CRA will play a tremendous role in the years ahead. Thank you very much for your attention.

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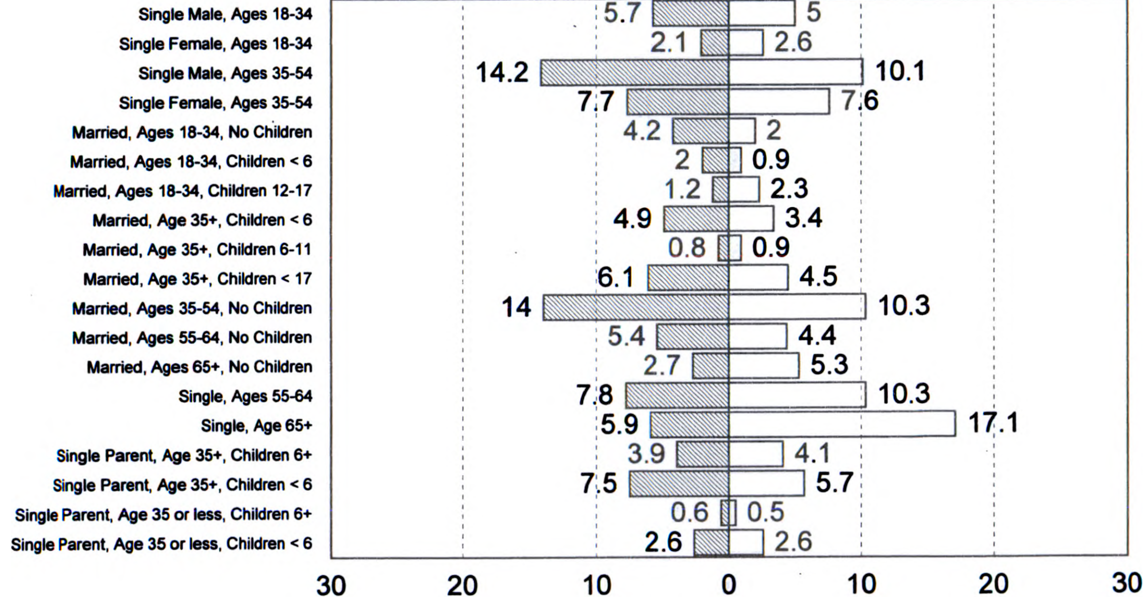

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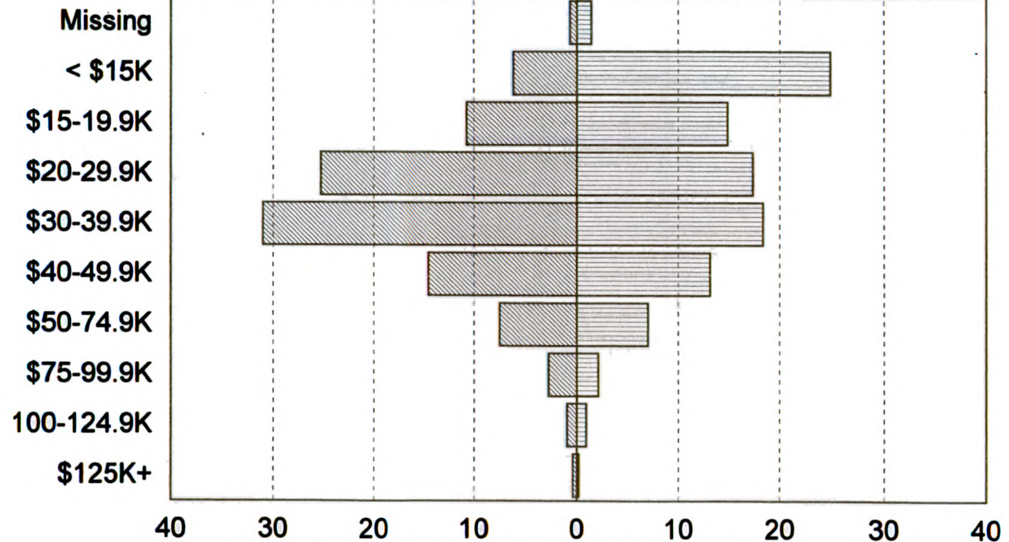
Current LMI Product Holders
FMC Proprietary LMI Database

Median Mortgage = $61K   Median Installment = $13K



	Missing	< $15K	$15-19.9K	$20-29.9K	$30-39.9K	$40-49.9K	$50-74.9K	$75-99.9K	100-124.9K	$125K+
Median Mortgage = $61K	0.7	6.2	10.7	25.3	31	14.4	7.5	2.8	1	0.4
Median Installment = $13K	1.4	24.9	14.8	17.3	18.3	13.1	7	2.1	0.9	0.2

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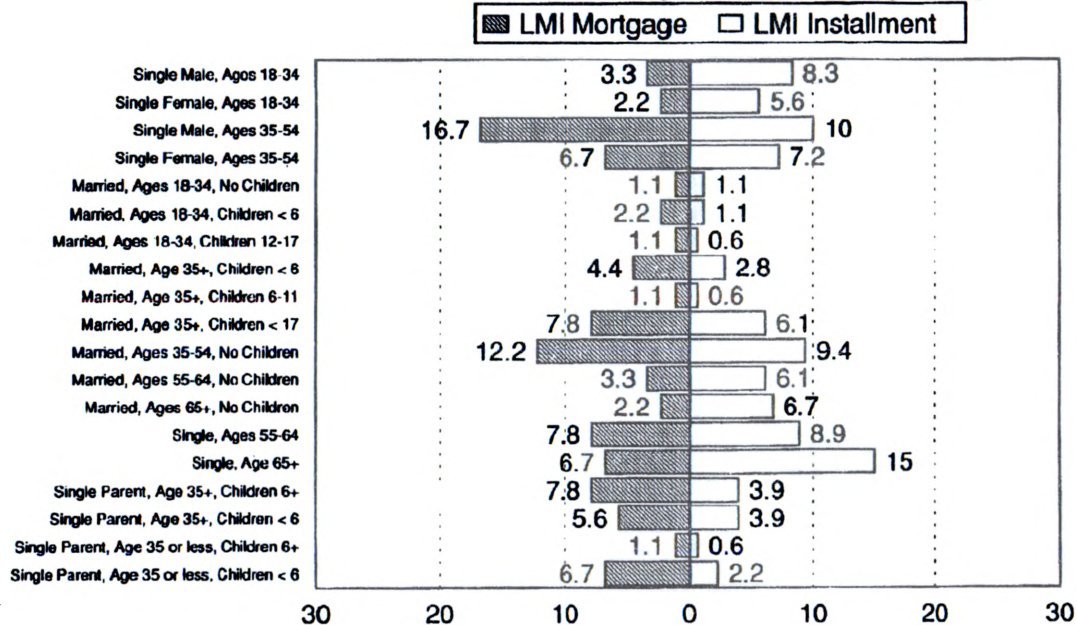

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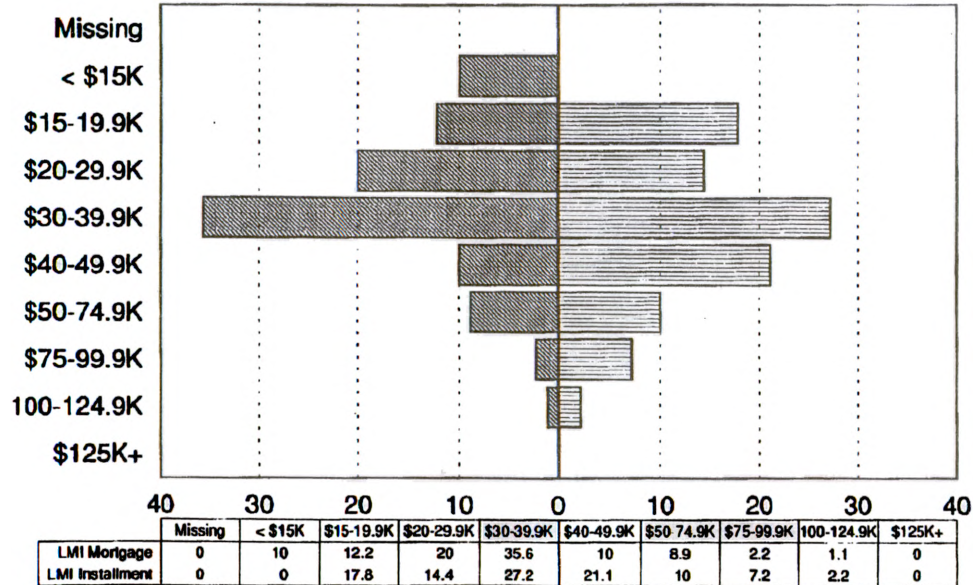

	Missing	< $15K	$15-19.9K	$20-29.9K	$30-39.9K	$40-49.9K	$50-74.9K	$75-99.9K	100-124.9K	$125K+
LMI Mortgage	0	10	12.2	20	35.6	10	8.9	2.2	1.1	0
LMI Installment	0	0	17.8	14.4	27.2	21.1	10	7.2	2.2	0

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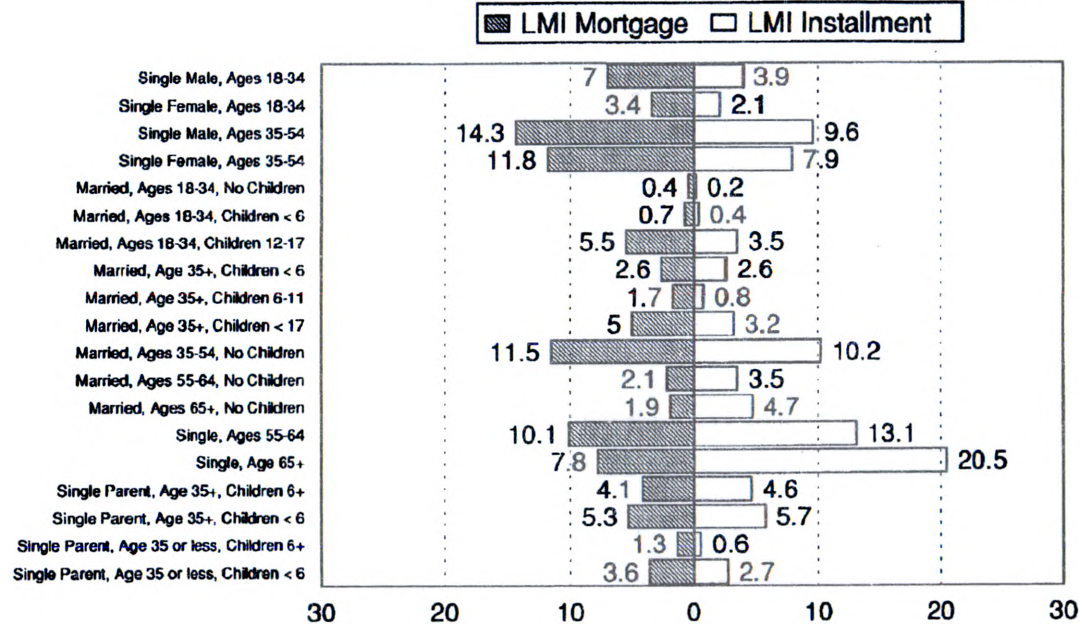
Current LMI Product Holders
MSA - Philadelphia, PA / New Jersey



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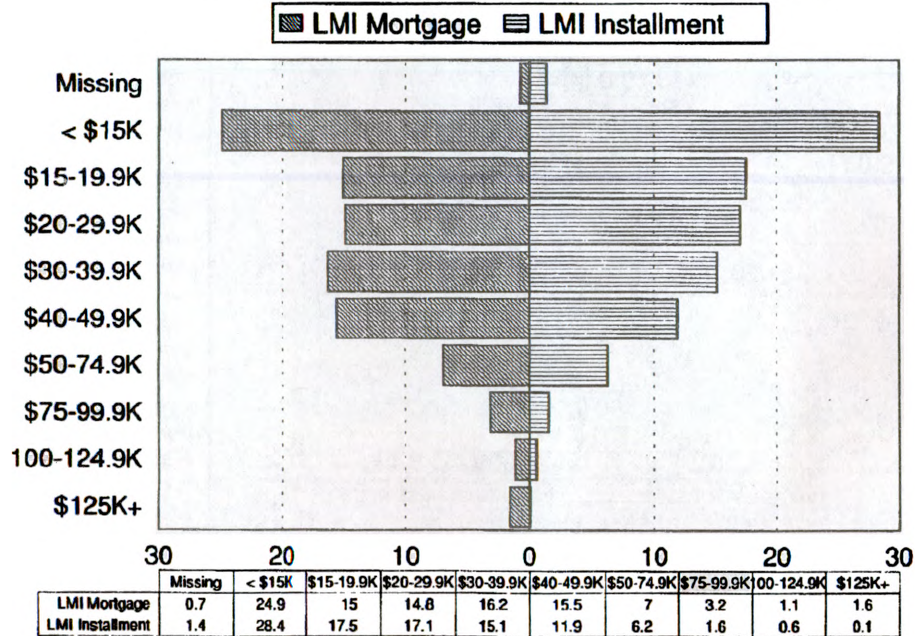

	Missing	< $15K	$15-19.9K	$20-29.9K	$30-39.9K	$40-49.9K	$50-74.9K	$75-99.9K	100-124.9K	$125K+
LMI Mortgage	0.7	24.9	15	14.8	16.2	15.5	7	3.2	1.1	1.6
LMI Installment	1.4	28.4	17.5	17.1	15.1	11.9	6.2	1.6	0.6	0.1

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Florida: MSA - Jacksonville

Counties: Clay, Duval, Nassau, St. Johns

- Total Population = 370,091
- Low = 48,860 (34,74% white)
- Mod = 60,490 (81.16% white)
- Total Lo/Mod = 109,350 (29.54 % of total population)
- MEDIAN INCOME:
  - $27,600 - Clay
  - $22,700 - Duval
  - $23,900 - Nassau
  - $26,400 - St. Johns

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Florida: MSA - Orlando

Orange County (Have not included Osceola County)

- Total Population = 275,336
- Low = 34,984 (44% white)
- Mod = 67,366 (78% white)
- Total Lo/Mod = 102,350 (37.17 % of total population)
- MEDIAN INCOME:
  - $25,480

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Maryland: PMSA - Baltimore

Counties: Anne Arundel, Baltimore, Carroll, Harford, Howard, Queen Anne's, Baltimore City

- Total Population = 915,598
- Low = 163,832 (54.32% white)
- Mod = 202,609 (70% white)
- Total Lo/Mod = 366,441 (40% of total population)
- MEDIAN INCOME:
  - $37,400 - Anne Arundel
  - $31,900 - Baltimore
  - $35,100 - Carroll
  - $35,420 - Harford
  - $47,270 - Howard
  - $29,460 - Quenn Anne's
  - $21,120 - Baltimore City

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Wisconsin: PMSA - Milwaukee/Waukesha

Counties: Milwaukee, Ozaukee, Washington, Waukesha

- Total Population = 552,404
- Low = 95,763 (41.22% white)
- Mod = 91,088 (82% white)
- Total Lo/Mod = 186,851 (33.82% of total population)
- MEDIAN INCOME:
  - $22,690 - Milwaukee
  - $33,990 - Ozaukee
  - $31,430 - Washington
  - $36,340 - Waukesha

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AMERICAN BANKER
Compliance
Thursday, November 3, 1994
9

Big Banks, Software Vendor Tackle CRA Compliance Rise

By SHANNON HENRY

As Community Reinvestment Act enforcement gets tougher, more banks are turning to software vendor Financial Modeling Concepts – even banks that have outstanding ratings.

The company has just added Mellon Bank and Bank of America to its roster of 25 bank customers, which pay on average $40,000 for Financial Modeling's CRA software.

Many compliance software companies make a living from small banks just trying to stay out of trouble. But Financial Modeling Concepts attracts big bank customers who see compliance as a competitive tool. They know top-notch CRA ratings and fair lending scores are necessary to win regulatory approval for expansion plans.

"CRA and fair lending are the litmus tests for mergers and acquisitions," said Ned Brown, managing partner of Financial Modeling Concepts.

Mr. Brown said CRA ratings would get much tougher in the next 18 months. He predicts the number of banks with "needs to improve" and "substantial noncompliance" ratings will jump from about 200 to 1,000 by early 1996. Many of those banks, he said, would be large institutions.

That's how Financial Modeling Concepts expects to build its business. "My goal is to have 50 of the top 100 banks by the end of 1995," Mr. Brown said.

Ned Brown
Managing partner, Financial Modeling Concepts

Financial Modeling Concepts already sells to big banks that have had CRA or fair lending problems; Shawmut Bank, Fleet Financial Group, and Chevy Chase Savings Bank are all customers.

Financial Modeling Concepts has added Bank of America and Mellon to its roster.

Financial Modeling Concepts also has started to individually analyze some customer loan files for discrimination.

"We've grown beyond being a software company," Mr. Brown said. "The technology, marketing, and regulatory relations aspects are all coming together."

Mellon Bank, which received three outstanding CRA ratings and one satisfactory, bought the software to stay ahead.

"Banks like Mellon look at the toughening of regulations and they want to be in position to grow," Mr. Brown said. "This is a preemptive move to protect their rating."

Financial Modeling Concepts started selling its "Loantrax" software last year. Using data bases on 85 million households, representing 97% the United States, it analyzes public information about households, including age of residents, annual income, and what kinds of cars they drive.

That information can then be used to find and target potential low- to moderate-income borrowers for CRA lending.

New CRA exams are expected to focus more on actual lending results, making household-specific information more valuable to banks.

The software doubles as a marketing tool, helping bankers decide who to approach through direct mail or other tactics.

Bank of America is using Loantrax in opening a new branch in Houston. The product helps BofA assess loan opportunities in the area by quantifying potential borrowers and developing marketing lists. □

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REGULATORY COMPLIANCE WATCH

NUMBER 94-48

DECEMBER 19, 1994

F.Y.I.

People 95 Issues

This week Regulatory Compliance Watch looks ahead at the people and issues that will have the greatest effect on the industry in 1995.

Nine People To Watch

✓ Matthew Lee
... new-wave agitator
✓ John Salgado
... safe loans to 'risky' folks
✓ Alfonse D'Amato
... plans to attack CRA
✓ Richard Shelby
... eager to bring reg relief
✓ Charles Rice
... snapping gator of a CEO
✓ Ned Brown
... banks' marketing teacher
✓ Eugene Ludwig
... the key regulator
✓ John Byrne
... money-laundering expert
✓ Stacy Dickerson
... reaching for a Star

Five Issues To Follow

✓ CRA
... It's alive! It's alive!
✓ Sophisticated Protestors
... you provide the evidence
✓ New frontiers
... early warning of dangers
✓ Derivatives
... Leach's lemon law
✓ The *Rodash* Case
... nervous times ahead

Winter Break

Regulatory Compliance Watch will not be published Dec. 26 and Jan. 2. Publication resumes with the issue of Jan. 9.

1995 Preview

Banks, Agitators Get Savvy As GOP Takes Congress

1995 is going to be an important year for banking compliance and will be one in which the tone may shape the nature of banking for years to come.

First, 1995 likely will mark when compliance officers in many banks finally take their long-deserved place in banking hierarchy. Today's successful financial institutions more often than not are those with active compliance departments.

Along with the spotlight comes responsibility. Compliance managers, CRA officers and BSA officers will be on the front line taking the credit for programs well done and the heat for those that don't make the grade.

Regulatory Compliance Watch suggests the following nine people as folks to watch in 1995.

Matthew Lee

Community activists will be coming into their own in 1995, filing more protests that successfully block acquisitions and mergers than they ever did in 1994. Leading the way will be South Bronx, N.Y. activist, lawyer, father, husband and Generation X member Matthew Lee, who at 29 almost single-handedly held up transactions at just

See People page 2

Too Many Problems Now? It Won't Get Easier in '95

More regs? Fewer regs? Tougher regs? For the typical bank compliance officer, the answer to all three questions during 1995 might be "yes." The compliance officer's horizon will expand this coming year, as the elimination of some old barriers will open up new business territories—and new compliance challenges. Here are the *Regulatory Compliance Watch* picks for the issues to watch in '95.

CRA Isn't DOA

The Community Reinvestment Act might appear to bankers to be en route to a defanging. Don't bet on it. Enemies of the act thought they had the votes in the Senate nearly 20 years ago to kill it at birth, but then the senator who would have cast the deciding ballot got ill and the motion to drown CRA failed on a tie vote.

Today, CRA might be a sickly child but it's not a terminal case. Granted, the act has extended far beyond its original anti-redlining goals, and it's likely to lose some new lines from the proposed revision, such as the language on collecting race and gender data on small-business loans. But cuts like that only bring CRA back to the status quo. At-

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People

Continued from page 1

about every major financial institution in the New York City area. *(See page 8).* Lee, who also speaks fluent Spanish, represents the new generation of protester who uses technology and a bank's own figures to support claims ranging from alleged redlining to CRA violations.

LEE

As executive director of Inner City Press/Community on the Move, he transformed an organization he created in 1987 from a grass roots, self-help newspaper for homeless people who wanted to homestead empty buildings into a group gaining notoriety nationally for its success in bringing powerful banks to their knees—or at least to the negotiating table.

John Salgado

Nine months after implementing a pilot program to make home ownership a reality to Arizona residents who earn less than 60% of the area's median income, **First Interstate Bank of Arizona** made more than 100 loans averaging $42,000 each and sold the package to Fannie Mae. Much of the credit for the program goes to Salgado, who is vice president of community development at First Interstate.

The $6 billion bank is offering another financing alternative for borrowers under this program—Home to Own—that will increase their ability to build equity over a short time. This cutting edge program, which defies the cries of many lenders who say it's bad business lending to low- and moderate-income minorities or who complain that even if they make good loans the secondary market isn't interested in buying the portfolio.

Alfonse D'Amato

As incoming chairman of the Senate Banking Committee, Alfonse M. D'Amato, R-N.Y., has vowed to put pressure on regulators to reduce their regulatory burden on banking institutions generally, and the pressure from the Department of Justice as well as regulators to impose tough tests for compliance with the Community Reinvestment Act. That pressure is expected to be rewarded quickly through deletion of several provisions of the proposed Community Reinvestment Act regulation.

D'AMATO

Provisions likely to face the ax, perhaps as early as the first part of January, include language mandating that institution's records on applications for small business loans that include data on race and gender. Also likely to be deleted is a provision imposing severe penalties for noncompliance with CRA now handed down only for violations of safety and soundness and insider activities regulations.

Richard Shelby

Sen. Richard H. Shelby, R-Ala., will head a newly defined regulatory efficiency subcommittee in the Senate Banking Committee when Republicans take control of the Senate in the 104th Congress Jan. 4. Shelby is relishing his first opportunity to be in the limelight of a subcommittee chairmanship as a Republican after years of facing severe pressure in his home state for working with the "liberal" Democrats. He has made clear he will exercise his new power to reduce the regulatory burden on institutions through new legislation as well as by putting pressure on the "liberal" regulators of the Clinton administration.

The banking industry is happy to have Shelby in the saddle and will seek to use a 1992 survey prepared for the Independent Bankers Association of America as the starting point for "reg relief II" as it is styled to follow up on legislation passed this year that reduce regulatory burden somewhat.

Charles Rice

Charles Rice, chairman and chief executive of Florida's **Barnett Banks Inc.**, is in the forefront of banks' efforts to defend themselves against allegations that they discriminate in lending and provide fewer services in minority communities than they do in areas serving whites and those with high incomes.

Barnett's defense of its compliance with fair lending laws and CRA has so far been successful, if expensive, and the Jacksonville-based institution has vowed to continue defense of its record. For the banking industry, a successful defense of its record may mean that the Department of Justice and banking regulators will back down in their efforts to force banks and thrifts to expand services to minorities under CRA and fair lending laws that the banks don't see as required under existing laws.

Ned Brown

Ned Brown is founder of **Financial Modeling Concepts**, a consulting firm in New York City that teaches banks how to market to new customers. After only being in business for one year, he has signed up 25 major banks as clients. He is what we think of as the new breed of consultant who doesn't instill the fear of God in bankers. Instead of consultants offloading work from banks like an ongoing annuity program, Brown told *Regulatory Compliance Watch* that he believes that banks will use consultant to help them implement their low- to moderate-income lending programs.

"They already know how to do it by themselves,they just don't have the technology which is applicable to any segment of the market," said Brown. "There are a lot of opportunities to cross sell to current customers. All we have to do is work with the banks."

For example, he said, take banks' customers in an area they want to contact and fold that information into FMC's models. "We look for like types of people. We also look for banks to do

See People page 4

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New Software Brings HMDA Data to Desktop

Lenders who want to review their 1993 lending records—and those of their competitors—can do so now on personal computers.

For the first time, PCI Services Inc. of Boston has made CRA Wiz available so that lenders who don't have program experience don't have to leave their office to determine their HMDA market share compared to other lenders by racial, income or other defined group for any part the United States and Puerto Rico.

The official release date of the software was Dec. 12, although Bob Daley, one of PCI's founders, said that the Federal Reserve had already purchased the system to test its usefulness in field examinations. "We delayed the release date in order to be able to incorporate the 1993 aggregate data that the Fed released earlier this month," he said.

The reason why one doesn't need any program experience is because CRA Wiz is in Windows format. "All you need to do is turn on a switch on a computer, then take your mouse, click it on what you need," said Daley. "If you know how to use a VCR you can use this program."

Daley and the company's other co-founder, Raffi Festekjian, met in 1989 when both were working for a Boston buyout firm specializing in banks. In 1990 they decided to form PCI Services, a bank consulting firm specializing in the recapitalization of "sick" banks.

"Our financing and buyout experience were the right skills at the right time for New England in 1990," Dale said. "However, by 1993, the number of troubled banks had been significantly reduced, and we realized that we needed to find an emerging area in banking to continue our firm's growth."

At the same time, the partners met a professional cartographer who was looking for a market that could benefit from the significant advances available in computer mapping. Daley said he saw an opportunity to condense information on an institution's HMDA lending performance into maps. "PCI began operating a CRA reporting and mapping service on an outsourcing basis," he said. "Clients would mail or modem to PCI, CRA and related data, and would receive in return analysis reports, presentations and maps illustrating the data." However, this approach meant clients had to wait three weeks for the results. "Now both regulators and institutions can ask nearly any questions about HMDA data and have it answered in real time-on site during an examination."

PCI Services is offering CRA Wiz at a special price if the base software plus all the demographic data is purchased before Feb. 28. The deal does not include maintenance. Mapping and geocoding also are additional.

For information on software, call PCI, (617) 227-0090; the Central Group, (800) 599-2133; or Geosegment Systems Corp., (617) 494-0020. ❑

People

Continued from page 2

better business." Unfortunately FMC still predicts it will get most of its customers from those banks that are in trouble or are trying to stay ahead of the curve.

Eugene Ludwig

Comptroller of the Currency Eugene Ludwig will be the main player in 1995 among the regulatory leaders. Career people in the OCC are now giving Ludwig high marks for politically astute moves. "He's making [Robert L.] Clarke look more and more like a cowboy unable to make the transition to Washington," said one source, referring to Ludwig's predecessor. He's established links to D'Amato. He does not want to be known for fair lending. He certainly doesn't want it stamped on his forehead. So Ludwig's switching because of competitive pressure in part to reduce regulatory pressure on institutions and allow banks to do more things.

Clinton's move to the right could make Deval Patrick, assistant attorney general for civil rights, the sacrificial lamb. The Justice Department is under siege. Even though the decibel level on fair lending and compliance is on the decline it is not going away contrary to what some on Capitol Hill have threatened or bragged. However, fair lending will not be the high profile issue it has been in 1994, at least not in the same way, President Clinton is being forced to move back and reign in Justice. He increasingly will rely on Ludwig.

John Byrne

For the second year in a row, *Regulatory Compliance Watch* has chosen John Byrne, American Bankers Association's senior counsel, as someone to watch. In 1995, he will continue to stand out as a bankers' advocate in reducing regulatory burdens associated with anti-money laundering regulations. Many rules are expected to be out next year and Byrne will most certainly be the spokesman waving bankers' banners favoring more realistic paperwork. He continues to be the industry's undisputed point man on BSA.

Byrne will still play an instrumental role in giving the regulators the bankers' slant on these issues such as "know your customer" rules. And his rules are taken quite seriously by top regulators.

Stacey Dickerson

Dickerson, director of community outreach at Star Banc Corp., a $7.5 billion institution in Cincinnati that has committed $1.5 billion in loans to community development over five years.

If Dickerson and Star succeed on their investment, bankers will have a lot harder time arguing that loans to the poor and to minorities don't make economic sense. Says Dickerson: "One of the things CRA has taught us is that there is good business to be had from nontraditional markets, and we've got to learn how to get our piece of that business." ❑

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Inconsistent CRA Rules Confusing Banks

By SHANNON HENRY

WASHINGTON — While Community Reinvestment Act reform is hotly debated here, banks around the country are still being examined under the law.

How banks' reinvestment loans are measured is anybody's guess, said industry experts. Some examiners are using the proposed rules, some the current rules, and some a concoction of their own.

It is also uncertain when the rules, originally proposed in December 1992, then reworked and proposed again in September 1994, will be finished. The newest wrinkle is the possibility that Congress will hold hearings on CRA, which could delay final rules.

Amidst the chaos, bankers still have to defend their compliance with CRA.

Jo Ann Barefoot, president of Barefoot, Marrinan & Associates Inc., the Columbus-based compliance consulting firm, advises banks to make good CRA loans now.

"The measurement of volume is going to be the whole ball game," said Ms. Barefoot. "And you can't get those loans on the books overnight."

No matter what the new CRA rules look like, they will emphasize lending over outreach efforts, she said.

Ms. Barefoot said most bankers see the new CRA rules as something undefined and far off in the future

"Our banks are not being examined under the new rules." Stephen M. Cross, Deputy comptroller for compliance management

"Examiners are using the new rules. Move quickly to imagining life under the new reg." Jo Ann Barefoot, President, Barefoot, Marrinan & Associates Inc.

"Examiners are using the new rules," Ms. Barefoot said. "Move quickly to imagining life under the new reg."

Implementation of the new regime before the rules are spelled out for bankers leaves them in a quandary, according to Jeanine Catalano, principal of Secura Group in San Francisco.

Bankers should now be analyzing their lending performance and should be prepared to talk with examiners about where they are making loans.

"Banks need to be prepared to talk about market share," she said.

Many bankers are trying to comply with both the current and new rules.

Karen Tolvstad, vice president of U.S. Bancorp, Portland, Ore., said her bank's CRA program follows the 12 assessment factors laid out in the current rule, but also has an advanced geocoding system.

"The examiners are already operating under the reform and so are we," said Ms. Tolvstad, whose bank received an outstanding rating after its last exam.

That exam concentrated on the assessment factors of the current rule, but also had a stronger emphasis on geographic placement of credit, a main part of the new rule, she said.

NationsBank is expanding the way it measures CRA lending on two fronts: by tracking the loans it makes and by finding other good markets to pursue, said Catherine Bessant, senior vice president.

NationsBank quantifies its reinvestment loans with in-house software that is also used for marketing.

These are business decisions, said Ms. Bessant, not reactions to new rules. "Doing it this way enables us to worry less about how CRA reform will shake out," Ms. Bessant said. But, she admitted, such decisions are easier for a bank of NationsBank's size and technological capability.

Stephen M. Cross, deputy comptroller for compliance at the Comptroller of the Currency's Office, said measuring CRA performance loan-by-loan is exactly what the best banks have been doing for years. Such analysis would make good business sense whether or not CRA reform was underway, he said.

"I don't think that CRA reform is intended to totally reinvent the wheel," Mr. Cross said.

He also disagreed that examiners are already working under the reformed CRA. "Our banks are not being examined under the new rules," he said.

Still, banks are looking for new ways to gauge market penetration.

In the past few months, several banks, including Chevy Chase Federal Savings Bank, Md., Fleet Financial Group, Providence, and Bank of Boston, have turned to software produced by New York-based Financial Modeling Concepts.

"Everybody agrees there needs to be a quantifiable measurement," said Ned Brown, managing partner of Financial Modeling Concepts.

Financial Modeling Concepts takes the bank's originated mortgages and compares them with the total percentage of mortgages in the area. The information quantifies the potential for loans in a region, and shows how much of the market the bank is reaching.

Although regulators are careful not to endorse software vendors, both Mr. Cross and Paul Sachtleben, director of compliance and consumer affairs at the Federal Deposit Insurance Corp., said such products are useful.

"Examiners are going to increasingly rely on software to help them do analysis of an institutions'.loans," said Mr. Cross. But, he said, the OCC will not expect all banks to do computer analysis themselves. "What matters is the result of the analysis, not how it has been done," he said.

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until March 8, 10:00 am

JOINT STATEMENT OF THE

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

FEDERAL DEPOSIT INSURANCE CORPORATION

OFFICE OF THE COMPTROLLER OF THE CURRENCY,* U.S. DEPARTMENT OF THE TREASURY

OFFICE OF THRIFT SUPERVISION,* U.S. DEPARTMENT OF THE TREASURY

Concerning

COMMUNITY REINVESTMENT ACT REGULATORY REFORM

Before the

SUBCOMMITTEE ON FINANCIAL INSTITUTIONS AND CONSUMER CREDIT
COMMITTEE ON BANKING AND FINANCIAL SERVICES
U.S. HOUSE OF REPRESENTATIVES

March 8, 1995

*Statement required by 12 USC 250:
The views expressed herein are those of the Office of the Comptroller of the Currency and the Office of Thrift Supervision and do not necessarily reflect the views of the President.

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I. Introduction

On behalf of the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency, and the Office of Thrift Supervision (collectively "the agencies"), we welcome the opportunity to present this status report on the Community Reinvestment Act ("CRA") regulatory initiative.

Since its passage in 1977, the CRA has served as a catalyst in encouraging banks and thrifts to provide improved access to credit among underserved communities -- both urban and rural -- across this country. Under the impetus of CRA, many banks and thrifts have opened new branches, provided expanded services, and made substantial commitments to increase lending in the communities they are chartered to serve.

Despite the successes of the bank and thrift industries in responding to CRA's objectives, community and consumer groups, other public interest organizations, and the industries themselves, maintain that the full potential of the law has not been realized. In large part, in their view, this is because government efforts have focused on compliance with process rather than performance. Community groups complain that many communities are not adequately served because the CRA evaluation process does not focus enough on actual performance. At the same time, bankers complain that the current implementation of the CRA results in excessive burden relative to the benefits that the regulation produces and does not provide them with sufficient guidance.

These concerns have given rise to this joint effort to revise the regulations that implement the CRA. This joint statement discusses the CRA's background, its evolution, and the interagency efforts to reform the CRA regulations. This joint statement is intended to supplement the testimony presented before the Subcommittee by each agency.

II. Brief History of the CRA

A. Legislative Background

The CRA was enacted as part of the Housing and Community Development Act of 1977 during a period of considerable national interest and debate over methods to help revitalize economically distressed areas, most of which were lower-income areas of inner cities. Consequently, the primary focus of the CRA is geographic in nature.

Its enactment was in response to concerns that some banks and thrifts were engaging in "redlining," the arbitrary refusal to consider or make loans in low- and moderate-income neighborhoods. Proponents of the CRA charged that qualified borrowers in low- and moderate-income neighborhoods were being denied credit because of negative perceptions about the economic and physical conditions of the neighborhoods in which they lived or operated businesses instead of their financial capacity and creditworthiness. Proponents also alleged that financial institutions were taking deposits from low- and moderate-income neighborhoods, but lending the

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funds in other areas, a process often referred to as "disinvestment." Supporters of the CRA concluded that the combined processes of redlining and disinvestment contributed to the economic and physical decline of low- and moderate-income areas by limiting the availability of credit for home purchases, rehabilitation of existing properties, and for business development and expansion.

B. CRA's Provisions

The statute contains legislative findings that insured depository institutions should affirmatively serve the convenience and needs of the local communities in which they are chartered and that these needs include the need for credit services as well as deposit services, consistent with the safe and sound operation of such institutions. From these findings emerged the underlying purpose of the CRA: to have the agencies encourage regulated financial institutions to help meet the credit needs of the local communities in which they are chartered consistent with the safe and sound operations of such institutions. To achieve this purpose, the CRA directs the agencies to assess by examination the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with the safe and sound operation of such institution and to take such record into account in its evaluation of an institution's application to establish a depository facility. An institution's record would include the affirmative steps taken by regulated financial institutions to help meet the credit needs of low- and moderate-income areas.

CRA mandates certain action by the agencies. First, CRA requires the agencies to encourage each financial institution they supervise to help meet the credit needs of its entire community, including the credit needs of low- and moderate-income neighborhoods, consistent with safe and sound banking practices. In this regard, the statute contemplates that institutions' activities are consistent with safety and soundness. The statute does not direct institutions to make loans of any specific type, in any specific amount, or in any specific area. Instead, institutions are supposed to determine product mix and affirmatively market and provide loans and services based on the needs of the market place and business factors. In addition, the CRA requires the agencies to assess the performance of financial institutions in helping to meet community credit needs. We do that primarily through CRA examinations that review the institution's performance using twelve assessment factors outlined in the agencies' current CRA regulations. Furthermore, as a result of 1989 and 1991 amendments to the CRA, the agencies are required to prepare for each institution examined, a public written CRA evaluation that includes the CRA rating and provides supporting facts and data. Finally, CRA requires the agencies to consider performance under CRA of each financial institution when reviewing its applications for expansion of depository facilities through branching, mergers, or acquisitions.

C. Administration of the Law

Following passage of the CRA, the agencies jointly developed and issued regulations in 1978. The regulations require each covered institution to develop and update a CRA statement

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which delineates its community with a map and describes the credit services offered within that community. Each institution also must post CRA notices in the lobbies of depository facilities, alerting the public to the availability of the CRA statement, and must maintain a file containing public comments on its CRA performance (and the institution's responses) which may be inspected by the public and the agencies. Concurrently, the agencies developed uniform examination procedures.

The regulations described twelve assessment factors that the agencies use in evaluating an institution's record of performance under CRA; these have been grouped into five performance categories for purposes of arriving at an examination rating. Taken together, the assessment factors outline actions that the agencies consider essential to good CRA performance. The assessment factors indicate that an institution's performance will be judged by examiners based on the degree to which that institution: conducts assessments of the credit needs in its communities; develops products and services designed to help meet those needs; affirmatively markets those products to ensure that they are available throughout the communities served, including low- and moderate-income areas; evaluates the effectiveness of its CRA program, including the geographic distribution of credit extensions; and makes home mortgage, small business, small farm, community development, and government-related loans.

The CRA was amended in August 1989 to require the public disclosure of CRA evaluations and ratings and to mandate a four-tiered rating scale. In response, the agencies jointly developed and issued "Guidelines for Disclosure of Written Evaluations and Revised Assessment Rating System." The Guidelines set forth a common evaluation system and format. In addition, the agencies jointly trained their examiners for this significant change in the way they would do their jobs.

The agencies have attempted to develop and maintain a common approach to CRA policies and examination procedures. To provide additional guidance to institutions and examiners, in 1980, the agencies, acting jointly through the Federal Financial Institutions Examination Council ("FFIEC"), issued a policy statement that clarified agency expectations regarding certain aspects of CRA performance and CRA's role in the applications process. In response to further questions from the industry, the agencies issued a second policy statement in April 1989. The statement stressed that effective CRA performance requires ongoing efforts over time, and further clarified CRA's role in certain aspects of the applications process, including instances where protests are lodged on CRA grounds.

In June 1992, the FFIEC issued revised, uniform CRA examination procedures designed to clarify CRA examination policies. The new procedures emphasize the importance of using numerical data in the public CRA evaluation, to the extent they are used in the assessment process and support the conclusions reached. To respond to concerns about the burden of paperwork, the procedures emphasized that institutions should retain for examiners' review only such information as is useful to the institution's own management needs. In addition, the agencies have instructed

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examiners that CRA documentation would generally be less formal and less extensive in small and rural institutions than in larger, urban ones.

Over the years, the agencies also have provided examiners with additional training and better tools to help them conduct CRA assessments. For example, through the FFIEC, a computerized system was developed to facilitate analysis of the expanded data collected under the Home Mortgage Disclosure Act ("HMDA"). With this system, examiners can more readily determine the extent to which an institution that makes mortgage loans is making them throughout its delineated community, including low- and moderate-income neighborhoods.

As previously noted, the CRA mandates that the agencies take into account an institution's CRA performance when considering applications involving depository facilities, including branch openings, mergers, and acquisitions. This is the means prescribed by the statute for the agencies to make adverse findings regarding an institution's record and take specific action to deny or condition an institution's request for a needed approval. The agencies have stressed that they give great weight to affected institutions' CRA ratings during the applications review process.

Over the past several years, the CRA has had a greater impact on the applications filed by institutions. These have included applications involving institutions with less than satisfactory CRA ratings (irrespective of which agency issues the rating), and applications for which negative comments (commonly called CRA protests) have been received from a member of the public about the CRA performance of institutions affected by the application. In response to poor ratings and protests, the agencies have denied or conditioned on improvement certain applications. Although not counted by the agencies as denials, the agencies also have found that some applications are being withdrawn when CRA compliance problems become apparent. Finally, each year a number of institutions may not file applications in anticipation of potential CRA protests.

Despite CRA's successes and the agencies' efforts over the years to strengthen implementation, the CRA examination and enforcement system has been criticized. Financial institutions have complained that policy guidance from the agencies on the CRA is unclear and that examination standards are applied inconsistently. Financial institutions have also complained that the CRA examination process encourages them to generate excessive paperwork at the expense of providing loans, services, and investments. In industry-conducted surveys of compliance costs, the institutions have often asserted that the CRA is among the most burdensome of consumer protection and community reinvestment statutes.

Community, consumer, and other groups have agreed with the industry that there are inconsistencies in CRA evaluations and that current examinations overemphasize process and underemphasize performance. Community and consumer groups have also criticized the agencies for failing to penalize banks and thrifts aggressively for poor performance.

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III. Interagency Effort to Reform the Administration of CRA

A. President's Initiative and Public Hearings

In July 1993, President Clinton called for CRA reform by the agencies. He asked that the agencies develop more objective, performance-based assessment standards that minimize compliance burden while improving performance. He asked that these changes be carried out through regulatory means.

To assist in the drafting of a new CRA regulation, the agencies first held two informal private meetings, one with industry groups and the other with community groups, to provide participants an opportunity for a frank discussion of the problems. Next, the agencies held a series of public meetings around the country to gather further information on how best to rework the regulation.[1] More than 250 witnesses (including bankers, local government officials, community and consumer groups, small business owners, and individuals) provided oral or written statements at the hearings. While numerous issues were raised, some common themes emerged.

Most commenters urged the agencies to adopt a CRA evaluation system that is more performance-based. Financial institutions expressed great frustration that it is impossible to know, in advance, what types and amounts of performance will produce a particular rating. Institutions and community representatives faulted the agencies for lack of consistency in the CRA reviews. Many witnesses, however, rejected the idea that a strict formula should be used on a national basis. Witnesses believed that such an approach could lead to the establishment of "ceilings" on lending activities aimed at low- and moderate-income areas, or could result in credit allocation.

Witnesses also noted that institutions may not be receiving enough consideration in the CRA examination process for their investment activities, such as investments in other community development lenders. Wholesale banks, in particular, suggested that such activities by them should be given great weight, because their unique business strategy and product offerings make it difficult to comply with CRA through more traditional local retail lending.

Most community organizations and many local government officials pointed to a need to collect more loan data from institutions, similar to that collected for home mortgage-related loans under the HMDA. Witnesses noted that lack of data on non-housing loans makes it extremely difficult for the agencies and the public to evaluate objectively an institution's entire performance. Community-group witnesses urged the collection of data from institutions on their small business loans, in particular, arguing the need to show geographic distribution. Some also wanted information about the race or ethnicity of the borrower. Some witnesses believed that data should be collected on all consumer loans, including automobile, credit card, and personal loans. Other

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[1]Public meetings were held in Washington, D.C., San Antonio, Los Angeles, Albuquerque, New York, Henderson (North Carolina), and Chicago between August 10 and September 22, 1993.

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witnesses, particularly those representing small institutions, expressed concern about the burden of any new data collection requirements, and questioned whether the benefit of collecting the data would outweigh the costs. In general, small institutions criticized the costs imposed by the current law, and urged the agencies to reduce the documentation requirements.

Several witnesses, particularly from the industry, stated that the regulators should provide incentives for outstanding performance. Witnesses outside the industry, however, were generally opposed to the creation of a "safe harbor" from CRA protests in the applications process based on ratings assigned by the agencies. Other witnesses urged the agencies to permit more public input into the examination process.

A number of witnesses believed that institutions should be able to develop "strategic plans," listing specific goals to meet CRA objectives. Under this approach, agencies would review plans of institutions and, if the plans were approved, the institution's CRA performance would later be measured against how well it achieved the goals set out in its own plan.

Overall, almost all the witnesses called for change, although there were differences regarding the specifics.

B. Selected Elements of the 1993 and 1994 Proposals

In December 1993, the agencies jointly issued proposed regulations that would have replaced the existing CRA regulations in their entirety (the "1993 proposal"). Collectively, the agencies received over 6700 letters commenting on the proposed regulations. Commenters included representatives of banks and thrifts, community groups, Congress, state, and local governments, and the public at large. After reviewing and considering these comments, the agencies jointly issued a second proposed regulation on October 7, 1994 (the "1994 proposal"). Approximately 7200 comments were received. Below is a brief overview of the significant provisions of the proposed regulations along with an explanation of their derivation to illustrate the significant role commenters have played in drafting these proposals.

1. General

Both proposals would replace the twelve assessment factors in the existing regulation with three performance-based tests relating to the institution's lending, investments, and services. Most commenters on the 1993 proposal supported the goal of developing more objective, performance-based assessment standards that minimize burden while stimulating improved performance. Although many interested parties at the public hearings had advocated the use of objective criteria in evaluating CRA performance, upon reviewing the 1993 proposal, many commenters believed that mechanical application of numerical ratios would not foster fair and appropriate CRA assessments. In response to those concerns, the 1994 proposal would broaden the scope of the lending, investment, and service tests by including a wider range of quantitative and qualitative criteria. While these modifications would increase the subjectivity of the examination process, the

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agencies believed they also would increase consistency, clarity, and fairness in the examination process.

The 1994 proposal would reduce regulatory burden associated with CRA by eliminating various procedural requirements. Institutions would no longer have to prepare CRA statements, review them annually, or document them in minutes of the board of directors meetings. Regulators would no longer require institutions to justify the basis for community delineations or to document efforts in marketing or the ascertainment of community credit needs. Moreover, the proposals would eliminate the requirement that an institution document its efforts to ascertain community credit needs.

2. Lending Test

The 1993 proposal would have evaluated an institution's direct lending and, at an institution's option, indirect lending through loan pools, lending consortia, subsidiaries, and community development lenders in which the institution has made investments. As an initial screen, the lending test would have compared the institution's market share of loans in low- and moderate-income areas to its market share in the remainder of its service area. The test also would have considered the dispersion of an institution's loans throughout its service area and the number of loans made in low- and moderate-income areas. In addition, the test would have given "extra credit" to institutions for making complex or innovative loans that serve pressing community development needs without undermining safety and soundness.

Many industry commenters requested that the "market share" test be eliminated because such a comparison would overlook loans made by entities without HMDA or CRA reporting obligations and might promote price wars or other behavior that could lead to unsafe or unsound lending. However, many community groups were proponents of the market share test because they believed it would provide objective and quantifiable measurements of CRA performance. In light of these comments, the 1994 proposal eliminated the market share test as a primary element but provided that comparisons among institutions would be considered in appropriate cases as one of several means to evaluate the geographic distribution of an institution's lending, and that examiners would not use any particular ratio as a benchmark.

Industry representatives and community groups commented that the 1993 proposal underemphasized the importance of community development lending. As a result, the 1994 proposal would treat community development lending as a principal component of lending performance.

Generally, industry representatives have commented that the 1994 proposal is an improvement over the 1993 proposal. Most have supported the increased use of qualitative factors and the deemphasis of objective criteria such as the market share test. Conversely, many community groups have expressed concern that the 1994 proposal would make the lending test more subjective, and thus, more susceptible to grade inflation. Community groups also have

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supported the increased emphasis on community development lending, while most industry commenters have requested that the types of activities considered within the scope of community development lending be increased.

3. Investment Test

The investment test in the 1993 proposal provided that an institution would have been evaluated based on the amount of assets -- relative to the institution's risk-based capital -- devoted to qualifying investments. The focus of the investment test would have been on the ultimate impact of an institution's investment rather than the investment per se. The agencies could have adjusted an institution's rating under the investment test to take into account investments that were particularly innovative or that met special needs.

Commenters were concerned about measuring the amount of qualified investments relative to risk-based capital because it could unfairly penalize well-capitalized institutions. In addition, industry representatives and community groups pointed out that examiners should consider more than the ultimate impact of an investment because larger, more complex investments often require more resources to originate and often do not produce immediate results.

In the 1994 proposal, investment performance would be based on the dollar amount of an institution's investments, the innovativeness and complexity of its investments and their connection to credit needs, and the institution's responsiveness to credit and community economic development needs. The 1994 proposal clarified what constitutes "qualified investments," and the preamble to the regulation provided examples of such investments. For example, the preamble to the regulation specifically mentioned, among other things, investments and grants in or to community development financial institutions ("CDFIs") and community development corporations ("CDCs") that primarily lend to, or facilitate lending in, low- or moderate-income areas or to low- and moderate-income individuals in order to promote affordable housing and/or community economic development.

4. Service Test

In the 1993 proposal, the service test would have focused on whether an institution's branches are located in, or readily accessible to, low- and moderate-income areas. The agencies could have favorably adjusted an institution's rating under the service test to take into account branch service to low- or moderate-income areas or individuals; downward adjustments would have been made only in exceptional cases.

Industry commenters believed that the 1993 proposal placed too much emphasis on "brick and mortar branches" and contended that present technology has made the need for branches less imperative to the provision of banking services. On the other hand, community groups contended that brick and mortar branches continue to have symbolic and practical relevance to credit

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availability. Finally, a number of commenters stressed that the actual services provided by an institution, however they are delivered, must be considered by the agencies.

In response to these comments, the 1994 proposal would give equal weight to branch location and the actual services provided to low- and moderate-income areas. When evaluating services, an examiner would consider the extent to which an institution provides community development services and the innovativeness and responsiveness of such services, given the needs and constraints of the institution. The 1994 proposal defined community development services and provided examples of such services. These services would include providing technical expertise for not-for-profit organizations serving low- and moderate-income housing needs and/or economic growth and development, and loaning executives to organizations that facilitate affordable housing construction and rehabilitation and/or development of affordable housing. Some institutions have commented that the 1994 proposal is still too "branch focused," considering that the bank and thrift industries are moving toward nonbranch delivery. Many community groups have contended that the proposal is not sufficiently "branch focused" and, specifically, that ATMs should not be considered branches because, among other reasons, they do not have loan officers and do not provide customers with the opportunity to ask questions. However, many community groups have supported the increased emphasis on community development services.

5. The Community Development Test for Wholesale or Limited Purpose Institutions

The 1993 proposal provided that wholesale or limited purpose institutions, in order to appropriately recognize their unique characteristics, would have been evaluated under the investment test. The agencies would have based their assessments of these institutions on the amount of assets devoted to investments that benefit low- and moderate-income areas or individuals within the institutions' service areas. Some commenters believed the investment test was too narrowly focused to assess the CRA performance of wholesale or limited purpose institutions and recommended using an assessment method that focused on community development activities more generally.

The agencies believed these comments had merit and, in the 1994 proposal, substituted a community development test for the investment test as the assessment method for wholesale or limited purpose institutions. Under this test, examiners would focus on a wholesale or limited purpose institution's record in helping to meet the credit needs of its service area through qualified investments, community development lending, and community development services. The 1994 proposal also clarified the definitions of wholesale and limited purpose institutions: (i) wholesale institutions are institutions that are not in the business of extending home mortgage, small business, small farm, or consumer loans to retail customers; and (ii) limited purpose institutions are institutions that offer only a narrow product line, e.g., credit cards or automobile loans, to a national or regional market. Industry representatives and community groups have generally

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supported the community development test, although many commenters have sought clarification of the eligibility requirements.

6. Small Institution Assessment Method

The 1993 proposal would have permitted small institutions to elect to be assessed under a streamlined examination. A small institution was defined as an independent institution with total assets under $250 million or an institution with total assets under $250 million that is a subsidiary of a holding company with total banking and thrift assets under $250 million. The streamlined examination would have considered the reasonableness of an institution's loan-to-deposit ratio (a ratio of 60 percent was presumed to be reasonable for all cases, but a lower ratio could have been found to be reasonable under certain circumstances), whether most of its loans were made locally, its loan mix (including the distribution of loans across income levels), its record of handling community complaints, and substantive compliance with the fair lending laws. Under the streamlined examination, small institutions would not have been obligated to report data on the geographic distribution of certain loans.

The vast majority of industry commenters were in favor of this option; on the other hand, most community groups requested that the option be eliminated because they considered it an exemption for qualifying institutions. Both industry representatives and community groups commented extensively on the limitation on an institution's qualifying asset size. Most industry commenters favored raising the threshold, because they believed a higher level would better distinguish the ability to bear time-consuming and expensive data collection responsibilities. Community groups favored lowering the threshold because, in their view, a $250 million threshold would subject nearly 75 percent of institutions to a less stringent examination, small institutions have historically had poorer CRA records than larger institutions, and institutions of $10 million and over have the capacity to report HMDA data.

The agencies do not view the streamlined examination as an exemption from the CRA's requirements and do not envision a streamlined examination as a mere formality. Therefore, in the 1994 proposal, the streamlined examination approach was maintained, including the exemptions from any data collection and reporting requirements for small business, small farm, and community development loans. The $250 million threshold was also retained in the belief that this amount best divides small institutions with limited resources from larger institutions with sufficient resources to satisfy the data collection requirements. In addition, although a small institution would still have been required to have a reasonable loan-to-deposit ratio, the 60 percent loan-to-deposit ratio presumption was eliminated. Most industry comments have supported a separate test for small institutions, particularly if doing so would relieve small institutions of paperwork burden. However, most have favored increasing the threshold, typically to $500 million. Also, many industry commenters found the assessment criteria to be reasonable, although some were concerned over the degree of subjectivity. Not surprisingly, most community groups have opposed the retention of the streamlined examination, or suggested that the threshold be reduced to $50 million or less.

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7. Strategic Plan Option

The 1993 proposal offered a strategic plan option to all institutions as an alternative to being assessed under either the lending, investment, and service tests or, for eligible institutions, the small institution assessment method. Institutions would not have been required to involve community groups and other members of the public in the formulation of their strategic plan, but would have been encouraged to do so. Nonetheless, an institution would have been required to disclose its plan publicly upon the plan's submission for approval to the regulator. The regulator would have considered public comments in its assessment of a submitted plan. If the regulator approved the plan, subsequent CRA reviews of that institution would have been based on whether the institution met or exceeded the performance goals specified in the plan. If the institution failed to meet the preponderance of the measurable goals set forth in the plan, its performance would have been evaluated under the lending, service, and investment tests or the small institution assessment method, as appropriate. Assessment under an approved plan would not have relieved an institution from its obligation to report data on the geographic distribution of its loans.

Community groups commented that community input after the strategic plan was submitted to the agencies was, in their view, the equivalent of not having an opportunity to comment. Industry commenters expressed concern over the release of proprietary information and pressure for specific action from community groups. To address these comments, the 1994 proposal required a public comment period prior to submission of the plan to the agencies, as well as consultation with community groups prior to the formulation of the plan and issuance for public comment. However, a plan released for comment would not be required to include proprietary information, and confidential information need not be released to the public. Further, the 1994 proposal made clear that an institution would not be expected to make accommodations in the proposed plan for all public comments received, but the institution would be expected to address the comments. Many industry commenters, while believing that the strategic plan option was attractive, continued to criticize the public disclosure and comment process. The basis for the criticism was the disclosure of business plans and the potential for community groups to make unreasonable demands on an institution. Conversely, community groups sought more community participation in the design of the plan, and some believed that institutions should be required to do more outreach.

8. Composite Ratings

Under the 1993 proposal, institutions that were not eligible for the small institution assessment method would have been assigned one of five ratings for its performance under each of the lending, investment, and service tests: outstanding, high satisfactory, low satisfactory, needs to improve, and substantial noncompliance. These ratings would have been combined into one of the four composite ratings required by statute: outstanding, satisfactory, needs to improve, and substantial noncompliance. For retail institutions, an institution's rating under the lending test would have served as the base rating, whereas for wholesale or limited purpose institutions, an institution's rating under the investment test would have served as the base rating. An institution's

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base ratings would have been adjusted one or two levels if the institution's performance on the other test(s) was exceptionally good or, in some cases, poor.

Industry representatives and community groups commented that the investment and service tests should be given greater weight, but community groups were concerned that lending maintain a primary position in the rating system. In response to these comments, the 1994 proposal would give primacy to lending performance by requiring an institution to receive a satisfactory or better rating on the lending test in order to receive a satisfactory or better overall rating. However, the rating system also would increase the importance of the service and investment tests because the effects of these tests would no longer be limited to situations in which an institution had extraordinarily strong or weak performances on one of these tests. Community groups overwhelmingly supported the requirement that an institution receive a satisfactory lending rating in order to receive a satisfactory overall rating. On the other hand, many industry commenters believed that the lending rating should not be given so much weight. Many industry representatives and community groups were concerned that the proposed rating process would result in more subjectivity in the ratings process. Community groups were concerned that the subjective criteria might not provide enough guidance for examiners. In the past, community groups have claimed that examiners did not understand the needs of low- and moderate-income communities.

9. Enforcement

One issue that received substantial supporting and opposing comment in both the 1993 and the 1994 proposals was the use of enforcement actions under 12 U.S.C. § 1818 by the agencies against institutions receiving a "substantial noncompliance" CRA performance rating. The Department of Justice has concluded that the agencies do not have the authority under the CRA to bring such enforcement actions based on an institution's poor record of meeting the credit needs of its local community. The agencies will modify the proposal accordingly.

C. Significant Issues Raised on the 1994 Proposal

1. Collection of Race and Gender Data on Small Business and Farm Loans

The 1994 proposal required retail institutions not evaluated under the small institution assessment method to request that a small business or small farm borrower indicate the percentage of the business or farm owned by men and women, as well as the percentages owned by members of different ethnic and racial categories. The loan registers filed with the agencies would indicate whether an individual loan was to a business or farm that was more than 50 percent women-owned or more than 50 percent minority-owned. In its public file, the institution would disclose the number and amount of loans to minority- and women-owned small businesses and farms.

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The proposed collection of race and gender data was the most frequently addressed issue in the comment letters received by the agencies. Virtually every nonindustry comment that addressed the issue endorsed collection, contending that this information was essential to determine whether discrimination was occurring in small business and farm lending, and citing the value of HMDA data in monitoring home mortgage lending. Many comments sought more detailed collection and disclosure. Most industry commenters opposed the collection as proposed. Industry commenters believed the requirements would impose additional costs and burden, would place reporters at a competitive disadvantage because "small" institutions and lenders not within the scope of CRA would be exempt from these requirements, and would present a distorted picture due to the limited collection. They also questioned the relevance of the data to CRA, and expressed concern over the potential for misuse of data. Some industry commenters endorsed collection of race and gender data, provided it was done pursuant to Regulation B (12 C.F.R. § 202), which implements the Equal Credit Opportunity Act. Other industry commenters believed that if the agencies thought the data were necessary, the basis for the collection should be under Regulation B and not the CRA.

2. Data Collection and Reporting: Census Tract Reporting

The 1994 proposal provided that every large institution would include in its public file the following information on small business and small farm loans: the number and amount of loans in low-, moderate-, middle-, and upper-income census tracts; a list of each census tract with at least one loan; the number and amount of loans inside the institution's service areas and outside the institution's service areas; the number and amount of loans to businesses under $1 million in gross annual revenues; the number and amount of loans to minority-owned businesses; and the number and amount of loans to women-owned businesses. The proposal did not provide that the agencies would make any aggregate data available to the public.

The vast majority of community group commenters complained that the public disclosure provisions of the 1994 proposal were not useful. They asked that small business loan data be made available to the public in a HMDA-like format for individual institutions and aggregated. They contended that, at a minimum, data must be available to the public on an aggregate and institution-by-institution basis by individual census tract, including for each census tract the number and volume of loans. Otherwise, the public would not be able to judge how an institution is performing in a particular low-income neighborhood and, without incurring unreasonable cost, they would not be able to compare the performance of one institution against the performance of another. These commenters also objected on principle to the agencies' use of certain data to evaluate institutions that would not be available to the public. Industry commenters generally opposed detailed data collection and reporting requirements.

3. Assessment Context

The 1994 proposal stated that evaluations of institutions would be made in the context of: demographic data about the community; examiner-developed information about community

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characteristics and needs; information about the institution's capacity and constraints; information about the institution's product offerings and business strategy; data on the prior performance of the institution; and data on the performance of similarly situated lenders. As a specific burden reduction measure, the preamble emphasized that the agencies, rather than the institution, would develop this information. Any data submitted by the institution would be considered by the agencies, although no data would be required or requested from the institution.

Generally, the idea of an assessment context was received positively. However, many commenters have interpreted the provision as meaning that the agencies would prepare formal needs assessments that prescribe, rather than gather, information about credit needs. Industry commenters criticized such agency assessments on several grounds: institutions know their communities better than the agencies; the agencies do not have the resources or time to conduct adequate needs assessments; agency needs assessments would lead to credit allocation; and examiners might disregard data submitted by institutions. Many industry commenters requested that the agency needs assessment be released a year in advance of the examination, and be subject to review, comment, and appeal. Alternatively, a significant number of industry commenters requested that institutions, rather than the agencies, be required to perform the needs assessment. Community group commenters supported the notion of examiners performing the needs assessment because they believed it would result in a more objective assessment context. However, some community group commenters were concerned that if institutions were not required to perform an assessment, they would not be able to effectively respond to the credit needs of their communities.

D. Promoting Better Public Policy with New CRA Regulation

The following discussion of the goals and objectives of this regulatory reform process reflects the proposals made to date, the comments received by the agencies, and the present stage of debate and discussion among the agencies regarding these matters. No final regulation has been drafted, however, and, therefore, no final approval for a new CRA regulation has been given by any of the agencies. Consequently, the discussion should be read in that light.

As revealed in the hearings, the existing CRA process suffers from a lack of credibility with some members of the banking industry and with representatives of the communities that the Act is intended to benefit. Many view the CRA process as not sufficiently objective, and others believe that the burdens imposed by the system exceed the benefits that it produces.

Throughout the rulemaking process, the principal goal of the agencies has been to strike a reasonable balance between improving the availability of banking services in the local communities the law is intended to benefit and minimizing regulatory burden on the bank and thrift industries. The agencies will strive to promulgate a final regulation that will rate institutions based on their performance in helping to meet community credit needs without allocating credit. To succeed, the agencies must put forth a regulation that clearly states both its objectives and the responsibilities of financial institutions in a straightforward and unambiguous fashion.

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A straightforward and performance-based evaluation process requires an assessment system that relies on objective measures of performance. At the same time, the system must allow for an appropriate degree of examiner judgment. Financial institutions and their customers will benefit from a system that allows examiners the flexibility to reward creative and unique activities that are consistent with safety and soundness principles. Given the diversity that characterizes the banking and thrift sectors and our country's communities, it is important for examiners to take into account the characteristics, needs, and resources of an institution's community and the capacities of and constraints on the institution. However, devising a regulation that explicitly accommodates every possible scenario would be impractical, and too complex.

To provide the proper balance between objective analysis and subjective judgment, the most recent proposed regulation would establish an assessment method that relies on data concerning an institution's actual lending, service, and investment performance to direct examiner judgment. Examiners would evaluate these data in the context of an institution's business strategy, financial condition, and the needs of the community in which it operates. Moreover, to minimize unnecessary subjectivity, the agencies would provide guidance as to the standards that examiners would apply to make the required judgments.

One of the benefits of designing a CRA evaluation system that identifies a set of performance-based assessment criteria and expands the objective performance data available for examinations is that institutions and the public will be able to evaluate the basis on which examiners make their judgments. A regulation that relies too heavily on subjective judgment -- as some argue the existing regulation does -- creates at least the perception of inconsistent evaluations across institutions and leads to wide differences in opinion between institutions and community groups regarding performance. The agencies believe that greater consistency in evaluations, reduction in compliance burden, and focus on performance can be realized consistently with the necessary degree of examiner judgment.

Of course, a better regulation can only go so far in the quest for objectivity, consistency, and a focus on performance. In an effort to promote interagency consistency and better implementation of CRA policy, the agencies are evaluating different ways to improve examiner training and to increase interagency coordination regarding application of standards, performance of examinations, assignment of ratings, and use of enforcement procedures in the context of evaluating corporate applications. The agencies will continue to work together to conduct examinations as efficiently as possible, to minimize unnecessary compliance burden, and to strive for appropriate levels of consistency and reliability in the rating process.

E. No Use of Quotas/Not Credit Allocation

While many recognize the benefit of using numeric measures to evaluate an institution's lending, service, and investment performance, many institutions and some members of the public may be concerned that this approach may lead, in practice, to the implicit establishment of quotas or other mandatory credit allocation techniques within a given market. That is an outcome that

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we must avoid. We will not set forth a regulation that would require any institution, in any community, to make any particular loan or to engage in any activity inconsistent with safety and soundness.

An institution's performance should not have to fit every aspect of a predetermined profile in order for the institution to receive a given rating. A reasonable rule would allow for exceptionally strong performance on some aspects to compensate for weak performance on others. In such a system, an institution's overall rating would reflect many factors, and would not be determined by any single factor.

The agencies also believe that institutions should be evaluated within the context of factors specific to each institution and to the communities they serve. It would be unfair and counterproductive to develop an institutional profile to be applied nationwide. Factors such as a community's characteristics, needs, and demographic profile should be considered in evaluating how well that community is being served by local financial institutions' mix of credit and service offerings. Likewise, an institution's size, business plan, and strategy should help determine its ability to serve the community. Our goal is to craft a rule that enables examiners to take all these factors into account in their assessments, as appropriate for the institution being evaluated.

F. Impact of Reporting Requirements and Burden Reductions

A performance-based CRA evaluation system that is well understood by the industry, the public, and regulators must be based on objective measures of clearly defined parameters. Much of the industry and most community groups view the current assessment factors as too subjective, and many consider them unduly burdensome and, in some instances, irrelevant to actual performance. The goal of this reform effort is to provide that depository institutions will be assessed on results, measured in objective terms appropriate for the type of institution. To evaluate institutions based on their performance, however, examiners will have to rely on data that measure such performance.

Such an approach would require examiners to evaluate information that goes beyond the content of current reporting requirements for some financial institutions. Particularly for larger institutions with extensive activity, the agencies need information on banks' and thrifts' lending, community investments, and other services provided to low- and moderate-income areas in order to refocus CRA evaluations on objective measures of performance. As a result, we expect that some institutions may not see as great a reduction in regulatory burden as others, but we believe a final rule will reduce burden for the great majority of financial institutions. Even institutions that would be subject to reporting requirements would benefit from the elimination of those factors that have generated extensive documentation. Furthermore, all institutions would benefit from greater clarity about expected performance and consistency in evaluations.

The agencies are well aware of industry concerns about reporting burdens. The goal is to strike a fair balance between the cost of new requirements and the benefits of a more

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performance-based system. Every effort will be made to ensure that the revised rule relies, to the greatest extent possible, on data that is already being reported.

One possibility under consideration is to reduce the data reporting burden by streamlining reporting requirements to coincide more closely with existing requirements and eliminating unnecessary reporting. It also may be possible to exempt a certain class of institutions from new reporting requirements. For these institutions, the regulators would bear the burden of compiling the information needed to make the assessment required by the revised rule. Burden also might be reduced if we were to allow institutions to submit a strategic plan for regulatory approval; if approved, such a plan could constitute the basis of those institutions' evaluations. These special evaluation methods for certain classes of institutions would, of course, in no way exempt any institution from the CRA rules.

IV. Summary and Conclusions

This rulemaking process has been long, but it has been highly instructive about the current CRA evaluation process, what works well, and what needs improvement. We are now nearing the conclusion. Although a number of issues are yet to be resolved, we believe the 1994 proposal is an improvement. We are carefully considering the comments on the 1994 proposal and believe we will develop a final regulation that is both responsive to the commenters and achieves the goals of the reform project.

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United States General Accounting Office

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Testimony

Before the Subcommittee on Financial Institutions and Consumer Credit, House Committee on Banking and Financial Services
House of Representatives

Not To Be Released Before 9:30 a.m., EST Wednesday March 8, 1995

COMMUNITY REINVESTMENT ACT

Preliminary Results of GAO's Study on CRA Problems and Proposed Reforms

Statement for the Record
James L. Bothwell, Director
Financial Institutions and Markets Issues
General Government Division

GAO/T-GGD-95-113

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Ms. Chairwoman and Members of the Subcommittee:

This statement provides the preliminary results of our study of the implementation of the Community Reinvestment Act (CRA), which we have shared with your staffs in recent briefings. Our report is currently being drafted and reviewed internally. While we have discussed our preliminary findings with the federal bank and thrift regulatory agencies (regulators), we have not yet provided them a draft report for official agency comment. In addition, the regulators have not finalized the proposed regulations. Consequently, while we are pleased to respond to your request to share our preliminary results with you for your deliberations on CRA, we must note that these results are not yet finalized.

Our study was initially requested by former Committee Chairman Gonzalez and former Subcommittee Chairman Kennedy. Our study objectives were to address the following four questions: (1) What were the major problems in implementing CRA, as identified by the affected parties (bankers, regulators, and community groups)? (2) If adopted, to what extent would the regulators' reforms address these problems? (3) What challenges would the regulators face in ensuring the success of the reforms? (4) What initiatives have been taken to overcome community lending barriers and enhance lending opportunities, particularly in low- and moderate-income areas? To identify the major CRA implementation problems, proposed solutions, and examples of initiatives to enhance community lending, we interviewed bankers

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and examiners in 40 judgmentally-selected case studies, representing banks and thrifts (banks) of different sizes and types, with different CRA ratings located in different regions of the nation. We obtained additional perspectives from interviews with officials from community groups, industry groups, and regulators in Washington, DC. We also reviewed public comment letters on the initial and amended proposed CRA regulations issued by the regulators as part of our assessment of the proposed reforms.

As you know, CRA has been controversial since its enactment in 1977. CRA requires the regulators to encourage banks to help meet credit needs in all areas of the communities they serve, including low- and moderate-income areas, consistent with safe and sound operations. CRA also requires the regulators to assess banks' community lending performance during examinations. Community groups urged its passage to curb what they believed to be a lack of adequate investment in low- and moderate-income areas. Bankers generally opposed CRA as an unneeded measure that could unduly affect business decisions and mandate relatively low-profit lending that could conflict with other responsibilities to ensure safety and soundness. In more recent years, changing market conditions, along with increased public disclosure about banks' home mortgage lending, have raised concerns by bankers about the issues of competition and regulatory burden. More specifically, bankers are concerned

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about advantages for nonbank financial institutions, such as mortgage companies, that compete with banks but are not subject to CRA requirements. They are also concerned that the cost and paperwork burden imposed by CRA is not offset by positive incentives to encourage CRA compliance. For example, bankers would like protection against CRA-based protests of applications for expanding depository facilities. Federal regulators are required by the CRA to take a bank's CRA record into account when considering certain types of applications from depository institutions, including applications for mergers and acquisitions of depository institutions. On the other hand, community groups have raised concerns about limited CRA enforcement, particularly against poor performers that have no plans to expand, and insufficient disclosure of information on banks' community lending performance.

In response to these concerns, both the administration and Congress have looked for ways to make CRA more effective and less burdensome. The regulators' reform initiative, announced by the President in July 1993, established goals to base CRA assessments more on results than paperwork, clarify performance standards, make assessments more consistent, improve enforcement, and reduce the cost and burden of compliance. The regulators conducted a review of the issues and suggested improvements to CRA through a series of public hearings around the nation and in two notices of proposed rulemaking. They received extensive public comments on

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both the initial and amended proposals and are currently in the process of finalizing the proposed regulations. Congress also enacted legislation to facilitate community lending, such as the Bank Enterprise Act and the Riegle Community Development and Regulatory Improvement Act of 1994, that authorized funds to help finance revitalization projects in low-income areas.

PRELIMINARY RESULTS

Through interviews with bankers, regulatory officials, and community groups, we identified four major problems shared by the affected parties: (1) an overreliance on paperwork focused on documenting efforts and processes rather than results, (2) inconsistent assessments resulting in uncertainty about how CRA performance is to be rated, (3) assessments based on information that may not reflect a complete and accurate measure of banks' performance; and (4) unsatisfactory CRA enforcement.

Our preliminary analysis indicates that the regulators' proposed CRA reforms would address these problems to varying degrees. The reforms would directly address the first problem by proposing a results-based assessment system. The regulators' success in addressing the problems related to inconsistent examinations would largely depend on how effectively examiners use their discretion when implementing the reforms. To address concerns

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about information, the reforms would clarify the data to be used to assess performance against results-based standards. However, the affected parties disagree about whether the proposed data collection requirements would provide for meaningful performance assessment or be unduly burdensome. The proposed reforms also would not directly address the different enforcement concerns of bankers and community groups. The regulators dropped a proposal to use existing formal enforcement actions set forth in the banking laws for CRA violations due to a recent Department of Justice opinion that such actions are not within the scope of CRA. The regulators also dropped a proposal that would have clarified how banks' CRA ratings affect applications for expansion due to opposition by community groups to perceived restrictions on application protests.

We also believe from our work to date that the regulators would face significant challenges in successfully implementing the proposed reforms. During implementation, regulators would need to address the problem of examination inconsistency that has not been successfully addressed in the past. We believe that the likelihood of success could be increased if regulators (1) provide clear guidance and comprehensive training for all examiners performing CRA assessments; (2) are more consistent in ensuring that the data banks are required to collect are accurate; and (3) improve disclosure in public evaluation reports of the information and rationale used to determine banks' CRA

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ratings. In addition, the regulators estimate that the reforms would increase examiner responsibilities, as well as examination time and resource needs. Regulators may need to assess their resource needs and determine what actions, if any, may be appropriate to ensure that CRA examination requirements can be completed without shifting examiner responsibilities back to banks.

We also found that, independent of the regulatory reform efforts, many bankers, regulators, community groups, and others have taken part in a variety of individual and cooperative initiatives to improve banks' community lending and reduce related burdens. Through these initiatives, many banks have been able to overcome real or perceived barriers to lending in low- and moderate-income areas (community lending). Barriers to community lending and investment may include a variety of economic factors, such as higher costs and risks of community lending compared to other lending, and restrictive underwriting requirements of major participants in the secondary mortgage markets. Regulators, to varying degrees, play a key role in facilitating cooperation and disseminating information to banks about such initiatives. More systematic interagency coordination may better utilize limited resources and enhance lending opportunities for all banks.

Numerous alternatives for enhancing banks' lending in their communities have been raised by those we interviewed, as well as

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others. We have not assessed these alternatives, which range from reforming CRA to replacing CRA with direct financial subsidies to those willing to extend credit to low- and moderate-income areas. To some degree, the range of alternatives may be indicative of broader philosophical differences among the affected parties about banks' obligations for community lending.

Affected Parties Generally Agree on Major Problems, But Specific Concerns and Solutions Differ

Our analysis to date indicates that bankers, community groups, and regulators generally agree on four major CRA problems: (1) an overreliance on paperwork focused on documenting efforts and processes rather than results, (2) inconsistent assessments, (3) assessments based on information that may not reflect a complete or accurate measure of banks' performance, and (4) unsatisfactory CRA enforcement.

The specific concerns and proposed solutions of bankers and community groups differed substantially and, to some degree, reflected broader differences among the affected parties about banks' obligations to their communities. Bankers generally analyzed problems in terms of regulatory burden and sought changes that would reduce the burden of paperwork and data reporting. Bankers also generally supported proposals to

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increase certainty through guarantees ("safe harbor" provisions) that satisfactory or outstanding CRA ratings would protect applications from CRA-based protests. However, they opposed suggestions to increase certainty by establishing objective measures or formulas due to concerns that the standards would not be flexible enough to consider such factors as a bank's business strategy, financial condition, and its community's credit needs.

Community groups, on the other hand, generally analyzed problems in terms of their ability to hold banks accountable for performance and sought changes to increase that accountability, such as having banks publicly report additional data so that their community lending performance could be assessed more easily. Community groups also identified as a problem the fact that regulatory enforcement of CRA was limited to application denials. They pointed out that no sanctions were available to penalize poor performers that did not have plans to submit applications. To strengthen regulators' accountability for enforcing the act, they advocated regulators' use of formal enforcement actions, such as cease-and-desist orders and civil money penalties. They strongly opposed safe harbor provisions.

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Reform Proposals Would Address Some, But Not All, Major Problems

Overall, our preliminary conclusion is that the proposed reforms attempt to address the major problems of the affected parties, but would not, and probably cannot realistically, wholly satisfy the often contradictory proposed solutions of bankers and community groups. The reform proposals, if adopted and effectively implemented, would address the problem of an overreliance on documentation of a bank's compliance efforts and processes by shifting the focus of assessment standards from efforts to results in three performance areas--lending, investment, and services.

We do not believe at this time that the potential effect of the proposed reforms on some of the other problems is as clear. Effective implementation of the reforms is key to addressing assessment-related inconsistency because examiners are to continue to use considerable discretion in assessing a bank's performance. In developing the reforms, the regulators tried to balance the need for objective standards with the need for flexibility in assessing different types of banks operating under differing financial conditions and serving widely different types of communities. Thus, the proposed reforms would also increase examiner responsibilities and heighten the need for comprehensive

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examiner training and might also increase the time and resources needed to effectively complete examinations.

The proposed reforms also may not address the problem of data adequacy for performing CRA assessments because the affected parties do not agree on what data should be collected. The proposed reforms would establish data collection requirements to assess banks' CRA performance. However, bankers expressed concern about whether the proposed data collection requirements would be too burdensome and appropriately reflect lending results. On the other hand, community groups expressed concern that the public is not provided with adequate information about banks' actual lending performance. Moreover, the reforms would not address regulators' concerns about inaccurate data provided by banks.

The proposed reforms also would not address the universal, but differing, dissatisfaction with regulatory enforcement of the act. The reform proposals initially sought to strengthen enforcement by calling for regulators to use existing formal enforcement actions set forth in the banking laws, such as cease-and-desist orders and civil money penalties. However, the Department of Justice issued an opinion in late 1994 that such actions are not within the scope of CRA. Also, the reforms would have addressed bankers' concerns by specifying how CRA ratings would be considered in applications, i.e., a "satisfactory" or

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better rating would generally result in the approval of an application. However, many commentors objected to the perceived restriction on public protests. Consequently, both of these proposed measures have been dropped from consideration by the regulators.

Challenges to Successfully Implementing Reforms

We believe that successful implementation of the reforms would require regulators to meet significant challenges that have not been met in the past. Specifically, to improve the consistency of examinations, regulators would have to provide clear examination guidance and comprehensive training for all examiners in areas that many examiners believe has been lacking. These areas include how to analyze relevant information, how and when examiners should apply discretion, and how examiners should consider unique types of programs and products that bankers may devise to address special needs in low- and moderate-income areas of their communities.

Another implementation challenge indicated by our analysis would be to ensure that lending and other data needed for results-oriented assessments are accurate and accessible. Some of the regulators have acknowledged that data quality problems exist, but their responses to banks with poor data quality have not been

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consistent. For example, FDIC has assessed civil money penalties for late or inaccurate reporting while the Federal Reserve has required banks to resubmit data reported inaccurately. Also, community groups have commented that the public evaluation reports do not provide sufficient information about banks' actual lending performance and the regulators' rationale for the assessment ratings.

Finally, our case studies indicate that some examiners may have lacked the time during examinations to perform many data gathering and analyses tasks regarded as critical to CRA assessments, such as making contacts in the community to assess community needs. Some regulatory officials estimate that implementation of the proposed regulations may require additional time and examiners. Recognizing that they may be facing resource reductions, some regulators are developing new techniques to reduce examination time. If not successfully addressed, examiners may either not perform needed analyses or shift responsibility for conducting such analyses to the banks. This response could reduce the quality of assessments and increase banks' related burdens.

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Initiatives Have Overcome
Some Barriers to Community Lending

Our analysis of successful community lending initiatives also indicates that having good communication and cooperation among regulators, bankers, and community groups is key to overcoming lending barriers. In such initiatives, banks have made community lending an integral part of their business strategies; involved community groups in their plans and programs; and developed targeted underwriting standards, programs, and products to meet community needs. We also learned of community lending initiatives that may overcome perceived or actual barriers to lending in low- and moderate-income areas. Barriers described by bankers included higher transaction costs and credit risks, as well as restrictions related to secondary mortgage market underwriting standards. Some bankers have found ways that may lower the relatively high transaction costs and credit risks of community development loans by sharing those costs and risks through participations in multi-bank programs. In addition, some major participants in the secondary mortgage markets have recently undertaken initiatives intended to make them more responsive to community development concerns.

We have also found that regulators, to varying degrees, play a key role in helping banks to enhance their community lending programs. Using the available resources of their community

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affairs programs, some regulators have helped facilitate community development by disseminating information about various community lending techniques and investment opportunities. The resources and longevity of the regulators' community outreach programs differ. For example, the Federal Reserve's program has 70 full-time staff and was established in the early 1980's, while the Office of Thrift Supervision and the Office of the Comptroller of the Currency have less than 10 full-time staff in their recently established programs. More systematic coordination of these programs may better utilize limited resources and enhance lending opportunities for all banks.

Bankers Have Suggested Positive Incentives to Encourage Community Lending

Finally, in order to encourage banks to lend to all parts of their communities, bankers have suggested that CRA be replaced or supplemented with financial subsidies or other positive incentives. One example of such a subsidy is the Bank Enterprise Act, under which banks offering checking account and loan services in qualifying low-income areas are eligible for incentive grants. Others have called for modifying or supplementing CRA with incentives such as tax credits, deposit insurance credits, streamlined or less frequent examinations, revisions of safety and soundness requirements for CRA lending, broadening the base of banks and organizations that can buy low-

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income housing tax credits, and permitting below market financing for community development lending programs with supporting funds coming from FDIC or other regulatory premiums. Some of these proposals have been included in legislative proposals for congressional consideration.

PRELIMINARY CONCLUSIONS

On the basis of our work, we believe that the following actions by federal bank and thrift regulatory authorities could help improve the certainty and consistency of CRA examinations during implementation of the proposed regulations:

- **Revise regulatory guidance and training programs by clarifying how examiners should interpret the performance standards and require that all examiners receive comprehensive training necessary to implement the new regulations.**

- **Ensure that the information used to assess performance is accurate and that regulatory actions to improve data accuracy are consistent.**

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- Improve disclosures in publicly available evaluation reports by more clearly presenting the information and rationale used to determine banks' performance ratings.

- Assess agency resource needs and determine what actions should be taken to ensure that CRA examination requirements can be completed without shifting examiner responsibilities back to banks.

- Improve interagency coordination of community affairs programs to better educate bankers and community groups on strategies that have been successful in serving communities' needs, including those in low- and moderate-income areas.

Finally, should the proposed CRA reforms, once implemented, prove to be insufficient for improving CRA performance and reducing regulatory burden, Congress may wish to consider whether alternative approaches would better enhance banks' community lending.

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This concludes our statement. Thank you for the opportunity to provide our preliminary views.

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SPACE FOR ADDITIONAL MESSAGE

Margo,

Attached is the legislative language regarding CRA reform which the Western Independent Bankers Association ("WIBA"), a trade association of 250 community banks in the Western United States, has proposed to members of the Senate Banking Committee. I have also attached some background information about the CRA's impact on minority banks. I hope these materials are useful, and, as we discussed before, WIBA would very much like to testify regarding CRA if and when the Subcommittee holds additional hearings. Please call me at 202/371-6051 if you have any questions.

Mac Bernstein

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MINORITY BANK AMENDMENTS TO THE COMMUNITY REINVESTMENT ACT

SECTION 1. SHORT TITLE.

This Act may be cited as the "Community Reinvestment Act Minority and Women's Bank Preservation Amendments of 1995."

SECTION 2. DEFINITIONS.

The Community Reinvestment Act of 1977 (12 U.S.C. § 2901 et seq.) is amended by inserting after Section 803(2), the following new paragraphs and renumbering existing paragraphs "(3)" and "(4)" accordingly:

"(3) the term "minority bank" means any regulated financial institution --

"(A) more than 50 percent of the ownership or control of which is held by 1 or more minority individuals; and

"(B) more than 50 percent of the net profit or loss of which accrues to 1 or more minority individuals.

"(4) the term "minority" means any Black American, Native American. Hispanic American, or Asian American.

"(5) the term "women's bank" means any regulated financial institution --

"(A) more than 50 percent of the ownership or control of which is held by 1 or more women;

"(B) more than 50 percent of the net profit or loss of which accrues to 1 or more women; and

"(C) a significant percentage of senior management positions of which are held by women."

SECTION 3. EVALUATION EXEMPTION FOR CERTAIN MINORITY AND WOMEN'S BANKS.

The Community Reinvestment Act of 1977 (12 U.S.C. § 2901 et seq.) is amended by inserting in the appropriate place the following new section:

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"SEC. ____. EVALUATION EXEMPTION FOR CERTAIN MINORITY AND WOMEN'S BANKS.

"A minority bank or women's bank shall not be subject to the evaluation requirements of this title or any regulations issued under this title provided --

"(1) such bank has not been found to be in violation of section 701(a) of the Equal Credit Opportunity Act (15 U.S.C. § 1691(a)), or any other provisions of such Act, during the preceding five (5) calendar years;

"(2) such bank was chartered, or ownership of such bank was acquired, in order to serve any community or group which has traditionally been underserved by regulated financial institutions;

"(3) such senior officer of the bank as the bank may designate provides annual certification to the appropriate Federal financial supervisory agency that such bank qualifies for exemption under this section.

"A minority or women's bank which is exempted under this section shall immediately notify the appropriate Federal financial supervisory agency of any change in ownership, control, aggregate assets, or violations of law which would affect such bank's eligibility for exemption under this section.

"Any material misrepresentations of eligibility for exemption under this section shall be punishable pursuant to 18 U.S.C. § 1001.

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CONGRESS SHOULD REPEAL UNNECESSARY COMMUNITY REINVESTMENT ACT REQUIREMENTS ON ETHNIC MINORITY-OWNED BANKS

- Most minority-owned banks are established to provide banking services to particular ethnic groups -- and were encouraged to do so by federal regulators. The operating plans of these banks plainly set forth this purpose.

- The targeted ethnic populations served by minority-owned banks are often concentrated in urban pockets, which historically have not been a market focus of surrounding financial institutions; yet CRA often forces minority banks to compete in heavily served areas with well-established, larger institutions.

- Minority-owned banks are a primary source of credit for many minority-owned businesses and minority entrepreneurs.

- Forcing minority-owned banks to market their products beyond the boundaries of their natural base -- under the guise of the CRA -- imposes untenable costs and administrative burdens that threaten the viability of such institutions and is inconsistent with their stated business plans.

- Requiring minority banks to market their products throughout a larger "geographic market" is counter intuitive -- minority banks already serve markets the CRA was designed to protect.

- Congress should exempt these minority banks from counterproductive CRA requirements.

- Minority banks would remain subject to federal oversight and supervision, including fair lending, consumer credit, and antidiscrimination laws if they are exempted from onerous and unnecessary CRA requirement.

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PCRG

PITTSBURGH COMMUNITY REINVESTMENT GROUP
P.O. Box 99367 - 1000 California Avenue at St. Marks Place - Pittsburgh, PA 15233-4367

March 7, 1995

Congresswoman Marge Roukema
Chair, Financial Institutions and Consumer Credit Subcommittee
House Banking Committee
2129 Rayburn House Office Building
Washington, D.C. 20515

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To Margo Tank	From Dan Holland	
Co./Dept. House Banking Cmte.	Co. PCRG	
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Dear Congresswoman Roukema:

The Pittsburgh Community Reinvestment Group (PCRG) welcomes this opportunity to provide its comments in support of the Community Reinvestment Act (CRA) for the House Subcommittee on Financial Institutions and Consumer Credit hearings. PCRG is concerned that recent efforts to weaken and even eliminate CRA will be a detriment not only to community based interests, but also to financial institutions that work with local community development corporations (CDCs) to promote equal lending patterns and practices in lenders' entire delineated service area, including low- and moderate-income communities. It has been the experience of PCRG that, in working with financial institutions, lending in all communities, including those that are low- and moderate-income, is not only good business and a low credit risk but produces far more reinvestment than numbers alone can quantify.

In this testimony, PCRG will explain who we are, what we do, who we work with, and describe some of the community development initiatives that we helped foster with the financial institutions. These are just the highlights of our successful endeavors with lenders; in fact, PCRG is hard pressed to find examples of failures. Perhaps the only failure of the PCRG Partnership CRA has created is that there are not more just like it.

Who is PCRG?

PCRG is a coalition of 32 community based organizations that works with eleven financial institutions on a regular, ongoing basis to promote reinvestment in Pittsburgh's 90 neighborhoods, with a special emphasis on low- and moderate-income areas. Through regularly scheduled Community Development Advisory Groups (CDAGs), PCRG and financial institution representatives develop home mortgage loan products and programs targeted toward low- and moderate-income homebuyers, devise new and unique marketing and outreach strategies, promote neighborhood employment initiatives, and establish credit counseling services for bank customers who need assistance repairing their credit records, among other relevant topics.

Members

Allegheny West Civic Council
Bloomfield-Garfield Corporation
Breachmenders, Inc.
Calbride Place Citizens Council
Central Northside Neighborhood Council
Charles Street Area Council
East Allegheny Community Council
Eastside Alliance
East Liberty Development, Inc.
Fineview Citizens Council
Friendship Development Associates
Garfield Jubilee Association
Glen Hazel Citizens Association
Hill Community Development Corporation
Hill District Ministries, Inc.
Homewood Brushton Revitalization and Development Corporation
Lincoln-Larimer-Lemington-Belmar Citizens Revitalization and Development Corporation
Lincoln Park Community Center, Inc.
Manchester Citizens Corporation
Mt. Washington Community Development Corporation
North Side Civic Development Council
Northside Leadership Conference
Northside Tenants Reorganization
Oakland Planning and Development Corporation
Observatory Hill, Inc.
Perry Hilltop Association for Successful Enterprise
South Pittsburgh Economic Revitalization Team
South Side Local Development Company
Spring Garden Neighborhood Council
Steel Valley Authority
Troy Hill Citizens, Inc.
West-End Elliott Joint Project

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PCRG conducts annual lending analyses of banks' mortgage lending in Pittsburgh neighborhoods, by race and income, using information from the banks' loan application registers (LARs), publicly disclosed under the Home Mortgage Disclosure Act of 1975 (amended in 1991), the critical companion legislation to CRA. From these annual studies, banks establish lending goals and work with PCRG to meet and surpass these benchmarks. PCRG also provides neighborhood tours for bank officials; technical assistance for items like brochure development, marketing strategies, commercial lending program guidelines; access to minority and women contractors; housing seminar coordination; and direct access to over 60% of Pittsburgh's neighborhoods, a still untapped market.

PCRG awards the efforts of financial institutions with the Annual PCRG Banking Awards Luncheon, in which noteworthy financial institution initiatives and individuals are given awards. Last year, the keynote speaker was Comptroller of the Currency Eugene Ludwig, who was astounded at the display of productive bank-community interaction. Mr. Ludwig exclaimed, "The banks, community groups, and political leaders assembled here today says a lot about how well the Community Reinvestment Act works." PCRG wholeheartedly concurs.

Background

Since PCRG's founding in 1988, there has been over $2.4 billion in inner city reinvestment in Pittsburgh. PCRG strongly believes that the innovative lending programs and outstanding community commitment that the financial institutions have demonstrated here in Pittsburgh is a testament to the effectiveness of CRA and its goal of utilizing private-market forces to revitalize deteriorating neighborhoods. But when PCRG was formed in 1988, the benefits of CRA were not immediately apparent to financial institutions.

PCRG was established out of a protest of Union National Bank 's proposed acquisition of Penn Bank Corp. in Pittsburgh. PCRG strongly believed, and had proof, that Union National Bank had failed to meet community credit needs set forth under the Community Reinvestment Act of 1977. A formal statement of protest was filed with the federal government, and an analysis of the bank's lending patterns over the last five years was drawn on a map of Pittsburgh, showing where Union National had "redlined" Pittsburgh neighborhoods, those communities which received no loans.

But concurrent with the filing of the protest, PCRG engaged Union National with dialogue about how the bank could meet community needs. PCRG prepared a Community Needs Assessment, a document on how the bank can fulfill its obligation to our neighborhoods, and presented it to Union National's executives. Bank officials was surprised to be sure, but they also agreed to meet the needs PCRG forth, including the establishment of a monthly CDAG with PCRG in which strategies for meeting community needs could be discussed. Most importantly, Union National Bank put its commitment in writing, and with PCRG, signed a five-year, ongoing Memorandum of Understanding (MOU) worth $109 million. PCRG consequently withdrew its protest.

Last summer, PCRG and Integra Bank (formerly Union National) updated the MOU for the next five years to be a commitment worth $1.4 billion

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PCRG and Integra Bank are very proud of this agreement because it is essentially a risk-reduction document, a commitment by the bank and by the 32 members of PCRG to work together to minimize, even eliminate, the perceived and real risks in our neighborhoods and to find the numerous opportunities that exist.

Who PCRG Works With

Since the first Integra MOU was signed, PCRG established ten other relationships with leading Pittsburgh financial institutions: Allegheny Valley Bank, Community Savings Bank, Dollar Bank, Fayette Bank and Trust Company, Fidelity Savings Bank, Laurel Savings Association, Mellon Bank, NorthSide Bank, Parkvale Savings Bank, and PNC Bank. Not one financial institution has ever terminated a relationship with PCRG. In addition, PCRG works closely with the Urban Redevelopment Authority of Pittsburgh, the city government agency responsible for housing and commercial development, the Pittsburgh School Board, and a number of other organizations that have become part of the "PCRG Partnership." PCRG is also a member of Center for Community Change, National Community Reinvestment Coalition, and National People's Action.

The financial institutions with which PCRG works do not view CRA as a regulatory burden. In fact, one lender said that since his involvement with PCRG, his regulatory requirements under CRA have been *minimized*. This CRA officer simply points the federal examiner toward the CRA file, complete with all PCRG's comments and feedback, and the examiner's work is virtually in one folder, or series of folders. In addition, by consulting the PCRG membership, the federal financial supervisory agencies have direct access to feedback on bank performance from 32 individual community groups, over two thirds of the city neighborhoods. Although, when PCRG conducts business with a financial institution, it is with one unified voice.

The PCRG Partnership goes beyond just doing good business. The financial institutions have become active players in our neighborhoods, financing deals as small as a modest $20,000 single family home to the renovation of 127 units of low- and moderate-income housing worth $2.2 million. There are a number of examples, some of which will be explained in this testimony. The most important point, however, is that this special relationship between bank and community exists and flourishes because the Community Reinvestment Act provided the mechanism for the PCRG Partnership to work, *without* government intervention or subsidy.

A Sampling of Financial Institution Initiatives Created with PCRG Under CRA

PNC Bank: The Housing Recovery Program, Community/Lender Credit Program, and Neighborhood Employment Initiatives
On the Cutting Edge of Community Reinvestment

PCRG's relationship with PNC Bank (then Pittsburgh National Bank) began soon after we had brokered our first deal with Integra Bank. It began similarly, with PCRG's threat to file a protest against PNB's application to acquire another bank. But PCRG never filed a protest because PNB's CRA Officer, President, and CEO all agreed to discuss ways of meeting our mutual needs

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When PNB became PNC Bank, it not only met our needs, but it became a leader in Pittsburgh in creating new and innovative mortgage programs that would become the cornerstone to this city's successful revitalization Working with PCRG, PNC Bank created the Housing Recovery Program, an affordable housing program that uses a deferred second mortgage provided by the URA that cuts the cost of a house by 25 to 50%, based on the homebuyer's income. HRP must be used in a low- to moderate- income neighborhood within city neighborhoods. But PNC Bank did not keep HRP to itself; four other banks with which PCRG works now use the program.

The results of HRP have been stunning: Since its inception in 1990, 226 HRP projects have been completed producing 311 owner-occupied housing units Whole neighborhoods in Pittsburgh, have been reinvigorated and turned around 180 degrees from communities at the margins to those with a strong economic mix of residents. But HRP also accomplished what one CDC staff person calls "The Butterfly Effect": houses and businesses around homes purchased through the HRP have become renovated and restored as well, *without* HRP. This is a prime example of a successful community-bank program that in many ways cannot be measured in dollars or numbers.

PNC Bank did not stop there. PCRG and PNC Bank developed the Community/Lender Credit Program (CLCP) to address the chronic problem of bad credit among some low-income borrowers. The program was designed so that if a potential homebuyer did not qualify for a home loan through a bank due to credit problems, the overwhelming majority of loan denial reasons, he or she was referred to CLCP. PNC Bank also did not share this initiative either. Now over 20 banks participate. Since its establishment in 1993, CLCP credit counselors have counseled over 110 home buyers into new homes.

Last year, PNC Bank initiated a neighborhood employment outreach strategy with PCRG and Neighborhood Employment Projects (NEPs) in Pittsburgh to recruit qualified job applicants from local communities. PNC conducts employment seminars, meets regularly with NEP directors, and forwards all job openings to PCRG and the NEPs for distribution to the community. Now, all the other banks with which PCRG works have jumped on the neighborhood employment bandwagon and send job postings to PCRG and some have initiated their own employment initiatives.

PCRG is more than satisfied with PNC Bank. Recently, PCRG submitted comments in support of PNC Bank to the Federal Home Loan Bank for its quarterly Community Support Standards Review. The document numbered 190 pages. But PNC is but one bank in the PCRG Partnership. There are many more eagerly exploring the untapped opportunities in our neighborhoods

Mellon Bank: The CNDI Model
A comprehensive approach to neighborhood development

In 1994, Mellon Bank seized on an idea to look at revitalizing whole neighborhoods, not just in pieces as has been done before, and created the Comprehensive Neighborhood Development Initiative (CNDI, pronounced "Cindy"), a joint neighborhood revitalization program that works in conjunction with Pittsburgh History & Landmarks Foundation (a local historic preservation group) and the URA.

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CNDI offers both technical and financial assistance, in the form of loans and recoverable grants, on qualifying projects to community based organizations. The concept is to restore historic neighborhoods through a comprehensive "one-stop-shopping" approach, while saving the CDC time, skills, and up-front costs.

The results of CNDI, while still early in the program's usage, appear to be remarkable. In a recent CDAG meeting, Mellon explained that it working with the East Liberty Development, Inc., a PCRG member, on a 127-unit scattered site restoration project in Pittsburgh's East Liberty neighborhood (a low- and moderate income community) worth $2.2 million. One hundred and twenty seven units of mixed rental and for-sale housing is a substantial reinvestment in that neighborhood. PCRG and Mellon Bank are confident many more of these similar projects will be put to use in other Pittsburgh neighborhoods.

Allegheny Valley Bank: The Upstairs/Downstairs Program
The revival of the "Mom and Pop shop" model

At one point several years ago, PCRG was on the verge of picketing Allegheny Valley Bank for its poor lending record extending back into the early 1980s. A protest was imminent and the relationship was cold. But PCRG and Allegheny Valley Bank decided to establish a CDAG meeting schedule and discuss ways the bank could meet the community's needs. Last year a breakthrough occurred when Allegheny Valley Bank, working with PCRG, designed the "Upstairs/Downstairs" program, a mixed commercial/residential program for use in low- and moderate-income business districts

Under the "Upstairs/Downstairs" program, a borrower can purchase a commercial building in a low- and moderate-income business district, convert the first floor to retail business use and live in the upper floors, similar to "Mom and Pop" shops of the past. Pittsburgh is replete with such buildings in small business districts and Allegheny Valley Bank is to be commended for creating a program that builds upon the unique character of Pittsburgh's neighborhoods.

Dollar Bank: From $30 Million Commitment to $42 Million in Three Years
Raising the stakes to stay competitive

PCRG's initial relationship with Dollar Bank was not tremendously productive, until the bank hired Howard Slaughter as its CRA Officer in 1991. Mr. Slaughter first accomplishment was an overhaul of the bank's community mortgage loan product to be better tailored to the needs of PCRG neighborhoods. Mr. Slaughter stunned PCRG in 1992 when he and Dollar's President and CEO signed a commitment to lend at least $30 million in low- and moderate-income neighborhoods over the next three years. As of January 1995, Dollar Bank reports that it has surpassed this goal. Although Mr. Slaughter moved on to another organization, Dollar Bank increased its three-year commitment to $42 million, and it will include small business and employment initiatives as well. PCRG will ensure that Dollar Bank meets its goal.

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Fidelity Savings Bank and Community Savings Bank: Ain't I A Woman Housing Initiative
"When was the last time your lending to African Americans went up by a thousand percent?"

Both Fidelity Savings Bank and Community Savings Bank came to PCRG in early 1993 ashamed of their lending to African Americans: Zero loans in 1991. But they were determined to reverse this trend by actively working with PCRG to change the way they do community banking and marketing. In late 1993, both banks used the technical assistance PCRG provided to create the "Ain't I A Woman Housing Initiative," a strategy to attract single black female homebuyers to institutions that had not traditionally sought this market but needed to in order to stay competitive. The first seminar introducing the program was held at a church in pouring cold rain in November 1993. Over 300 African American women showed up to learn more.

Today, both Community Savings Bank and Fidelity Savings Bank are partners in this unique and innovative program that yields real results. While the official numbers are not out yet, Fidelity Savings Bank reports that it made ten loans to African Americans in 1994, an increase of 1,000% in one year. The President and CEO of Fidelity boasts about this program to fellow bankers: "When was the last time your lending to African Americans went up by a thousand percent?" Both Community Savings Bank and Fidelity Savings Bank are reaping the rewards of this initiative, and they regularly keep in touch with prospective homebuyers, refer some to CLCP, and aggressively market their programs citywide. There is no question in these bankers' minds that CRA has meant more business for the bank where none previously existed.

The Urban Redevelopment Authority: Commercial Lending Initiatives
Capitalizing on the public-private paradigm established through the PCRG Partnership

Finally, PCRG is proud to have been a partner in redesigning the Urban Redevelopment Authority's commercial lending programs into two new initiatives: The Pittsburgh Business Growth Fund, for financing working capital and equipment, and the Urban Development Fund, for financing real estate. PCRG and the financial institutions favor the programs' simplicity and focus on small businesses or real estate in the most distressed Pittsburgh neighborhoods. PCRG and the financial institutions are still working on the marketing for these programs to ensure that the lenders remain the first point of contact for business or commercial real estate loans.

CRA: We Still Need It

It should be clear through these anecdotes that what the Community Reinvestment Act is about is developing private market partnerships among financial institutions, local community development organizations, and public entities, not overburdening banks with unnecessary paperwork or filing a protest every time a financial institution reports a poor lending record. In fact, PCRG views a protest as a failure because PCRG and the bank have failed to come to the table to conduct business. But when business is conducted, it is profitable, innovative, and exciting.

There is no question that all of this would have never occurred without the impetus of the Community Reinvestment Act.

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 20551

LAWRENCE B. LINDSEY
MEMBER OF THE BOARD

April 12, 1995

The Honorable Barney Frank
United States House of Representatives
2210 Rayburn House Office Building
Washington, DC 20515-2104

Dear Congressman Frank:

This letter responds to an issue you raised during the hearings held by the Subcommittee on Financial Institutions on March 8 regarding reform of the Community Reinvestment Act. You asked whether we knew of any circumstances in which loans to low- and moderate-income borrowers had caused safety and soundness problems for a bank or thrift, due to default, delinquency and the like.

I believe my quick answer at the time was "no." Certainly, the anecdotal information I have heard would indicate that loans to low- and moderate-income people perform with respect to repayment as well as, and in some cases better than, loan to others. Furthermore, I have heard of no cases in which a bank's portfolio contained such a large number of such loans that even if a significant number of the borrowers defaulted, it would put the bank in a seriously adverse safety and soundness position.

After you raised the question, I took some time to seek out some harder data and studies that might illuminate the matter. I was not able to find a lot in this vein, but I'll briefly share what I was able to locate. One reason for the few studies on the matter, I suspect, is that the data necessary to conduct them are, rightly I believe, generally closely and confidentially held in the loan files of the customers. Consequently, producing the necessary data, without compromising confidential information, can be time-consuming and expensive.

Nonetheless, the Woodstock Institute in Chicago conducted a study of the performance of residential loans in low- and moderate-income areas as compared to loans made in other neighborhoods. The October 1993 study based its conclusions on a sample of 2231 loans collected by the National Association of Affordable Housing Lenders from seven willing lenders. A few of the more interesting findings of this study regarding single family loans in low- and moderate-income areas were (1) over half of all loans that were ever delinquent were delinquent only once;

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(2) the delinquency rate for loans that had been delinquent for 90 days or more was one tenth of a percent; and (3) the delinquency rates for a national sample of loans, containing data on loans in areas of all income levels, was 7.5 to 8.5 times greater. The same study reviewed the performance of multifamily loans in low- and moderate-income areas and, though the characteristics of the data sets did not allow the researchers to make perfect comparisons, the study did conclude that the loans made in low- and moderate-income areas experienced delinquency rates one to three times greater than national samples. Foreclosure rates, however, seem more aligned to national samples. As a result, the combined delinquency and foreclosure rates for multifamily housing loans in low- and moderate-income areas were slightly superior to those gleaned from national samples reflecting loans in all income areas.

GE Capital Mortgage Insurance Company also did a study of its own loans that were originated between 1987 and 1991. It concluded that borrowers with annual incomes of less than $40,000 were eight percent less likely than those with higher incomes to become delinquent on their loan payments and that the lowest income group (less than $20,000 annual income) had the best delinquency performance.

In addition, Richard G. Fritz, Vice President and Senior Economist at the Federal Home Loan Bank of Atlanta, presented a paper in January of 1994 which highlighted results from his study on the performance of the Atlanta Mortgage Consortium. The consortium was created in 1988 shortly after the Atlanta Journal/Constitution newspapers published a series called "The Color of Money" that was critical of the racial distribution of mortgage loans made by Atlanta lenders. The paper, "Consortium Residential Lending and Community Reinvestment: An Analysis of the Atlanta Mortgage Consortium", shows that for loans made during what Mr. Fritz calls Phase I of the program's existence (roughly its first year), the consortium experienced heavy long term delinquencies (11.9%). However, adjustments were made to the consortium's lending criteria during the next two years or so (Phase II) and the delinquency rate was significantly reduced to 6.7%. The consortium continued to effectively serve the low-income population of Atlanta after making the underwriting adjustments for Phase II.

In order to contribute an additional measure of comparison regarding the consortium's lending performance, I would like to provide some national data for the time periods that roughly correspond to the two phases of the study. During the Phase I period, the national delinquency rate was 4.78% for all mortgage loans and 6.65% for all FHA loans (possibly a more

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apt comparison given FHA's relative emphasis on a similar market). National rates during Phase II were approximately 5% for all mortgage loans and 7.32% for FHA loans. Further, I am informed by other sources that during the first quarter of 1995, the AMC experienced a 9.99% delinquency rate while all FHA loans in the state of Georgia experienced a 10.01% delinquency rate.

I think that this experience shows that, although it is possible to go too far in reducing credit criteria, it is also possible, with a sensible set of adjustments to those criteria, to serve low-and moderate-income areas effectively. It also demonstrates that the consortium approach to lending in these areas can serve to spread the risk and make this type of lending possible without undue risk to any individual institution. I think it is important, however, to put this discussion in a fuller context, and to indicate that the answers to the question you raised are probably more complex than this response has so far indicated, particularly with respect to FHA-insured loans. In this regard, I would point out that a recent study, co-authored by Glenn Canner, an economist here at the Board, showed that FHA-insured loans in low-and moderate-income areas experienced nearly twice the default rates (as distinguished from a delinquency rate) of those made in upper income areas during the sample period.

Finally, I would simply cite some statistics offered by the National Association of Community Development Loan Funds, reflecting loans made by its 41 member funds. Through 1993, these funds had made $193.1 million in 3,960 loans for housing and businesses. The Association reports that its members had financed 43,369 housing units, 88% affordable to low-income tenants. Loan losses through 1993 were $1.69 million, or .87% of the total.

I believe this information responds to the question you raised. As you can see, the potential answers are complex and may turn on the programs and experiences chosen for review and the comparisons made. Furthermore, I would add that though these studies and data appear reliable, I have not personally reviewed their underpinnings and can only offer them for your consideration. Additionally, aside from the issue of repayment performance, there is the issue of profitability. We have no studies on the relative profitability of loans in low- and moderate-income areas compared to other areas. We do know, however, that in many cases these loans are subsidized (the AMC loans are an example) or involve credit counseling or other risk mitigating aspects that have an impact on their performance as a matter of relative profitability. Nonetheless, I have not heard of situations involving loans of this type putting any banks at

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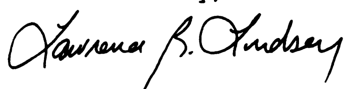
The Honorable Barney Frank
April 12, 1995
Page 4

risk. And the success stories for these kind of lending are numerous. If you would like any other details on these studies and data, please contact me.

Sincerely,



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APPENDIX

March 9, 1995

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STATEMENT OF

JAMES M. CULBERSON, JR.

On Behalf of

THE AMERICAN BANKERS ASSOCIATION

Before the

Subcommittee on Financial Institutions and Consumer Credit

of the

Committee on Banking and Financial Services

U. S. HOUSE OF REPRESENTATIVES

March 9, 1995

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Statement of James M. Culberson, Jr.
on Behalf of the American Bankers Association

Before the

Subcommittee on Financial Institutions and Consumer Credit
Committee on Banking and Financial Services
U. S. House of Representatives

March 9, 1995

Madam Chairwoman, I am James M. Culberson Jr., Chairman of the Board of the First National Bank and Trust Company in Asheboro, North Carolina. I am the President-Elect of the American Bankers Association. The American Bankers Association is the national trade and professional association for America's commercial banks, from the smallest to the largest. ABA members hold about 90 percent of the industry's total assets. Approximately 94 percent of ABA members are community banks with less than $500 million in assets.

I am pleased to be here this morning to speak to the Subcommittee on the structure of the Community Reinvestment Act (CRA). We appreciate, Madam Chairwoman, your undertaking this review. We are very hopeful that this process of reexamining the current structure will result in a more workable and efficient system.

Few regulatory issues raise as much emotion as CRA. CRA began as a simple statement of community responsibility -- that each bank should help meet the credit needs of its entire community, including low- and moderate-income neighborhoods. I am in complete agreement with this goal, as are virtually all bankers. The relationship between banks and their communities is, after all, a two-way street -- the profitability and strength of my bank rests squarely upon the economic health and vitality of my community -- the individuals and local businesses that are my depositors and borrowers. As one banker put it: "If we do not invest in our community, it will die and the bank will die with it. We do not need a law and paperwork to understand this." I can assure you, Madam Chairwoman that anyone who does not understand this close relationship between a bank and its community won't last long in the business of banking.

The problem bankers have with CRA is not its philosophy, but its implementation. Over the years, as regulators struggled to find meaningful ways to judge compliance with

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CRA, layer upon layer of paperwork and documentation has been added. It is time to restore the basic intent of CRA: helping to meet the credit needs of the community in a spirit of community cooperation and without a lot of paperwork and red tape. To do so requires a CRA system that:

- recognizes differences in institutions and the communities they serve;
- fosters cooperation instead of confrontation, and rewards extra effort; and
- cuts back the paperwork burden and puts dollars into the community instead of red tape.

The remainder of this testimony details these requirements. But before that, an observation: over three-quarters of the financial assets are held by firms outside the reach of the Community Reinvestment Act. Securities firms, finance companies, mutual funds, money market funds, insurance companies, members of the Farm Credit System, and even credit unions offer bank-like products that draw savings and investment funds by the tens of billions of dollars out of communities across the country -- yet they are under no obligation to return anything to those communities. I find it particularly frustrating since two of my biggest banking competitors are credit unions -- both larger than my bank and federally insured -- and yet they have no CRA responsibilities. I also compete head-to-head with mortgage companies that do not have any CRA responsibilities.

Banks cannot and should not be expected to carry virtually the whole load in meeting community credit needs. Other institutions should be held to the same high standards of community responsibility to which banks are held.

I. Recognize Differences in Institutions and Communities

Today, administration of CRA takes a one-size-fits-all approach. Large or small, rural or urban, full service or limited charter banks are all treated alike. An effective system must recognize the significant differences in where and how these institutions operate. The documentation requirements designed for urban areas make no sense in small communities and rural areas. Similarly, standards for a full-service retail bank make

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no sense for specialized banks. For example, credit card banks and wholesale banks should be able to meet their CRA obligations in a way that is compatible with their type of business, and, in the case of credit card banks, within the limitations of their charter. We applaud the bank regulators for taking important steps in this direction in their recent proposals.

The one-size-fits-all approach has been particularly hard on community banks, which do not have the capacity to cope with the massive documentation requirements of the current system. In fact, the vast majority of the banking industry is community banks with assets less than $500 million. Moreover, nearly half of all commercial banks have fewer than 25 employees; 1,300 banks have fewer than 10 employees. Moreover, the cost of complying with regulations, while significant for all banks, is relatively higher for small banks because there are economies of scale in compliance -- a fact clearly brought out in a recent Federal Reserve study on the costs of implementing the Truth-in-Savings statute as well as in an ABA study. In fact, for banks under $50 million in assets, one out of every four dollars of operating expense is spent on compliance. This is robbing time and resources that would otherwise have been invested in the community. One banker put it this way:

> Community banks ...are already doing all of the things CRA intends to make them do. But to prove and document all of this is nearly impossible, expensive, frustrating and time consuming.

Another made the point that:

> Small town banks support their communities significantly more than any other business in the community -- both in hours devoted to community projects and in money spent. CRA ...is expensive and time-consuming regulation that produces absolutely nothing.

The problem with CRA is not that it "requires" bankers to invest in the community -- they do that anyway. The problem is that in today's regulatory enforcement of CRA, we spend more time and money in compliance which takes away from actually serving our community.

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I do not wish to imply that CRA costs are not significant for large banks -- they are, and the overall costs of CRA need to be addressed for all banks. However, the size of banks and the types of communities each serves need to be considered. For example, there is absolutely no point in having a small bank in a small town geocode loans when the banker literally knows personally every person who has a loan from that bank.

Streamlining the process for all banks will free up scarce resources for more productive uses in the community, and will be welcome news to bank customers most of whom are vitally interested in the betterment of their communities. A perfect complement to a system which recognizes differences among banks and communities would be to enable banks to choose from a menu of different options for demonstrating that they are meeting their community's credit needs. Recognizing differences and providing a variety of options to demonstrate compliance provide the flexibility to tailor CRA compliance to all the different communities in this country. The regulators' proposal does help in this regard by recognizing differences in banks and by offering options for documenting compliance. We appreciate their efforts. There are additional things that could be done, however, and ABA will be developing further suggestions for Congress to consider.

II. Foster Cooperation, Not Confrontation

The number of successful joint projects between banks, local governments, nonprofit organizations and community groups demonstrates that cooperation, rather than confrontation, yields far better results for all involved. There are many, many examples of bankers, community groups and local governments working together to solve local problems and to build a better future.

There are a number of problems with the current rating system. First, evidence suggests that, each year, the standards for satisfactory or outstanding are raised by examiners, regardless of whether or not there have been any changes in a bank's community. And some have taken this to an extreme suggesting that only a specified, small percentage of the banking industry can receive an outstanding rating. In fact, some compliance examiners are very blunt in telling bankers that they never give an outstanding

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rating, regardless of the bank's performance record. Several recommendations in the regulators' proposal, such as expanding the grading scale, appear to us to have the effect of setting in regulation limits on the ability of banks to achieve outstanding ratings. Such limitations, whether written in regulation or by examiner predilection, are not appropriate.

A huge problem is that there are no assurances that a consistent record of CRA compliance will stop unsubstantiated challenges to applications. Ironically, many bankers believe that earning an "outstanding rating" only serves to make the bank a magnet for criticism and demands for additional effort by the bank.

Even for banks rated "satisfactory" or "outstanding," applications for an acquisition or a merger are often protested, with the accompanying delay, by advocacy groups seeking grants or loan commitments. What good does it do to get a good grade when a merger or acquisition application can be challenged and delayed anyway? A bank that is not deficient in meeting its community's credit needs deserves to be freed from costly delays arising from unsubstantiated challenges during CRA review.

It is clear that Congress, when it enacted CRA, did not envision this result. It intended to encourage cooperation, and in most cases banks do work closely with community groups. Congress could not have intended that small groups, sometimes pushed by non-local groups, could make demands to fund their individual projects or groups and use the leverage of delay to try to force a bank to comply. Delays of months have not been unusual, and since such delays can involve huge costs, banks have often been forced to make grants or loans to these groups. A system whereby private businesses can be "held hostage" in such a manner simply is unfair.

This system also constitutes credit allocation in the extreme. Many believe that CRA, itself, is inherently credit allocation, but the current implementation of CRA, which permits individual groups to leverage institutions to provide grants or loans to their individual projects or groups certainly results in very specific allocation of credit. Banks should be encouraged to talk to and work with community groups, but this type of leverage by protest -- or, often, threatened protest -- should be removed from the system.

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III. Improve Efficiency by Reducing Paperwork Burden

Paperwork, paperwork, and more paperwork. That's what CRA has become. One banker characterized it by stating:

> The documentation burden that this [Community Reinvestment] Act has created rivals the New York City telephone book. The banks are required to document all areas of their community involvement, compile detailed statistical analyses to prove their actions, dedicate staff resources to developing, understanding and maintaining the records. The really sad reality of all this work is that the only people who have ever looked at our CRA records have been bank examiners.

Ironically, the legislative history of CRA clearly indicates that it would not impose any new record keeping requirements on the industry. Senator Proxmire, the sponsor of the bill that became the Community Reinvestment Act, stated on the floor of the Senate:

> An early draft of the bill would have required additional reporting by lenders. The committee considered this provision in markup, and we unanimously agreed that bank examiners already have access to ample data to carry out the purposes of this title. We deleted the reporting requirement.

Senator Proxmire followed these remarks, in response to concerns by Senator Morgan that the bill would end up requiring a lot more paperwork and a lot more red tape, by stating: "That was true of the bill originally perhaps, but it certainly is not true of this bill now."[1]

In fact, despite this clear Congressional intent, record keeping is now what CRA is all about. What a bank is actually doing in its community is almost irrelevant -- what counts is the thickness and neatness of the CRA files and whether or not they contain the right documentation.

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[1]S.17631, Congressional Record, June 6, 1977.

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Over the past several years, the regulators have undertaken the task of revising the CRA regulations and are currently considering a second proposal. There are many positive aspects of the second proposal -- such as the small bank streamlined assessment and a flexible strategic plan option. But even these require proper implementation to make them effective. In particular, the asset limitation for qualification for the streamlined examination is too low. All across the country, banks like mine are doing a good job in meeting the credit needs of their communities, and should have no trouble demonstrating that fact under a streamlined examination process. In terms of bank sizes today, $250 million is small. To add additional burdens -- particularly reporting burdens -- to a bank my size will do absolutely nothing to improve credit availability nor will it provide any meaningful information. To the contrary, it will add another costly and unncecessary regulatory burden with no or nominal benefit. The cut-off at $250 million should be raised.

The regulators proposals to date add ***significantly*** to the already huge reporting burden of CRA for many banks. In particular, the banking regulators have proposed substantial reporting of small business/small farm loan applications. As part of this proposal, there is a provision that would require distinguishing loans by race and gender.

ABA has serious concerns over small business reporting and coding by race and gender particularly. Before addressing the specific problems associated with small business reporting (including race and gender breakdowns), there are four fundamental problems with any such proposal for such expanded reporting:

- Added reporting will make small business borrowing more costly and will waste even more scarce community resources on red tape;
- The data collected is not necessary to assess whether a bank is meeting its CRA obligations;
- Requiring only banks and thrifts to report gives an incomplete and misleading picture of lending in these markets; and
- The reporting provides a worthless, and in fact misleading picture of a bank's lending.

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Let me touch on these, and then discuss in detail the problems specific to small business reporting under CRA.

Added Reporting Means Higher Cost of Credit

Reporting is costly. Every dollar devoted to red tape is one fewer dollar that can be productively used in providing banking services to the community. Several comments from bankers serve to illustrate this point. For example, one banker commented:

> The research, reporting and documentation burdens imposed by CRA force our institution to spend approximately $50,000 more per year to provide the same services we would provide without CRA.

And another said:

> During the next three months, I estimate that 50% of my time will be spent on regulatory compliance issues. What is really sad and ironic is that my time will not be spent on regulations which affect the safety and soundness of the bank's loans and other assets. Rather, it will be spent on regulations such as the Community Reinvestment Act, Regulation CC (Expedited Funds Availability), Regulation DD (Truth in Savings) and the Bank Secrecy Act which have little to do with safety and soundness issues.
>
> What would I normally be doing with this lost 50% of my work week? I would be calling on existing and prospective customers, making loans or working to develop new deposit and loan products to more effectively compete in the marketplace -- the real heart and soul of banking. Isn't that what banking is all about?

And these comments relate to current reporting and compliance. The impact of costly new CRA burdens should not be underestimated. The additional reporting will increase costs by slowing down the lending process and by requiring the collection of additional information from small business/small farm applicants, not to mention the additional compliance burden. And, because reporting is likely to lead to a standardized

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lending format, it may also reduce the flexibility that is such an important element of small business/small farm lending. ***In short, adding yet another expense to banks' lending activities will surely have a negative impact on both the cost and availability of bank credit. This will hurt most of those low- and moderate-income business borrowers that the regulation is designed to help.***

Last year, Congress took the first step to reduce the excessive regulatory burden on the banking industry, helping to reverse one of the factors inhibiting the flow of credit to small businesses. Since documenting performance under the current CRA system is among the most costly and time-consuming regulatory burdens, it is vital that reform efforts look carefully at this issue.

Added Reporting is Not Necessary to Assess CRA Performance

As Senator Proxmire stated in 1977, "...bank examiners already have access to ample data to carry out the purposes of this [CRA] title." Today, if anything, there is much more information readily available to examiners. The data that would be collected under additional reporting requirements are not necessary to assess whether a bank is meeting its CRA obligations.

Reporting by Only One Lending Group Among Many Gives an Incomplete Picture

Banks and thrifts are important lenders to small businesses, but they are by no means the *only* lenders. Many small business loans are made by nonbanks like finance companies -- even Merrill Lynch has a small business loan program. Even the Farm Credit System and the credit unions are active in small business lending. Surveys show that small business borrowers rely on a variety of non-bank sources of credit including vendors, retained earnings and private borrowings to finance their operations. ***None of these sources of small business credit would be captured by proposals to increase reporting by banks.*** Finance companies, credit unions, asset-based lenders are major players, and their omission will certainly give an incomplete picture of what is happening in these markets.

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Small Business Reporting Will Be Misleading

There are several very specific issues related to the value of small business/small farm lending reporting. Moreover, the recent proposals to categorize small business/small farm loan applications by race and gender create a whole additional series of problems. I would like to detail our concerns. **The bottom line, however, is quite simple. We need to return to the basic intent of CRA and the promise made by Senator Proxmire: that no new reporting would be required.**

- ***Small Business Loans Are Not Always Easy to Identify***

In many cases, the ultimate use of the proceeds of a loan may not be obvious to the lender. For example, many small business owners use home equity loans to finance their operations. A recent Arthur Andersen/Small Business United survey indicates that home equity loans account for almost one-half of the funds for start-up businesses. But because a home equity loan may not be classified as a business loan, it may not be captured in the proposed reporting.

A similar problem arises with respect to credit card loans, which are used by many small business borrowers as a source of short-term working capital. In many cases the credit card is issued to an individual rather than to a business, so the lender has no way to identify the credit card loan as a business loan. Many of these loans will not be captured by the proposed reporting, making the data even more incomplete and misleading.

- ***Small Business Reporting is Not Like HMDA Reporting***

Proponents of reporting small business/small farm loans reporting have claimed that it would work just like HMDA reporting for home mortgage loans. This is simply not true. First of all, bank regulators are finding that HMDA reporting is not as straight forward as first thought. For example, there have been constant changes and reversals in reporting requirements with respect to pre-qualifications, which are used with many new, flexible mortgage products being offered by banks. Also, selling and purchasing of mortgage loans may create double counting.

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And these problems of reporting and inconsistencies are with relative straightforward, homogeneous loans. Small business/small farm loans ***are far more complex than mortgage loans.*** They are not relatively straightforward or homogeneous products. Because no two small businesses/small farms are alike, these loans are individually tailored to suit each borrower's situation.

Second, the standardization of mortgage lending, created largely by secondary market requirements, makes it relatively simple to design a standard application form requesting the pertinent information. The flexibility required by small business/small farm lending makes a standardized application form virtually useless for lenders. And this is why so many banks do not even use an application form for these loans -- at least not an application form that is in any way analogous to a residential mortgage loan application.

Race and Gender Reporting Should Not Be Required

Proponents of reporting race and gender for every business loan application argue it will increase credit availability to minority businesses. But it will not. It will only add yet another layer of paperwork to small business borrowing, further complicate the credit process, and increase the cost of small business credit.

Equally troubling is the fact that the data generated by the reporting requirement will give an incomplete and misleading picture of both bank lending and the overall availability of credit to low- and moderate-income communities.

And finally, race and gender reporting is completely counter to a color blind and gender blind approach that should characterize decisions about creditworthiness. This is the very reason why banks are currently prohibited by law from asking this information, and believe that such a requirement is beyond the statutory authority of the regulators.

The following are some additional problems the proposal raises:

- ***Categorizing the Ownership of Small Businesses by Race and Gender is Not as StraightForward as it Seems***

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For example, a business that has significant minority ownership -- up to 50 percent -- will be classified as white-owned under the regulators proposal. Where the ownership is split 50-50, the tie goes to the majority gender or race. This means that a "mom and pop" business would be categorized as male-owned, and that a business owned equally by a minority and a non-minority would be classified as non-minority-owned.

These inherent biases in the reported data mean that ***even if a bank makes all its loans to businesses that have significant minority and female ownership -- up to 50 percent -- the data would show that all loans went to white males.*** In fact, if all loans went to companies whose ownership mirrored the racial make-up of this country, they would all be classified as loans to majority-owned businesses. Simply put, the reported data will consistently and systematically understate minority lending by banks. Such a distorted and inaccurate portrayal of bank lending does not serve the best interests of small business or the public.

- ***Voluntary Reporting Means Incomplete Data***

In addition to the difficulties cited above, many small businesses will obviously be reluctant to disclose the race and/or gender of their owners for privacy or other reasons. Because of the voluntary nature of the reporting, the bank cannot require (nor should it) that a borrower make such a disclosure. This means that the reported data will give a fragmented and incomplete picture of bank lending to minority-owned small businesses.

- ***CRA Looks to Communities, Not Race and Gender***

Lending in low- and moderate-income communities is not necessarily synonymous with loans to minority-owned businesses. Thus, requirements that lenders geo-code their business loans by census tract is inappropriate and misleading. What about a loan to a company that may not be over 50 percent minority-owned, but which provides employment to residents of low- and moderate-income

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communities? Certainly support for a community's employment base is critical to its economic vitality.

In fact, the tie between race and gender reporting and CRA is not well-defined. How would the race and gender data actually be used in the context of the overall CRA examination? No such disclosure has ever been given by the regulators. ***There is simply no justification for subjecting banks and bank borrowers to the expense of complying with a reporting requirement for which there is no specified use within the statute.***

- ***No Legislative Authority for Reporting***

Finally, the CRA statute does not contain the authority to support this type of reporting, and it is not supported by the legislative history. HMDA reporting is authorized by a specific statute. How can the regulators impose even more onerous reporting on another subject without Congressional authorization?

- ***Race and Gender Reporting Raises Serious Privacy Issues for Small Business Owners***

The proposed reporting would require banks to collect, on a loan-by-loan basis, the racial and gender composition of their small business borrowers. If, as is true for the HMDA data, the loan-by-loan data becomes publicly available, it would be relatively simple for anyone interested to determine the borrowings of individual companies. The public availability of this information may pose serious problems as competitors, employees and even buy-out specialists could gain access to sensitive financial information on individual companies.

In summary, the proposed reporting will be costly to both banks and borrowers and will provide information that is, in fact, misleading since CRA was not designed to impose new reporting in the first place, and since this reporting has not been approved by Congress, ABA strongly believes it should be removed from the proposal.

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IV. Conclusion

Let me assure you, Madam Chairwoman, that bankers are working hard to meet the credit needs of their communities. As I said at the outset of my statement this morning, they are doing so because the success of each bank is closely tied to the success of the community it serves. As you and your colleagues review the Community Reinvestment Act, we urge particular attention to the dangers of credit allocation. Madam Chairwoman, the term "credit allocation" has a negative connotation -- and with good reason. Allocating credit -- whether directly or indirectly -- may well be inconsistent with safe and sound lending. This should concern not only bankers, but regulators, the Congress and the public as well. CRA is potentially so open-ended that we must be concerned about ever-increasing costs and its potential for slowly but surely substituting government and political control over the credit decision process.

The first proposal from the regulators raised additional concerns about credit allocation because of the inclusion of "market share" tests. We appreciate the changes the regulators made in the second proposal in dropping this approach. However, there is the ever present danger that such a mind set can creep back in, and in fact, a number of banks have found their CRA examiners using their own informal market share test. Basically this approach involves comparing a bank's market share in various submarkets and believing it should be nearly identical in all submarkets. This simply won't work and is counterproductive. For example, it makes it dangerous for a bank to try to enter a new market -- for example, a low-income market -- because it's market share will, of course, be less there.

Ironically, minority banks objected strongly to the market share test. Why? Because they saw a system which would force large banks to "purchase" market share in the minority banks' markets, possibly by reducing prices to the minority banks' best customers. A system which drives banks to "purchase" market share to meet some pre-conceived government notion of "proper" market percentages would certainly be credit allocation, and it would also undermine safety and soundness.

We all share concerns over America's distressed communities. But we must also be realistic. Distressed communities cannot be reclaimed just with an increase in the

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availability of credit. Sustained community reinvestment requires not only profitable business but also a healthy, growing community. No amount of bank lending can build the infrastructure that a community needs to survive, much less prosper. Performance has to be geared to the underlying reality of the community. Allocation of credit by government fiat rather than by the marketplace will inevitably lead to inefficient use of resources and will, in the end, not help the communities for which they were intended.

The banking regulators have put a great deal of work into rewriting the CRA rules. It is an incredibly difficult task. We appreciate their efforts to take input from all parties. Some of the new proposals are most helpful, but others do need to be reconsidered, and in the case of the new reporting, removed.

We need to restore the basic intent of CRA. An effective CRA system must be tailored for specific communities and institutions; it must have positive incentives to encourage extra effort; it must have a structure that allows public input without constant delays caused by protests, often filed purposely at the last minute; and it must not require a huge amount of reporting.

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Statement of the

Independent Bankers Association of America

Before the

Financial Institutions and Consumer Credit Subcommittee

Committee on Banking and Financial Services

U. S. House of Representatives

On Community Reinvestment Act (CRA) Issues

March 9, 1995

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STATEMENT OF THE INDEPENDENT BANKERS ASSOCIATION OF AMERICA

Madam Chairwoman, my name is Tony Abbate, and I am President and CEO of Interchange State Bank in Saddle Brook, New Jersey. I am pleased to appear before you today on behalf of the Independent Bankers Association of America (IBAA), the only national trade association that exclusively represents the interests of our nation's community banks. I am Chairman of the IBAA's Marketing Committee, and I also serve on the association's Federal Legislation Committee.

We are grateful for this opportunity to testify on the revised inter-agency proposal on the Community Reinvestment Act. To better appreciate our testimony, it is important for you to know something about our members. The average IBAA member bank is around $45 million in assets, and the great majority of members are below $100 million. So we truly represent small, locally owned, locally operated community banks.

Equally important, our members are generally located in small towns and rural areas. About 45 percent of IBAA bankers are considered "agricultural lenders," and roughly 75 percent are located in towns with populations of 10,000 or less.

Madam Chairwoman, I am a community banker. But my community is somewhat larger than that of the typical IBAA banker. The Interchange State Bank has $475 million in assets and 190 employees. As you know, we are located five miles west of the George Washington Bridge at the intersection of I-80 and the Garden State Parkway, so we are a suburb of New York City. Saddle Brook is in Bergen County, New Jersey, which has a population of 850,000 people. There are some 250 different financial institutions within a five mile radius of my bank. So even though I may be large in comparison with the average IBAA member, I am small in relation to the institutions with which I must compete in my market area. More importantly, my bank is locally-owned, locally-operated, and our policies are set locally.

Community banks' bread and butter ongoing activity is community lending. If there is no CRA we would continue this vital activity -- it is our reason for being. In a survey taken by Grant-Thornton before CRA reform was put on the table by President Clinton on July 15, 1993, CRA was identified by community banks as the most burdensome and most expensive regulation. In past Congresses, we have worked with members of this Committee for a CRA exemption for community banks. The interstate banking and branching bill, which was passed last year, clearly exempts branches of multistate banks from direct CRA examination which my bank faces. We look forward to working with you and this Committee to achieve this goal in this Congress.

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Presidential Directive Recognizes CRA Burden

As you know, the inter-agency CRA proposal resulted from the President's 1993 directive to improve the CRA process in ways that "minimize the compliance burden on financial institutions while stimulating improved CRA performance."

The President's directive recognized that CRA is one of the most burdensome and least effective banking regulations. The regulatory costs and burdens associated with the current CRA process are staggering, particularly for community banks. Most of this cost can be attributed to meaningless paperwork and documentation that banks must produce to "justify" their CRA compliance, since the burden of proof currently rests on them. The Grant Thornton study I mentioned earlier concluded that CRA was the most expensive pre-FDICIA compliance area for community banks, costing them more than a billion dollars a year. Think of it, Madam Chairwoman. A billion dollars a year, just to convince examiners that you're making loans in your community.

What has happened to the CRA examination process is indicative of the needless regulatory burden imposed on this country in recent years. When CRA was first enacted, bank examiners reviewed loan files, notices of credit rejection, Home Mortgage Disclosure Act (HMDA) disclosures, and other relevant documents. And they talked with bank officers and, if necessary, the public, and determined the extent of the bank's compliance with CRA. Today, the banker has to create voluminous detailed records, including a map showing the location of every single housing-related loan. What this has done is shift the burden of production of evidence from the examiner to the banker. It has not made the examination more accurate, and the burden it has placed on community banks has hurt their ability to serve their communities because it takes executive officers away from community lending activities and makes them spend their time creating federally-required paperwork.

In late 1993, the regulators issued their first CRA reform proposal. Because of the overwhelming response to that proposal, and the intense controversy and divergent views that it generated, the regulators felt that a further revised proposal was warranted.

The proposals went a long way towards returning the CRA examination to what it was fifteen years ago -- one where the regulator has the burden of collating the information in the bankers' files and they have recognized that a tiered examination system is necessary and desirable.

CRA Small Bank Exemption

The IBAA has long supported an exemption from CRA for community banks. As noted, the very reason for our existence is community lending. And in the new banking world which will be created by the interstate banking and branching bill, it is bad public policy to mandate a heavier CRA burden on community banks than the branches of out-of-state domestic and foreign banks. The branches of multistate banks will almost never face a

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direct CRA examination -- my bank will at least every 18 months.

Members of the Congress have long recognized our special relationships with the communities we serve.

In 1991, the Financial Institutions Subcommittee adopted an amendment offered by Representative Kanjorski (D-PA) exempting from CRA all institutions under $150 million in assets and all rural institutions under $250 million. This welcomed initiative was traded away at the full Committee level.

This year, Congressman Bill McCollum (R-FL) has introduced a similar bill. It exempts institutions with assets under $100 million and institutions in communities with populations less than 25,000. It also provides for streamlined examinations for institutions under $500 million that have a five-year record of compliance with ECOA and have a satisfactory or better CRA rating, and a two-year safe harbor for institutions applying for deposit facilities that have received a satisfactory or better CRA rating within the current rating period. IBAA strongly supports the McCollum bill.

IBAA favors an even stronger recognition of the differences between large and small banks. In the *Financial Institution Regulatory Reform Act of 1995*, which is IBAA's 26-point regulatory relief proposal, we proposed to exempt from CRA all institutions with assets of $500 million or less (with an inflation adjustment).

Small banks do not have the resources to comply with the data gathering requirements or to deal with Federal bank examiners, who can take two to three weeks, or more, to complete a CRA examination. Imposing CRA requirements and examinations on these small institutions cannot be justified on a cost-benefit basis, as virtually all small institutions are doing a good job of serving their communities, and the resources expended documenting CRA performance and dealing with the examination process far outweighs any increase in community lending resulting from CRA requirements.

An article in the 1994 Annual Report of the Federal Reserve Bank of Richmond by one of the Bank's research officers states:

> **"After a review of the empirical literature relevant to critics' claims, I will argue that there is little conclusive evidence that banks fail to meet the credit needs of low-income neighborhoods per se. Instead, the CRA regulations should be understood as a transfer program, aimed at redistributing resources to low-income neighborhoods. The basic goal of the CRA to improve conditions in distressed neighborhoods is obviously a worthy one. But the lending and community investment obligations impose an implicit tax on the banking industry for which there is little justification."**

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CRA Safe Harbor

The IBAA *Financial Institution Regulatory Reform Act of 1995* also provides for a safe harbor that allows a bank to rely on a CRA rating given during the last exam in the applications process if the exam was within the preceding twelve months. This safe harbor provision recognizes that an institution's policies and procedures do not change drastically in a short period of time. If an institution has received a satisfactory or better CRA rating in the previous twelve months, it should not have to go through the expense of having another CRA review or defending against a protest when it makes an application.

IBAA will continue to work for enactment of these portions of our *Financial Institution Regulatory Reform Act of 1995.*

Goals of CRA

Community bankers strongly support the goal of CRA -- to reinvest local deposits in our communities. Most community banks serve low to moderate income residents, and in some small towns and rural areas, they make up the majority of the market. This is where we work and live. CRA as it is presently administered detracts from banks serving these communities by emphasizing documentation rather than ongoing lending performance.

The original CRA statute is actually very flexible and provides ample discretion to the implementing agencies to establish a tiered system. If you look at the legislative history, it is clear that Congress did not mean to impose on banks the burden of paperwork that is prevalent today. Over the past decade, implementation of CRA has changed dramatically, as noted before, and a huge data collection burden has been placed on banks. Moreover, it is unrealistic to assume that small community banks can meet the same requirements as their larger counterparts.

Existing regulatory policies pay lip service about the need to differentiate between small banks and large banks. Yet, most often, no meaningful burden reducing distinctions are made. Banks with staffs of 10 are being asked -- and are expected -- to do the same as those with staffs of thousands. Banks in towns of 1,000 are being held to standards that parallel those for multinational financial corporations operating nationally and serving the world.

No public purpose is served by a regulatory system that discriminates against community banks by inflicting them with the same regulatory burden as multi-billion dollar institutions.

Indeed, the noble goals of this Congress of supporting entrepreneurship and economic growth are being thwarted in that every dollar a community bank spends on CRA compliance means less is available for local community reinvestment. IBAA strongly supports a tiered system for CRA examinations.

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Streamlined Exam for Small Banks

Changes in the CRA such as a small bank exemption require legislation. Until our goal of an exemption is realized, IBAA strongly supports the revised inter-agency CRA proposal because it is more user-friendly and represents a more reasonable process for community banks than exists today. We particularly commend the regulators for recognizing that local community banks should not be under the same paperwork requirements as multinational and multistate institutions. And we strongly support the streamlined examination process for banks under $250 million in assets. The tiered system approach will make community banks better able to serve their communities, and it should be implemented across the spectrum of government regulations.

The tiered examination system recognizes two indisputable facts. First, because a small bank has fewer deposit accounts and loans than larger banks, a bank examiner can review the working files of the bank and draw conclusions regarding performance and compliance with various laws. In a large bank, the volume of records is such that the examiner must have the data presented in a manner that can be used. For example, an examiner can geocode 200 home loans with ease, but could not geocode the many thousands of home loans Citibank or Bank of America generates over the course of a year.

Second, a tiered system recognizes the disparate impact of regulatory burden. In a small bank, there are few official staff. The week or two or three out of each year that these officials spend complying with paperwork requirements means that they cannot spend that time running the banks and serving their communities.

In a large bank, there are sufficient resources available to have people working full time on regulatory burden. NationsBank has testified that it has over 110 people dedicated to CRA alone. This means that officials are not taken from their banking duties to do government paperwork.

Under the proposed streamlined examination system, banks under $250 million in assets would be assessed on their lending performance based on five criteria. To receive a satisfactory rating a small bank would have to have a reasonable loan-to-deposit ratio, a majority of its loans in its service area, a reasonable distribution of loans across income levels and geographies, and a satisfactory record of taking action in response to complaints about CRA performance.

In contrast, large banks would be evaluated based on three different bases including lending performance: the lending test (which would receive the most weight), the investment test (which measures qualifying community development and similar investments), and the service test (which assesses the branching network and other means of delivering services to the community). Large banks also would have specified data collection requirements for home mortgage and small business and farm loans.

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IBAA Supports Raising Streamlined Examination Threshold

IBAA also believes the streamlined examination level should be raised -- to $500 million. If the size remains at $250 million, the streamlined exam would apply to approximately 17 percent of the banking industry's total assets. There are many community banks larger than $250 million, mine included. We operate with small staffs and have an intense local focus. By raising the threshold to $500 million, banks like mine will be covered under the streamlined examination procedures, but the total banking assets covered would be increased by only 3 more percentage points. Eighty percent of the banking assets in this country would still be covered by the CRA. These banks will still be examined for CRA, but will not be subject to onerous paperwork requirements.

A key element to the success of the revised CRA regulations in reducing regulatory burden will be the manner in which the new rules are implemented. This will require examination guidelines that keep the burden to a minimum and comprehensive examiner training that ensures examiner judgement is exercised consistently and judiciously.

IBAA Supports $1 Billion MBHC Threshold

In addition to raising the threshold for streamlined exams to $500 million, IBAA believes that small banks in holding companies up to $1 billion should be allowed to use the streamlined procedure. Many community banks owned by larger holding companies are operated as completely independent entities in widely separated markets and do not have any greater resources than banks outside of holding companies. In other words, two small community banks of $100 million and $160 million would not be eligible for the small bank exam if they were owned by the same bank holding company.

There is precedent for this concept. We would note that recently the OCC has initiated a tiered system for safety and soundness exams. The OCC is differentiating banks based on complexity. If a "noncomplex" bank happens to be owned by a "complex" holding company, this does not make the noncomplex bank complex. Because a community bank is owned by a small bank holding company does not mean that the bank has the resources or the capability of a large institution.

The same concept should apply to CRA. Just because a community bank is owned by a small bank holding company does not mean that the bank has the resources or the capability of a large institution with respect to CRA compliance. As a matter of fact, many small bank holding companies are merely ownership shells and provide little if any support to their affiliated banks. It makes sense to treat these institutions as still being small.

Whatever asset level is used, we urge that regular adjustments to the size threshold be made to the tiered system. This is needed to account for the fact that banks grow as a result of inflation, economic activity, and interest credited to deposit accounts while maintaining the same level of staffing. A static asset level for streamlined examinations could discourage

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community banks from growing and helping their communities create jobs.

Congressional Support for Tiered Structure

There is one more point I wish to underline concerning the tiered system. There are many Congressional supporters of this approach. On two separate occasions last year, Members of Congress wrote to the regulators supporting the tiered approach. In February, 71 House members signed a letter circulated by Representatives Charles Stenholm (D-TX), Pat Roberts (R-KS), and Larry Combest (R-TX), supporting the tiered system. And in March, 40 Senators led by Senators Bryan Dorgan (D-ND), Malcolm Wallop (R-WY), Jim Exon (D-NE), and Thad Cochran (R-MS) also wrote to express support. After the revised regulations were published, the leaders of the groups again wrote to congratulate the regulators for including the tiered system in the new version.

So this is an idea that has widespread support, including here in Congress, and represents a sense of fairness and a recognition of the differences between small and large institutions. We urge you to endorse the streamlined examination procedures for small banks.

IBAA Opposes Race and Gender Coding

Madam Chairwoman, the issue of race and gender coding is one of great importance to community bankers, and I believe it warrants a thorough examination at this time. The IBAA *Financial Institution Regulatory Reform Act of 1995* also would prohibit the collection of this data pursuant to the CRA.

The CRA was enacted to insure that geographic redlining does not occur. The collection of race and gender data on loans, by itself, does nothing to answer the question of whether an institution is meeting the credit needs of its community. One of the criteria that can point to such redlining is a violation of Fair Lending laws. Therefore, fair lending compliance remains the appropriate place to examine whether an institution is discriminating on the basis of race or gender.

The Senate Committee Report on the Community Reinvestment Act of 1977 is very clear. The Report states that the committee specifically "rejected the course of setting percentage targets for investments." During floor debate, the late Pennsylvania Senator John Heinz stated that "CRA is not an attempt to allocate credit".

Now, for the first time, race and gender reporting would be required for small business and small agricultural loans. The IBAA is very pleased that these new data requirements will not be applied to banks with less than $250 million in assets. However, we urge opposition to this controversial provision for any bank.

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In opposing such race and gender reporting, Federal Reserve Governor Larry Lindsey noted that, since the passage of the Equal Credit Opportunity Act, the Fed's regulations have "sought. . . a race-blind policy." He also highlighted the increased burden that this would place on banking institutions and small business in addition to heightened privacy concerns.

Governor Lindsey warned that such new reporting requirements had enormous protection of privacy implications for the "millions of small business owners in this country who apply for bank loans." He added, " In the case of small businesses, we are asking for loan information, which may be crucial to the lifeblood of the company. Not only the usual suspects, but also potential competitors, employees, and buyout specialists are now in the market for information. Furthermore, there are far fewer small businesses in the typical census tract than there are homes, on the order of a dozen or less. Identification therefore becomes much easier."

The "public's right to know" cannot be used to justify collection of indiscriminate data. In this case it has a corresponding and unacceptable erosion of the right to financial privacy. And the borrower will have the option to report or not report this data to the institution. So the data itself would be incomplete, fragmented and unreliable.

I would like to add that there is no legal authority to collect this data for CRA. The legislative history of CRA makes clear that the Act was not intended to be open to additional paperwork. Moreover, Congress has considered and rejected several times small business loan data reporting measures. One new reporting requirement for small business and small farm loans was added as part of FDICIA that could be gleaned from the Call Report. This proposal goes much beyond that. It is inappropriate for the regulators to be making such policy.

CRA is based on geographic and income considerations, not race and gender. That is proper since CRA's objective is to encourage banks to meet the credit needs of all the residents of their community, including low- and moderate-income neighborhoods. The race and gender of small business borrowers is the focus of the Equal Credit Opportunity Act (ECOA) and Regulation B, which prohibit lenders from discriminating against borrowers based on race, gender and a number of other prohibited factors, not CRA. And how is this information going to be used? That is not spelled out in the proposal. That argues even more that banks should not be asked to collect information for an unknown purpose.

A likely, if unintended, outcome of such a requirement would be to lead the media and others to reach unfounded conclusions about banks' small business lending. That has been the experience with HMDA data. HMDA is far too incomplete to draw any rational conclusions or prove lending discrimination. Yet it has not prevented it from being used for just that purpose. The IBAA urges that race and gender data collection provisions be eliminated from the agency proposal.

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Fair Lending Implications

CRA has been evolving in many ways since its enactment. Fair lending examination procedures have properly been incorporated into the CRA examination procedures. As part of a CRA exam and compliance, the bank is evaluated for its adherence to antidiscrimination and other related credit laws. During the exam, violation of the Equal Credit Opportunity Act, the Fair Housing Act, and other regulations related to discrimination are considered.

The IBAA is committed to fair lending and strongly supports the voluntary efforts of the industry to ensure that lending activities are conducted in a fair and non-discriminatory manner.

Madam Chairwoman, you asked if there was any overlap between CRA and other fair lending laws. The legislative history of CRA would suggest that Congress neither intended nor envisioned CRA as fair lending legislation. At the time of its passage, there was considerable debate about the goal,of CRA. But most legislators agreed that the focus of the legislation was the problem of depository institutions making loans outside of their market areas. The focus of CRA was on communities, not race, ethnicity, gender, or other protected classes.

We feel that the current system provides for a rigorous review and recognizes that banks guilty of discrimination cannot effectively be serving their entire community. No more is needed in this with regard to a CRA exam.

Interstate Branching Implications

With the advent of interstate branching, Mrs. Roukema, our members -- which are fully examined for CRA compliance -- will often compete with branches of larger regional or nationwide banks that may never be visited by a CRA examiner. These branches are free to accept deposits and do little else to serve their community. The large interstate bank may use some of the deposits to make targeted and politicized CRA commitments in far-away communities that are relatively small. Otherwise, these branches get a free ride.

The proposed regulations begin to address this loophole. Even so, you should understand that the agencies lack the resources to examine all branches of large banks. They will have to rely on sampling. The competitive inequity will remain, though it might be somewhat decreased.

Similarly, the Riegle-Neal interstate law will re-define CRA service areas for interstate banks to include individual states, or when a metropolitan area crosses a state line, individual MSAs. But the fact remains that no branch of an interstate bank will face the same level of CRA scrutiny as a community bank.

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Expanded Financial Powers and Non-Bank Bank Competitors

At the time Congress passed the Community Reinvestment Act, banks and savings and loans played much larger roles in the financial marketplace than they do today. The cost of federal deposit insurance was comparatively low. Only commercial banks had direct access to the Federal Reserve's discount window. This has all changed.

Banks and thrifts have lost significant market share to competitors. They hold less than 30 percent of the home mortgage market today. In 1991 Congress gave securities firms direct access to the discount window. Non-bank lenders have proliferated, the Farm Credit System continues to steal away our best customers, and credit unions enjoy tremendous tax and regulatory advantages. But CRA continues to apply only to banks and savings and loans.

Especially in light of the debate over the reform of Glass Steagall and the Bank Holding Company Act, Congress should consider this issue very carefully. Non-bank institutions such as mortgage bankers, mutual funds, insurance companies, and credit unions benefit significantly from the Federal Government's commitment to maintain the stability of the financial system. However, the government imposes no community investment requirements on them. Given the shifts in market share from banks and savings and loans to these other financial service providers, a smaller and smaller share of the financial marketplace is under any CRA obligations. Banks and thrifts cannot singlehandedly cure the problems CRA was designed to address. We recommend that Congress consider levelling the CRA playing field to insure that those firms that are gaining a greater share of the financial marketplace also share in the obligation to serve their communities.

At the same time, IBAA believes that any reduction in the CRA burden -- such as implementing a tiered examination system -- should apply equally to banks and other financial institutions.

Conclusion

IBAA believes that the interagency proposal is positive first step. It goes a long way towards improving the CRA examination process for community banks. The tiered system and the streamlined exam are important steps forward.

But the IBAA urges Congress to do more. A community banking exemption is needed. Community banks should not be under more onerous CRA examination requirements than the branches of multistate or foreign banks and such banks do not face direct CRA examination under the interstate banking and branching bill.

Returning to the reform proposal that is on the table, we urge that race and gender coding of small business loans for any bank be eliminated. This race and gender coding proposal has serious privacy implications and does not further community lending.

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Thank you, Madam Chairwoman and Members of the Subcommittee, for this opportunity to present the views of our nation's community bankers. I would be pleased to answer any questions you may have at this time.

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November 21, 1994

Mr. William Wiles
Secretary
Board of Governors of the
Federal Reserve System
20th Street and Constitution Avenue, N.W.
Washington, D.C. 20551
Docket No. R-0822

Mr. Robert E. Feldman
Acting Executive Secretary
Attention: Room F-400
Federal Deposit Insurance Corporation
550 Seventeenth Street, N.W.
Washington, D.C. 20429

Communications Division
Ninth Floor
Office of the Comptroller of the Currency
250 E Street, S.W.
Washington, D.C. 20219
Docket No. 94-15

Ms. Kathy Semone
Director, Information Services Division
Public Affairs
Office of Thrift Supervision
1700 G Street, N.W.
Washington, D.C. 20552
OTS 94-213

Re: Revised Community Reinvestment Act Regulations

Dear Sir/Madam:

The Independent Bankers Association of America (IBAA) submits these comments in response to the joint agency proposal to revise the Community Reinvestment Act (CRA) regulations that was published in the *Federal Register* on October 7, 1994. The IBAA is the only national trade association that exclusively represents the interests of the nation's community banks.

The banking agencies have followed the mandate of President Clinton to work with the industry to reform the Community Reinvestment Act. The IBAA commends the agencies for incorporating many of our recommendations in this second proposal, which we believe is much more reflective of the goal of measuring performance over paperwork. The IBAA supports this proposal and wholeheartedly approves of the streamlined examination approach for community banks. We strongly support the removal of the 60 percent loan-to-deposit ratio test since this will make the streamlined examination more workable for community banks. However, we believe that specific aspects of the proposal, including the enforcement provisions and the data collection, require modification and/or elimination. Our detailed comments follow, as outlined below.

WASHINGTON OFFICE: ONE THOMAS CIRCLE NW SUITE 950 WASHINGTON DC 20005-5802 • 202 659-8111

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TIERED SYSTEM

IBAA strongly supports a tiered system for CRA examinations. A tiered system will recognize the real differences in circumstances in which community banks and thrifts operate. A tiered system that replaces paperwork and uncertainty with greater performance, clarity and procedures is a goal that the President said is critical to improving the CRA process. The proposed streamlined examination for community banks recognizes that it is counterproductive to subject community banks to the same onerous paperwork, reporting and other requirements as large multinational and multi-state banks. Different size banks have differing abilities to comply with paperwork and reporting requirements.

As we noted in our letter on the first proposal, the IBAA believes that a tiered system is fully consistent with the requirements of the statute. CRA directs the agencies to promulgate regulations. The statute is very flexible and provides ample discretion to the agencies to establish a tiered system for community banks. In fact, the legislative history makes clear the Act was not intended to require banks to do any additional paperwork.[1] The proposed streamlined examination process is more consistent with the original intent and should significantly reduce the paperwork requirements for community banks.

REGULATORY BURDEN OF CURRENT CRA SYSTEM

There is ample evidence to support the need for a tiered CRA system. The regulatory costs and burden associated with the current CRA process are staggering, particularly for community banks. Most of this cost can be attributed to meaningless paperwork and documentation that banks must produce to "justify" their CRA compliance. As we have noted, a study on the costs of the regulatory burden conducted in 1992 by Grant Thornton for the IBAA concluded that CRA was the most expensive pre-FDICIA compliance area for community banks.

CONGRESSIONAL SUPPORT

Congress also has demonstrated strong support for a tiered regulatory system. In February, 71 House members signed a comment letter circulated by Representatives Charles Stenholm (D-TX), Pat Roberts (R-KS), and Larry Combest (R-TX) supporting the streamlined examination system for community banks and the elimination of the 60% loan-to-deposit ratio test. In March, more than 40 Senators, led by Senators Byron Dorgan (D-ND), Malcolm Wallop (R-WY), Jim Exon (D-NE) and Thad Cochran (R-MS) also wrote to express this sentiment.

To emphasize their concerns, Stenholm, Roberts and Combest wrote again in October after the revised regulations were published. They said in part, "...we commend you for retaining the streamlined examination system for banks under $250 million in assets, and for dropping the 60% loan-to-deposit ratio test, substituting in its place a reasonableness standard. We also are pleased that the alternative examination procedures for community banks were not expanded to include additional documentation requirements, such as race and gender coding of small business and farm loans. This will help insure that CRA compliance for community banks will be judged on the basis of performance rather than documentation." A similar letter was sent by Senators Dorgan, Wallop, Exon and Cochran.

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[1] The Senate Report states, "The Committee believes that the regulatory agencies already have sufficient data available to carry out the intent of this Act without requiring additional red-tape." S. Rep. 95-175, 95th Cong., 1st Sess., May 16, 1977, at 34. The Senate report goes on to discuss the fact that the CRA, as originally introduced, would have required banks to file additional material with the regulators. However, the Senate Banking Committee concluded that additional burdens "would not be necessary or appropriate to the enforcement" of CRA. Id.

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Members of Congress recognize that there are important differences between community banks and large banks, and their ability to absorb the costs of regulatory compliance, and that the same rules should not be applied to both. We believe the philosophy embodied in these congressional letters will be even more prevalent in the new Congress.

SIZE THRESHOLD FOR STREAMLINED EXAMINATION

The revised proposal retains the criteria originally proposed for defining a small bank, or what the IBAA terms a "community bank." The proposal provides for a streamlined CRA examination for banks with less than $250 million in total assets and banks owned by holding companies with total banking assets of less than $250 million.

Bank Size Threshold

The bank size threshold for the streamlined examination should be increased to $500 million. At the proposed size of $250 million in assets, the streamlined examination only applies to approximately 17 percent of the banking industry's total assets. There are many community banks larger than $250 million in assets that operate with small staffs and an intense local focus, frequently in non-metropolitan areas.

IBAA requests that the final rule be revised to allow banks with up to $500 million in assets to qualify for the streamlined exam option. Raising the size cut-off increases the banking assets subject to the bank assessment method by only a nominal percentage (3 percentage points) for a total of 20 percent of the industry's assets. There is no downside to increasing the bank size threshold--the bank is still examined for compliance with CRA, yet is not subjected to burdensome paperwork and data collection requirements.

Holding Company Size Threshold

The IBAA believes that the holding company threshold also must be increased to avoid placing hundreds of community banks at a significant disadvantage. The agencies assert that "no compelling evidence was presented to support a change in the asset limit." The IBAA strongly disagrees. Many community banks owned by larger holding companies are operated as completely independent entities in widely separated markets and do not have any greater resources than banks outside of holding companies. This may be particularly true in former unit banking states or limited branching states.

Community banks in small multi-bank holding companies (MBHCs) have little access to services that would measurably increase their ability to comply with the full-blown CRA exam and burdensome new data collection requirements. Many of these small MBHCs, while owning more than one bank, are not much more than an ownership shell and provide few services, if any, to their subsidiary banks. Often community banks owned by the same holding company are also miles apart and operate as completely independent banks. To penalize community banks owned by small MBHCs by barring them from the streamlined exam will perpetuate an unwarranted burden on community banks.

Of 769 MBHCs, 188 fall in the asset range of $250 million to $1 billion, which we define as small. There are 1,373 banks with less than $250 million in assets that are owned by MBHCs and 326 of these banks are less than $50 million in assets, 491 fall in the asset range of $50 million to $100 million, and 566 banks are in the $100 million to $250 million asset range.

For small MBHCs in the asset range of $250 million to $1 billion, there are 164 banks with less than $50 million in assets, 202 banks with assets ranging from $50 million to $100 million, and 165 banks in the $100 million to $250 asset million asset range. To subject these banks in small MBHCs to the large bank CRA exam and data collection would disadvantage these community banks. Raising the MBHC asset

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threshold would recognize the institutional diversity under which banks are operating today. It would also reflect the fact that small holding companies often do not have the same resources or engage in the same operations as larger holding companies.

The statement of Comptroller of the Currency Eugene Ludwig before the Senate Banking Committee on July 15, 1993, can be read as being supportive of a higher threshold for the tiered system. Comptroller Ludwig noted that the new CRA standards must recognize the diversity of the institutional and community settings in which banks and thrifts operate. He said, "How any particular institution meets its CRA obligations will depend on a variety of factors including its overall business strategy, size, financial resources, corporate structure, location, and the needs of the community in which it operates. While all institutions must strive to meet CRA requirements, we must recognize that smaller community banks simply cannot engage in the same type of sophisticated efforts (such as geocoding) as large banks in order to demonstrate that their CRA performance is satisfactory."

IBAA notes that recently the OCC initiated a tiered system for safety and soundness exams. The OCC is differentiating banks based on complexity. If a "noncomplex" bank happens to be owned by a "complex" holding company, this does not make the noncomplex bank complex. Because a community bank is owned by a small MBHC does not mean that the bank has the resources or the capabilities of a large institution. Furthermore, we believe that the agencies have the necessary data on holding companies to ascertain that most small bank holding companies are in fact ownership vehicles and provide little, if any, managerial support to their affiliated banks.

IBAA requests that the agencies revise the final rule to permit banks owned by MBHCs of $1 billion in assets or less to be eligible for streamlined examinations. IBAA also urges the agencies to provide for regular adjustments to the size thresholds adopted for the small bank assessment method. This is needed to account for the fact that banks grow as a result of inflation, economic activity and interest credited on accounts, while maintaining the same level of staffing. A fixed asset level for streamlined examinations could discourage community banks from growing and helping their local economies to grow. It also will allow small MBHCs to remain competitive with branching networks of large banks, which will not be examined individually for CRA on an annual basis.

STREAMLINED EXAMINATION

The IBAA strongly supports the proposed streamlined examination for community banks which involves five assessment criteria. The five criteria for a satisfactory rating are:

- A <u>reasonable</u> loan-to-deposit ratio (given bank size, financial condition, and credit needs of service area), adjusted for seasonal variation, and other lending-related activities, such as loan origination for sale to the secondary market;
- A <u>majority</u> of loans, and other lending-related activity, in the bank's service area;
- A <u>reasonable</u> distribution of loans, and other lending-related activities, for borrowers of different income levels and businesses and farms of different sizes;
- A <u>reasonable</u> geographic distribution of the bank's loans given its service area;
- The bank's record of taking action, if warranted, in response to written complaints about its CRA performance.

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A community bank that meets each of the standards for a "satisfactory" rating and exceeds some or all of all these standards may warrant consideration for an overall rating of "outstanding." The IBAA supports using the proposed assessment factors to evaluate a community bank's CRA compliance. However, we offer these comments on aspects of the streamlined examination that need further clarification in the final rule.

Reasonable Loan-to-Deposit Ratio

The IBAA commends the agencies for deleting the 60 percent loan-to-deposit ratio as a presumption of reasonableness. A loan-to-deposit ratio should be considered reasonable if it is consistent with that of a bank's local peers (an institution may not have local peers, in which case, no peer comparison should be done), and the local market and economic conditions. In this connection, it is especially important to keep the assessment context in mind. (See discussion, infra, p.12.) Examiners should evaluate a bank's lending performance based on the size of the bank, community size and demographics, the bank's competition, and regional and local economic conditions.

For example, a community bank in a metropolitan community with stiff competition may not have as high a loan-to-deposit ratio as a bank with little competition in a smaller community. Likewise, a rural bank in a depressed economic area may have a lower ratio than banks in non-depressed areas. Or a bank in a small community that recently lost its largest employer, or that has a substantial percentage of retired or older residents, may have a lower ratio than similar banks in the region.

Loans originated and subsequently sold into the secondary market should also be considered in the evaluation of the reasonableness of the loan-to-deposit ratio. Many banks are active lenders, yet choose not to hold the loans in portfolio because of interest rate risk or other factors. In addition, the sale of loans to the secondary market allows a bank to originate more loans than it could if it held the loans in portfolio. However, under the proposed rule loan sales would not appear in a bank's loan-to-deposit ratio. Making loans that are sold into the secondary market helps a bank meet the credit needs of its community and should be counted as a measure of lending activity.

Loans should also include mortgage-backed securities (MBSs), collateralized mortgage obligations (CMOs), and other collateralized securities that represent loans originated by the bank and sold into the secondary market. To better manage interest rate risk and capital requirements, many banks are selling their loans into a secondary market and repurchasing a collateralized security which requires a lower risk weighting for capital purposes. The bank's effort to serve its community's credit needs should not be overlooked or disregarded based on subsequent action the bank has taken to lower its interest rate risk or capital requirements.

Majority of Loans in Service Area

A bank must make the majority of its loans in its service area to satisfy this criterion. There are a variety of means by which an examiner can determine if a bank is making the majority of its loans locally. For example, a bank which is required to report data under the Home Loan Mortgage Act would have a report available for examiner inspection. Other acceptable methods would include examiners reviewing a sampling of loans to identify zip code, county, or local address. Whatever method is chosen, it must ensure that a documentation or reporting burden is not placed on community banks.

Application of this standard must not be so strict as to penalize banks with low loan demand in their area or other factors that limit loan opportunities. These banks may be forced to lend in outlying areas or purchase loan participations or loan packages to maintain profitability.

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Loans to Borrowers of Different Income Levels

The purpose of the CRA states that "regulated financial institutions have a continuing and affirmative obligation to help meet the credit needs of the local communities in which they are chartered." Helping to meet the credit needs of a community does not mean that all potential borrowers will be qualified and receive loans. The agencies must recognize that the credit needs of low- and moderate-income borrowers may not match those of other segments of the community. Serving potential borrowers with different income levels may also require services and products other than credit products. We assume that this will be addressed by the criterion's reference to "engaging in other lending-related activities."

Analyzing a record of making loans across income levels must be done carefully to avoid any suggestion of credit allocation. Congress specifically rejected the use of credit allocation in CRA.[2] Additionally, the agencies have been clear that credit allocation is not the intent of CRA. Previous interagency policies on CRA stated the long-standing view of the agencies that the CRA was not intended to establish a regulatory allocation of credit. The agencies have neither requested commitments from applicants to make particular types or amounts of loans nor specified the terms of or conditions for such loans. The IBAA requests that the agencies reiterate this long-standing policy in the final CRA rule.

Reasonable Geographic Distribution

This criterion requires banks to have a reasonable geographic distribution of the loans given its service area(s). IBAA believes that more effective CRA examinations would result if this criterion was revised to focus on "analyzing the geographic distribution of loans." The examination guidelines must avoid any suggestion that a certain number of loans must be made in every census tract in the service area, regardless of whether these loans are consistent with safety and soundness or customer demand.

Previous agency policy statements on HMDA support focusing on the analysis of the geographic loan distribution. The interagency policy statement entitled, "Analyses of Geographic Distribution of Lending" adopted, December 6, 1991, stated that HMDA "data should be seen as reliable by the institution that carefully collects and reports it, and [the HMDA data] can be used without change to reach some conclusions about the demographic impact of the geographic lending patterns of the institution's housing related loans." This statement made no mention about having a "reasonable" distribution of HMDA loans or what type of distribution could be considered reasonable.

Action on Complaints

This criterion looks at the bank's record of responding, if warranted, to written complaints about its performance in meeting the credit needs of its service area(s). The IBAA supports this assessment factor with some modifications. IBAA recommends that the final rule, or an official commentary, clarify that complaints resolved satisfactorily for the complainant should be considered "closed" and should not affect the CRA evaluation.

Complaints about technical, nonsubstantive violations, such as a failure to include a required item in the public file or failure to post a CRA notice in a branch, should not affect the CRA evaluation. Complaints from customers or community members residing within a bank's service area should be considered legitimate. Complaints filed by individuals or organizations that do not reside in the bank's service area should not be considered legitimate. Banks may be slower to respond to complaints from out-of-area individuals or

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[2] The Senate Banking Committee specifically "rejected the course of setting percentage targets for investments." S. Rep. 95-175, 95th Cong., 1st Sess., May 16, 1977, at 34. During the floor debate, Senator Heinz stated that the CRA "is not an attempt to allocate credit." 123 Cong. Rec. S. 9039-9119, June 7, 1977.

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organizations. An out-of-area complaint, made by an individual or organization without firsthand knowledge of the bank or its community, would result in little more than the bank being held to a standard based on hearsay.

Community banks remain concerned about the possibility that large advocacy groups with agendas not related to the local community or the local bank will involve themselves in a local complaint as a means of focusing attention. Community banks do not have the resources to handle such "manufactured" complaints. We ask that the agencies give less weight to complaints brought by out-of-area individuals or organizations than those from entities located in the service area.

ENFORCEMENT AUTHORITY

The revised proposal retains the enforcement provisions providing for use of the full complement of enforcement authority granted by Section 8 of the FDI Act (12 USC Section 1818), including civil money penalties, against banks that receive a composite CRA rating of "substantial noncompliance." The IBAA continues to adamantly oppose this and does not believe that it is appropriate to include this enforcement provision in the final rule. We request that it be deleted.

Legal Authority

First and foremost, the enforcement provision of the proposal is beyond the scope of the agencies' legal authority. The CRA statute provides only one specific regulatory sanction for a poor CRA record--the agency may condition or deny an application for a deposit facility by the bank.[3] Beyond that, the agencies must "encourage" banks to meet their CRA obligations.[4] No other regulatory enforcement mechanisms are authorized by the CRA statute.[5]

The legislative history fully supports this view. Senator William Proxmire, floor manager of the bill, stated in the Senate debate that CRA provides that the agencies "in passing on whether a bank or savings and loan would be allowed to branch or grow or extend by having other units, would take into consideration whether or not that institution has reinvested in the community."[6] Senator Richard Lugar of the Banking Committee noted that the sanctions offered were that "the institution would have some difficulty extending its facilities, no more and no less than that."[7]

Under Section 8 of the FDI Act, the agencies have general authority to use regulatory enforcement sanctions whenever an institution is "engaged in an unsafe or unsound practice" or is "violating a law, rule or regulation." Section 8 of the FDI Act contains only general regulatory enforcement authority. Under well-settled principles of statutory construction, the specific enforcement sanction of the CRA statute controls over the general authority of Section 8.

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[3] CRA, Section 804(2).

[4] CRA, Section 802(b).

[5] The statute does contemplate one other "enforcement" mechanism using the court of public opinion: the public disclosure of an institution's CRA rating and written evaluation. CRA, Section 807. This provision was added in 1989 as part of an effort to strengthen the provisions of CRA. Congress could have, but chose not to add any additional sanctions for CRA enforcement purposes. In fact, during the House floor debate, the sponsor of the CRA amendments, Rep. Joseph P. Kennedy, stated that there was "not a single thing in the amendment that is in any way punishing to any institution." See 135 Cong. Rec. H. 2755 (1989).

[6] 123 Cong. Rec. S. 8931, June 6, 1977.

[7] 123 Cong. Rec. S. 8961, June 6, 1977.

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Even applying Section 8, however, a "substantial noncompliance" rating for CRA performance does not constitute an "unsafe or unsound practice," nor is it a "violation of law or regulation." The CRA statute does not require an institution to maintain a satisfactory CRA rating or any particular level of performance. The crux of the statute is that the "agency shall assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with the safe and sound operation of the institution" and that the agency shall "take such record into account in its evaluation of an application for a deposit facility"[8] (emphasis added). Receipt of a less than satisfactory CRA rating does not constitute violation of a law or regulation. Accordingly, Section 8 enforcement sanctions do not apply.

The statute does direct the agencies to publish "regulations to carry out the purpose of the title" (Section 806). The purpose of CRA, as stated in Section 802(b) of the Act, is to require the agencies to use their examination authority "to encourage institutions to help meet the credit needs of the local communities in which they are chartered..."[9] The statute does not say that the agencies can force institutions to achieve a certain level of performance.

Use of the Section 8 enforcement powers is also inappropriate because CRA evaluation is such a subjective process. Severe penalties for subjective findings of failure are inherently unfair.

Clearly, the agencies have authority to use the full range of enforcement sanctions against banks that violate anti-discrimination laws (which are adverse factors in the CRA performance record). But this enforcement authority is derived from those laws (e.g., Equal Credit Opportunity Act, Fair Housing Act), not CRA. The CRA statute calls for no such enforcement actions and by proposing same the regulators are stepping beyond the scope and intent of the law.

The Interagency Questions and Answers Regarding Community Reinvestment adopted by the FFIEC February 16, 1993, recognizes the appropriate sanctions that are available to the agencies under CRA. The answer to Question 29, which asks what sanctions are available to the agencies under the CRA, states that the agencies can deny a corporate application for poor CRA performance; they can use enforcement powers to ensure compliance with the requirements of the regulation (currently, preparation of a CRA Statement, maintenance of a public comment file, and posting of a CRA Notice); and they can use enforcement powers to ensure compliance with antidiscrimination and fair lending laws. This is appropriate, since there are more objective ways to determine a bank's compliance with these requirements. This is not true of CRA ratings themselves.

SERVICE AREA

The proposed rule states that a bank may delineate its service area using any method it chooses provided that the service area(s): 1) Do(es) not reflect illegal discrimination; 2) do(es) not arbitrarily exclude low-and moderate-income geographies, taking into account the bank's size and financial condition and the extent of its branching network, as appropriate; and, 3) consist(s) of only whole census tracts or block numbering areas.

A retail bank's service area must also include those geographies in the local areas around a bank's branches and deposit-taking ATMs in which the bank has originated or had outstanding during the previous year a significant number and amount of home mortgage, small business and small farm loans. (At the bank's

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[8] CRA, Section 804.

[9] Moreover, the purposes of the CRA and the findings of Congress as stated in the statute do not provide authority for the agencies' enforcement powers, since it is well-settled that purposes and findings clauses do not have the force of law.

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option consumer loans may be included.) The geographies must be equidistant from the bank's branches and deposit-taking ATMs, taking into account political boundaries or significant geographic barriers.

The regulation also states that the service area(s) shall not extend substantially across metropolitan statistical area (MSA) boundaries or state boundaries unless the bank is located in a multi-state MSA. The regulation requires that if a bank serves an area that extends substantially across state boundaries or extends substantially across boundaries of an MSA, the bank shall delineate separate service areas for the areas in each state and for the areas inside and outside the MSA.

The IBAA remains troubled with the proposed service area definition. While this proposal improved upon the previous draft by including the deposit-taking functions, it still limits the consideration of lending activity to certain types of loans and imposes an unrealistic equidistant requirement. In addition, it may depart from the CRA statute's focal point--communities.

Consistent with the statute, the current regulation and interagency guidelines adopted in June 1992 require that a bank delineate the local community or communities it serves. The guidelines suggest two methods for delineating the community. First, the bank could consider using widely recognized existing boundaries such as MSAs or counties. The agencies noted that such boundaries are "frequently a reasonable approximation of an institution's community."[10] The second guideline stated that a bank may use its effective lending territory--that area or areas around each office or group of offices where the lender makes a substantial portion of its loans. Each community must, of course, include the contiguous area surrounding each office or group of offices.

What is missing in the new service area definition is the agencies' previous acknowledgement that many factors influence the size and shape of a lender's community. Using the service area definition could unnecessarily constrain a bank's ability to serve its community, or to accurately reflect the community it is serving. The service area definition needs to be more flexible to ensure it reflects the bank's true community

To include deposit-taking ATMs in a service area, rather than full-service branches, could extend a bank's service area beyond its effective lending territory. While the IBAA supports considering deposit-taking functions when determining a service area, we recommend that consideration be limited to those areas where the bank also lends. Keeping in mind the new interstate banking and branching legislation, it is not unreasonable to expect that banks may soon accept deposits from ATMs located outside their community

IBAA is concerned that the new service area definition could require a community bank to arbitrarily draw two service areas, when in reality it is one community. Many community banks are often located on the edge of an MSA and consider their local community to be the "exurbs" or those areas moving away from the MSA. This could mean that a small portion of the bank's community is located in an MSA, with the "substantial" portion located outside the MSA. Our reading of the proposal suggests that this scenario would require two service areas. We see no justification for splitting such a community into two distinct and separate service areas. Such splitting could distort the analysis of the bank's activities in its entire community.[11]

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[10] FFIEC Interagency Policy Statement "Community Reinvestment Act," June 17, 1992, p. 3.

[11] The June 1992 CRA guidelines noted that when an institution has an office near the boundary of an MSA or county, it should also include in its delineated community those portions of the adjacent counties that it services. In rural areas, it was expected that the local community could include more than one county. There is no requirement to split these areas into two service areas.

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IBAA is also concerned that the "equidistant" requirement of the service area provision not be construed so narrowly as to require all banks to have service areas that are circles. Such an interpretation would be artificial and not reflective of the true community the bank is properly serving. In assessing whether a bank's service area has been delineated correctly, factors such as population patterns and density, traffic patterns, political boundaries, geographic and natural barriers, proximity to other towns, competition and market opportunities must be taken into account.

For example, a bank that is located to the south of a metropolitan area may have a service area that extends a short distance north towards the metro area, but a much longer distance south, away from the metro area--essentially an elliptical or rectangular area. This is because people in the outlying areas will tend to travel from the exurbs to the bank to conduct business, but people closer to the metro area may obtain banking services in the metro area. In addition, there may be many more banks in the metro area than in outlying areas, thus competition and market opportunities would dictate that the bank's service area extend farther out towards the rural areas, rather than in toward the metropolitan area.

Another example is a rural bank that is located in the county seat (but not necessarily in the center of the county). The bank may serve the entire county (unlikely to be a circle) since people living in the county would tend to come to the largest town and the county seat to conduct business.

The proposed prohibition on the splitting of census tracts when drawing the service area should also be dropped. Banks do not determine their service area or local community by census tract--this is a marketplace determination. Banks should continue to be prohibited from arbitrarily excluding low- and moderate-income areas or census tracts from their service areas. However, to propose that banks include areas in their service area that they are not serving is also arbitrary and could lead to unintended consequences. Banks should be permitted to draw their service area to reflect the area they serve, with the caveat that low- and moderate-income areas not be arbitrarily excluded.

Correct identification of a bank's service area would appear to be essential in order to receive a satisfactory CRA rating. Since so many of the criteria are based on the service area, incorrect identification of the service area by the bank or examiner could lead to disastrous results. For this reason, the agencies should give serious consideration to providing a mechanism whereby a bank could receive prior review and certification of its delineated service area.

Congress intended for the agencies to look at the entire community, not an artificially drawn service area using an equidistant methodology. Appropriately, the overriding concern identified in the past is that low- and moderate-income neighborhoods are not arbitrarily excluded from the delineated area. The statute requires the agencies to assess an institution's record "of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods..."[12] There is no reason to change this focus.

The IBAA recommends that the agencies retain the existing requirements on delineating the local community or communities rather than adopting the proposed "service area" definition. At a minimum, if the agencies adopt the service area as proposed, banks will need further guidance to clarify the difference between "service area" and "local community." Without such clarification, institutions could incorrectly identify their service area.

Multiple Service Areas

IBAA concurs that an institution's CRA rating should reflect its performance in all of the local communities in which it does business. We recognize that it will not be possible to conduct a CRA exam of

[12] CRA, Section 804(1).

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every service area or community of a large bank during an examination cycle. Branches of large banks generally will not face a CRA exam. We believe this gives a tremendous advantage to larger banks, particularly those competing against community banks.

We recognize that the agencies believe it is more appropriate to handle the issue of examination of multiple service areas through examination procedures. Nonetheless, we urge the agencies to recognize the competitive concerns that community banks have regarding large banks with multiple distinct communities or service areas. Even with the streamlined examination, community banks will receive regular examinations, while their competitor across the street may never be "sampled."

IBAA requests that the agencies include as part of the examination procedures an examination schedule for multiple service areas. Such an examination schedule should reflect a sampling of both urban and rural areas, and provide for all of a bank's service areas to be examined within a 3-to-5-year period.

ASSESSMENT CONTEXT

According to the proposal, all CRA examinations will be conducted in the context of the particular characteristics of each bank and its community (the "assessment context"). The proposal states that the agencies are responsible for developing the assessment context for each bank. The assessment context will include: demographic data on the community; examiner-developed information regarding the credit needs of the bank's service area obtained from community-based organizations, state and local governments, and from any information the bank may choose to provide; the bank's product offering and business strategy as determined from data provided by the bank; institutional capacity and constraints, including the size and financial condition of the bank, the economic climate (national, regional and local), safety and soundness limitations, and any other factors that significantly affect the bank's ability to lend to the different parts of its service area; the bank's prior performance and the performance of similarly-situated lenders; the bank's public file; and, any other information deemed appropriate by the agency.

In many ways, it appears that the assessment context is simply a codification of current agency practice. However, several aspects of this codification are unclear. First, it is not clear that the bank will see the assessment context or have any opportunity to comment on its completeness and accuracy. Since the bank's examination will be based on this context, it is critical that the bank be given a written copy of the context and have the opportunity to clarify, expand, or otherwise comment. Without such an opportunity, it is completely conceivable that the results of the bank's examination would be placed in the wrong context, which could negatively affect the bank's rating. As the assessment context includes seeking public comment from members of the bank's community, it is important that the bank have the opportunity to respond to (or to put into "context") any criticisms or other negative comments.

It is also unclear what portion, if any, of the assessment context will be included in the public section of the CRA performance evaluation. If any part of the assessment context, which establishes the basis for the evaluation and subsequent rating, is to be included in the public evaluation it would be of the utmost importance that the bank have the opportunity to review and comment on the context. Furthermore, all confidential information related to the bank's business strategies or plans, as well as its financial condition, must be excluded from any publicly released assessment context.

LENDING TEST

As in the original proposal, large banks will be evaluated on the basis of their performance under three tests: the lending test, the investment test and the service test. The lending test will continue to receive the most weight in assessing the composite rating of a retail bank.

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The most significant change in the lending test, which IBAA strongly approves, is the removal of the misguided market share test that would have formed a primary basis for the lending score. The market share test would have led to contradictory conclusions and misplaced incentives that could undermine safety and soundness. The market share test was an artificial, arbitrary and unworkable measure of a bank's performance. In many cases, it would not have resulted in an accurate conclusion about the bank's CRA performance. In addition, it could have forced credit allocation--something the Congress clearly did not intend.

Another improvement to the lending test is the inclusion of community development lending as a direct component of the lending test, not merely an adjustment factor that could affect the lending score at the margins. However, we recommend deletion of the requirement that to qualify as community development lending, a loan must meet "needs not being met by the private market." If a bank, a private entity, is participating in the lending, by definition the need is being addressed by the private market. This requirement appears to be a circular one that could be impossible to meet.

IBAA also welcomes the recognition that innovative and flexible lending practices deserve credit under the lending test. For example, frequently a community development project financed by a bank may take a disproportionate amount of time and effort to bring to fruition, relative to the dollars loaned out. The revised proposal appropriately recognizes the importance of the quality of a bank's lending service to its community, in addition to the quantity.

Affiliate Lending

The agencies propose to allow a bank to consider in its CRA lending assessment the lending of an affiliate if the affiliate reports or collects HMDA data and small business and farm loan data. The agencies may consider affiliate lending practices even if the bank has chosen not to have the lending considered if the agency determines that this lending is integral to the business of the bank. The proposal attempts to make clear that both the bank and the affiliate may not count the same loan (no double counting). In addition, all the loans made in the service area(s) by the affiliate will be looked at, not just those that are made to low- and moderate-income borrowers in the service area.

Many banks are affiliated with entities that provide credit or credit-related services. These affiliates can be related to the bank in several ways. They can be a subsidiary of the bank, a sister entity that is owned by the bank's holding company, or a contractual affiliate. An example of a contractual affiliate is IBAA Mortgage Corporation, which acts as an intermediary to allow community banks that do not have the resources to originate and hold mortgages to provide their customers with access to a mortgage provider. This enhances the ability of the community bank to provide credit services to its community. The use of affiliates in the lending process is integral to extending credit and we support its recognition in the CRA evaluation process.

INVESTMENT AND SERVICE TESTS

The revised proposal also improves the investment and service tests. A bank's qualifying investments will no longer be measured against the bank's risk-based capital, a requirement that would have penalized well-capitalized banks. Instead, the revised proposal appropriately focuses on the dollar amount of the investments and the responsiveness to credit and community development needs.

The service test has been revised to eliminate the focus on the percentage of branches located in or readily accessible to low- and moderate-income geographies. IBAA supports the revised proposal's inclusion of delivery systems and services other than branches in the service test. This recognizes improvements in retail bank service technology and should shift the focus from branching to actual services provided.

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DATA COLLECTION AND REPORTING

As in the original proposal, the agencies have proposed significant new data collection requirements. Banks not examined under the small bank assessment method would be required to collect and report data on their home mortgage and small business (including community farm) loans. Collection of data on consumer loans would be optional. For small business loans, banks would have to collect and report data on outstanding loan amounts, location of the business by MSA, county and census tract/block numbering area, gross revenues of the business, and race and gender composition of the business owners.

The IBAA commends the regulators for not proposing that these new data collection requirements be applied to banks with less than $250 million in assets. We urge the regulators to consider dropping this controversial provision for any banks. The bread and butter lending of almost all community banks is small business lending. These proposed new reporting requirements put a heavy burden on small business and also raise very significant privacy concerns. We note that there is no legal authority to collect this data for CRA; collection would be burdensome without any corresponding benefit; it is not clear how race and gender data would be used in the assessment of CRA performance; and the data will be inconclusive and may be used to reach unfounded conclusions.

Legal Authority for Data Collection

There is no statutory basis to require collection of this data for CRA. In fact, the legislative history of CRA makes clear the Act was not intended to require banks to do additional paperwork. The Senate report states, "The Committee believes that the regulatory agencies already have sufficient data available to carry out the intent of this Act without requiring additional red tape."[13] The Senate report discusses the fact that the CRA, as originally introduced, would have required banks to file additional material with the regulators. However, the Senate Banking Committee concluded that additional burdens "would not be necessary or appropriate to the enforcement" of CRA.[14]

In addition, Congress has considered, and rejected several times, small business loan reporting requirements of this nature. As part of the FDIC Improvement Act (FDICIA), Congress imposed new reporting requirements for small business and small farm loans as part of the Call Report. The extent of the data collection envisioned by this proposal goes beyond that required for the Call Report and would be very burdensome and costly, greatly offsetting any perceived benefit. It is inappropriate for the regulatory agencies to impose a burdensome data collection requirement of this nature without authority from Congress.

Appropriateness to CRA

The premise of CRA is to encourage banks to meet the credit needs of their entire communities, including low- and moderate-income neighborhoods. As such, CRA is based on geographic and income considerations, not on race and gender. The race and gender of small business borrowers is the focus of the Equal Credit Opportunity Act and Regulation B, which prohibit lenders from discriminating against borrowers based on race, gender and a number of other prohibited factors, not CRA. A further indication that this information is not proper focus of CRA is that the proposal does not state how the race and gender information reported on small business borrowers will be used in the CRA evaluation. Banks should not be asked to collect data for an unknown purpose.

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[13] S. Rep. 95-175, 95th Cong., 1st Sess., May 16, 1977, at 34.

[14] Id.

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Privacy Implications

The proposal presents grave implications for the financial privacy of millions of small business owners and small farmers. Banks will be collecting very sensitive information about small businesses and small farms and recording this information on a loan-by-loan basis on loan registers. If the loan-by-loan information becomes public, anyone--including competitors--would have access to information about the farm's or business's loans, annual revenues and ownership.

The current proposal takes minor steps toward preserving privacy. Only aggregate loan information would have to be included in the public file. We remain concerned that it will still be possible to identify certain borrowers in specific census tracts despite the aggregation of data. This could be particularly true for less densely populated areas, where there may only be one or two businesses of a particular size in a census tract. Identification would be even easier for small farms since the number of small farms in any specific census tract or county is small in comparison with the number of small businesses.

We are extremely skeptical that individual loan information will remain protected. Witness the experience of the banking industry with HMDA data. When HMDA data was first collected, it was only available on an aggregate basis similar to that proposed for the small business loans. However, over time, more data has been required to be collected and more data has become publicly available. Today, individual loan application registers are available to the public. It is a simple matter to obtain race and income information about a particular person by using the sales price of a home, the property transfer date, the lender (obtained from county deed records) and census tract information, and matching this information with the lender's loan application register.

It is ironic that the federal government's data collection requirements, as outlined in a working paper on privacy, stress fairness, protection, and privacy for citizens.[15] The principles state, "users of personal information must recognize and respect the stake individuals have in the use of personal information."[16] Yet, the banking agencies propose to collect data that could be highly sensitive and which could be used at the government's discretion for undisclosed purposes. No recognition has been given to the stake of the borrowers who would be required to disclose the information.

According to the working paper, collection of information should "reasonably be expected to support current or planned activities."[17] The agencies have articulated no planned use for this data, nor have they fully considered the possible downside of this data collection. There is an appetite for more and more data in the name of "the public's right to know" with a corresponding and unacceptable erosion of the right to financial privacy.

Practical Problems with Race and Gender Coding

As proposed by the agencies, collecting race and gender information on small farm and small business loans presents a number of practical problems and will result in incomplete, fragmented and unreliable data. This in turn could lead the media and others to reach unfounded conclusions about banks' small business lending.

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[15] *Principles for Providing and Using Personal Information*, "Acquisition and Use Principles," National Information Infrastructure TaskForce, Information Policy Committee, Working Group on Privacy in the National Information Infrastructure (part of the U.S. Dept. of Commerce) (draft); 5/4/94.

[16] Id., p. 2.

[17] Id. p. 3

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For example, according to the proposal a business must be more than 50 percent owned by minorities or women to be considered a minority- or women-owned business. A bank may be making a significant number of loans to businesses that are 50/50 owned--minority/non-minority or male/female (the "Mom and Pop" business)--or to businesses that have significant minority or female ownership that do not approach 50 percent, and yet receive no "credit" for this lending. The data will significantly underestimate the extent to which banks are serving minority and women entrepreneurs.

In addition, provision of race and gender data will be optional for the borrower. There may be many borrowers who decline to provide the information for privacy reasons. The greater the number of borrowers that do not provide the information, the lesser the utility of the data collected. Banks will be judged based on this data, yet have no ability to force borrowers to provide it (or any means to ensure its accuracy.)

Finally, there will be no information to place this data in context that would make it meaningful. Again, we point to the industry's experience with HMDA data. HMDA data is far too incomplete to draw any rational conclusions or prove lending discrimination. Yet that has not prevented it from being used for just that purpose by the media and others. For all of the foregoing reasons, we request that the proposed data collection requirements be deleted from the final rule.

STRATEGIC PLAN

Under the proposal, any bank, as an alternative to being rated under the streamlined exam or the lending, service and investment tests, may request to be rated under a strategic plan. The IBAA supports providing institutions the option to be assessed under the strategic plan. However, most community banks have indicated that they would not use this option.

Many community banks have indicated that aspects of the strategic plan option require clarification. IBAA recommends that the agencies be more explicit about the requirements for a strategic plan. For example, the plan must contain measurable goals, yet it is unclear how these will be measured. Measurable goals also suggests the possibility of credit allocation. How can the agencies prevent this from occurring?

The IBAA opposes requiring banks to formally solicit public comment on the strategic plan. We believe that banks preparing a strategic plan should seek input from their community. However, seeking formal public comment could place the bank in a position of releasing confidential business strategies. We urge the agencies to revise this requirement.

PUBLIC FILE, DOCUMENTATION AND DISCLOSURE

A bank would have to make available for public inspection a file with all signed, written comments from the public received over the last two years; maps of its service areas and lists of census tracts or block numbering areas that make up each service area; list of branches, remote service facilities, street addresses and geographies; list of branches opened and closed in the last two years; and a copy of the public section of the most recent CRA performance evaluation. In addition, large banks would have to include two years of information derived from the data collected on their small business and farm loans.

The IBAA requests that the agencies clarify that banks do not need to keep in the file the correspondence related to any written complaints that have been satisfactorily resolved for the consumer. Since banks with less than $250 million in assets are not subject to the data collection requirements and yet could be located in an MSA, IBAA requests that the agencies clarify that these institutions need maintain only the maps of their service areas and not the accompanying census tract data or block numbering area data.

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The proposal also requires a community bank to include in the public file its loan-to-deposit ratio computed at the end of the most recent calendar year. A year-end snapshot is not necessarily a reliable indicator of a bank's loan-to-deposit ratio. Particularly for agricultural banks, the loan-to-deposit ratio is seasonal and will fluctuate significantly (as much as 20 percentage points or more) during the course of the year. IBAA recommends replacing the requirement to include the year-end loan-to-deposit ratio in the public file with a requirement to include the quarter-end loan-to-deposit ratios or an annual average ratio computed by the bank.

IBAA also requests that the agencies delete the requirement for a bank with a less than satisfactory rating to include in its public file a description of current efforts to improve its performance. This requirement could compromise confidentiality. A bank's plan to improve its CRA performance could contain confidential information about its strategic business planning that should not be available to the public.

RATINGS

Provisions on assigning ratings and evaluating a bank's performance under the applicable criteria are set forth in Appendix A to the proposal. The ratings profiles include terms like "excellent," "good," "adequate," "poor," "very poor," "extensive use," "limited use," "substantial majority," "high percentage," "community percentage," etc.

IBAA recognizes that, in using words of this nature, the agencies have attempted to balance the need for flexibility against the desire for certainty and consistency in examinations. We oppose the imposition of fixed ratios. However, to avoid inconsistent application and to ensure fair and reasonable application of these terms, the agencies have a responsibility to ensure that examiners receive comprehensive guidance and training and that bankers understand what is necessary to achieve a specific rating. (See discussion, infra, at p. 21.)

Outstanding Ratings for Community Banks

The IBAA seeks clarification about how a community bank evaluated under the small bank assessment method can achieve an outstanding rating. The agencies must set forth the criteria that can lead to an outstanding rating. In addition to determining whether the bank has exceeded some or all of the requirements for a satisfactory rating, the agencies will take into account its record of making qualified investments and providing services and delivery systems that enhance credit availability in its service area. Flexibility to consider the full range of activities that can enhance credit availability and promote community development is paramount to avoid a presumption that community banks that meet the five criteria are "merely" satisfactory.

We recommend that the following activities be given appropriate credit in assessing whether community banks should receive outstanding ratings: time- or labor-intensive efforts to facilitate lending to targeted or lower-income borrowers or to community development projects; credit, borrower or small business counseling; homebuyer seminars; low-cost deposit or check-cashing services, and agriculture risk management seminars. This list is by no means all inclusive, rather it is representative of activities which warrant credit.

Downgrading to Substantial Noncompliance

The proposal retains the provision whereby a bank that would otherwise be rated "needs to improve" would be automatically downgraded to "substantial noncompliance" if the bank has received ratings of "needs to improve" on its two previous examinations. IBAA opposes this because it is a rigid, inflexible provision that fails to take account of the bank's circumstances. If the bank has been making a good faith effort to improve its performance, but has not yet been able to achieve the satisfactory level, it should not be penalized and essentially given a lower rating than it deserves. Arbitrarily downgrading banks in this manner is

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especially objectionable if a "substantial noncompliance" rating carries the potential for enforcement sanctions, as is proposed. (See discussion, supra, pp. 8-9.)

Large Bank Ratings

Large bank ratings are determined by a point matrix. A total of 18 or more points is needed to score an "outstanding;" 9 through 17 points earns a "satisfactory;" 5 through 8 is a "needs to improve;" and 0 through 4 is a "substantial noncompliance." To keep the emphasis on the lending test, a bank's total score may not exceed 2 times the lending score. The proposed matrix follows:

Component Test Ratings	Lending	Service	Investment
Outstanding	12	6	6
High Satisfactory	9	4	4
Low Satisfactory	6	3	3
Needs to Improve	3	1	1
Substantial Noncompliance	0	0	0

While the matrix scoring system is designed to give primary importance to the lending test, IBAA is concerned that it simultaneously overcounts and undercounts lending performance. For example, in the point scale, lending is emphasized by giving it twice--or in some cases, more than twice--the points available under either the service or investment test.[18] Additionally, a bank's total score cannot exceed twice the lending score, again giving emphasis to lending. This seems to give lending not twice as much weight as service or investment, but four times.

Thus, a bank that received a low satisfactory in lending (6 points), and an outstanding in both service and investment (6 points each) would not receive an outstanding rating even though its raw score was 18, because it would receive a total score of 12 (twice the lending score) for a satisfactory rating.

In contrast, a bank that received a low satisfactory in lending (6 points) and a needs to improve in both service and investment (1 point each) would receive a needs to improve rating (8 points) despite the fact that its lending record was deemed satisfactory. If lending is to receive primary emphasis, then a bank that is performing satisfactorily in lending should receive a satisfactory rating.

These anomalies appear to stem in part from the use of five categories of ratings in the component tests--breaking satisfactory into two parts, "high" and "low" satisfactory--instead of the four authorized by statute. In the first example, if the bank had received a high satisfactory instead of a low satisfactory in lending, its overall rating would have been outstanding. In the second example, if the bank had received a high satisfactory in lending, its overall rating would have been satisfactory. Use of the five category rating system is in conflict with the rating scheme set forth in the statute.

IBAA requests that the agencies modify the matrix scoring system and the ratings categories for the component scores to correct these anomalies.

[18] Outstanding service or investment is worth 6 points, but outstanding lending is worth 12 points. High satisfactory service or investment is worth 4 points, but high satisfactory is worth 9 points.

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Weight of Ratings During Application Process

Pursuant to the CRA statute, a bank's CRA rating is taken into account when an agency reviews the bank's application for a deposit facility (e.g., branch, merger, acquisition or conversion application). A current outstanding rating should receive great weight during the applications process. If a bank has performed in such a manner so as to warrant an outstanding rating, it is only fair that the bank be protected from obstructionist protests filed during an application.

IBAA recommends that the agencies establish a rebuttable presumption that an outstanding rating will result in approval of the CRA aspect of an application. Under the rebuttable presumption, the burden should be placed on the protestant to show why the application should not be approved on CRA grounds. The rebuttable presumption for an outstanding rating is appropriate since potential protestants will have the opportunity to provide comments to the agencies during the CRA examination process.

Establishing a rebuttable presumption in favor of an outstanding rating during the corporate application process would help reduce or eliminate the time and costs incurred by a bank that must defend itself against a frivolous protest. This is particularly critical for community banks and small bank holding companies that have less monetary and managerial resources to draw upon in defense of any such protest. Furthermore, failure to recognize the value of an outstanding CRA rating during the application process diminishes the value of the rating and unjustly penalizes banks that have been recognized as having outstanding CRA performance.

Effect of Lending Discrimination on CRA Rating

Under the previous proposal, a bank would have presumptively received a less than satisfactory CRA rating if it had engaged in a pattern or practice of illegal discrimination that it had not fully corrected: or had committed an isolated act of illegal discrimination, of which it had knowledge, that it had not fully corrected, or was not in the process of correcting fully. IBAA strongly objected to evaluating and rating a bank based on an isolated instance of discrimination that it had not been aware of, condoned or promoted.

This provision has been replaced by a standard comparable to that in current regulations--any evidence of discriminatory or other illegal credit practices would adversely affect the agencies' evaluation of the CRA rating. In determining the effect on the rating, the agencies would consider the nature and extent of the evidence, the bank's policies and procedures to prevent illegal discrimination, and corrective actions taken. IBAA supports this change, particularly the removal of the presumption that a less than satisfactory rating would be required. It is essential that the regulators have discretion to consider the listed factors and apply a rule of reason in determining what effect the evidence will have on the CRA rating.

TRANSITION PERIOD

The new rules will become fully effective July 1, 1996. The new recordkeeping will take effect by July 1995. Beginning after July 1, 1995, a bank that qualifies for a streamlined exam may be evaluated under this new method.

The IBAA believes that this time frame may be unrealistic depending on when the agencies adopt a final rule. To ensure that the examiners are adequately trained, we recommend a transition period of at least six months after the publication of the final rule and the completion of the examiner training. As for the data collection, it is not reasonable to expect banks to assemble the new data and prepare the appropriate reports in the allotted time frame. At a minimum, the agencies should provide a transition period of at least six months from the adoption and publication of the final rule for banks to begin collecting the data.

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PUBLICATION OF EXAMINATION SCHEDULE AND PUBLIC COMMENTS

The agencies propose to publish a list of banks which are scheduled to undergo CRA exams in the next calendar quarter. This would alert members of the public who wished to submit comments to the agencies regarding the CRA performance of banks on the list. IBAA requests that the final rule be amended to clarify that only pertinent comments related to the specific bank under examination and received from members of the bank's own community will be considered during the exam.

Community banks are concerned that large advocacy groups with agendas not related to the local community or the local bank will file comments to hold a community bank hostage to the CRA process and try to "make an example" of the bank as part of a large advocacy organization's CRA campaign.

APPEALS PROCESS

The IBAA believes that an effective appeals process is essential to the successful implementation of the revised CRA rule. An appeals process would help ensure consistency in an agency's CRA evaluation and ratings. In general, community bankers are dissatisfied with the current appeals process. Most bankers are unsure how to pursue an appeal, while others have expressed concern about the lack of objective decision-makers in the process.

The Riegle Community Development and Regulatory Improvement Act of 1994 ("Riegle Act") provides for a regulatory appeals process and ombudsman. The Riegle Act requires the agencies to create an appeals process that will be available to review determinations relating to examination ratings.[19] An ombudsman must also be created by each agency "to act as liaison with respect to any problem that any party may have in dealing with the agency."[20] The implementation of Section 309 of the Riegle Act will help to implement an effective and fair appeals process for the revised CRA rule.

We offer the following recommendation regarding the implementation of the appeals process and ombudsman with regard to the CRA. The CRA is the only area of the examination report where the rating is made public. Although publicly available, the rating is not subject to modification as a result of any public comment arising from the publication of the rating. Any use of the appeals or ombudsman process must occur before publication of the CRA rating in order to avoid any negative impact on the bank caused by publication of an undeserved rating.

In this regard, we note that Section 807 of the CRA provides for a public evaluation report detailing the agency's conclusions on the CRA assessment factors, the facts and data supporting the conclusions, and the rating. We believe that publication of the foregoing while an appeal is pending would be a strong signal of agency bias towards the original findings. This would obviate the efficacy of the process and essentially render the Congressional intent to create an effective appeals process moot.

OFFICIAL COMMENTARY

The IBAA reiterates our recommendation that the agencies create a commentary to the CRA regulation. A commentary would provide an ideal vehicle for the agencies to issue official staff interpretations of the regulation. Good faith compliance with the commentary should afford institutions protection from enforcement actions.

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[19] Section 309(b). See also 171 H. Rep 103-652, 103 Cong., 2d Sess., August 2, 1994.

[20] 171 H. Rep. 103-652, 103 Cong., 2d Sess., August 2, 1994.

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EXAMINATION GUIDELINES

The IBAA requests that the agencies, jointly or independently, seek comment on the examination procedures that will be used to implement the revised CRA rule. We recognize that seeking comment on examination procedures is not a standard agency practice; however, the magnitude of change proposed by the revised CRA rules warrants a departure from usual and customary procedures. Furthermore, receiving public comment on the examination procedures will help ensure that the rule is implemented as intended.

EXAMINER TRAINING

IBAA strongly urges the regulators to ensure that all examiners receive comprehensive training prior to the imposition of the CRA rules. Under the new rule, examiners will be required to exercise a considerable amount of discretion and judgement. To do this effectively and judiciously, consistent and appropriate implementation of CRA depends on how examiners apply the standards they have been given to work with when they come into the bank. Examiners will need to be properly trained on how to conduct the examinations to avoid unintentionally shifting the burden back to the banks.

The agencies must also take steps to reconcile the conflict that develops between CRA exams and safety and soundness exams. Too often bankers make what they believe are good "CRA loans" (which, in fact, may be favorably cited in a CRA exam) only to have the safety and soundness examiner later classify the loans. All examiners should be "cross-trained" in compliance and safety and soundness to minimize this situation.

We recognize that evaluation of CRA performance requires examiner judgement. This is necessary so that examiners can take adequate account of the differences among communities and the banks that serve them. However, in a review of the first proposal, the GAO noted that there are numerous areas where examiners will be required to use discretion to determine an institution's performance. The same is true in this revised proposal. The GAO's conclusion that, in addition to the need for specific guidance "on how and under what circumstances examiner discretion will be used," "comprehensive training programs for all examiners will be important to emphasize the guidelines for using discretion,"[21] holds true for this revised proposal.

BANKERS' BANKS

The proposal contains an exemption for certain special purpose banks, including bankers' banks. (Section ___.11(d)(2).) IBAA strongly supports this exemption. However, the definition of bankers' banks in this section is obsolete and should be revised to conform to the definition of bankers' bank as amended by the Riegle Community Development and Regulatory Improvement Act of 1994 ("Riegle Act"). Pub. L. No. 103-325.

The Riegle Act defines a bankers' bank as a bank which is engaged exclusively in providing "services to or for other depository institutions, their holding companies, and the officers, directors and employees of such institutions and companies, and in providing correspondent banking services at the request of other depository institutions or their holding companies." See, Section 322 of the Riegle Act, amending 12 U.S.C 24 (Fifth) and 12 U.S.C. 27(b)(1).

The IBAA requests that the language of Section ___.11(d)(2) be conformed to the Riegle Act's revised definition of a bankers' bank.

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[21] Letter from James L. Bothwell, Director, Financial Institutions and Market Issues, General Accounting Office, to Representatives Henry B. Gonzalez and Joseph P. Kennedy II, January 26, 1994, p. 10.

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CONCLUSION

IBAA is appreciative of the agencies' efforts to revise CRA. the highly burdensome regulation--and make it less burdensome and more performance oriented. IBAA is strongly supportive of the streamlined examination for community banks--a tiered system that recognizes the real differences under which large banks and community banks operate. The agencies' concern about the ever growing and crushing regulatory burden that community banks face is evidenced in this proposal. A tiered system with real regulatory relief for community banks will allow them to return their focus to what they do best--serving their communities.

We appreciate this opportunity to comment and would be pleased to discuss any parts of this letter in further detail.

Sincerely,

John Shivers
President

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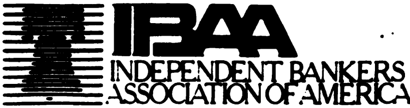

March 24, 1994

Mr. William Wiles
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, N.W.
Washington, D.C. 20551
Docket No. R-0822

Communications Division
Ninth Floor
Office of the Comptroller of the Currency
250 E Street, S.W.
Washington, D.C. 20219
Docket No. [93-19]

Mr. Robert E. Feldman
Acting Executive Secretary
Attention: Room F-400
Federal Deposit Insurance Corporation
550 Seventeenth Street, N.W.
Washington, D.C. 20429

Ms. Kathy Simone
Director, Information Services Division
Public Affairs
Office of Thrift Supervision
1700 G Street, N.W.
Washington, D.C. 20552
OTS 93-234

Dear Sir/Madam:

Enclosed please find an executive summary of key points from the IBAA comment letter on the proposed CRA revisions, as well as our comment letter.

Sincerely,

John Shivers
President

Enclosures

WASHINGTON OFFICE, ONE THOMAS CIRCLE NW, SUITE 950, WASHINGTON, DC 20005-5802 • 202 659-8111

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INDEPENDENT BANKERS ASSOC. TIO. ME
SUMMARY OF KEY POINTS FR
COMMENT LETTER ON PROPOSED CRA ON

Tiered System

IBAA strongly supports a tiered system for CRA with streamlined examination p small banks.

- The cumulative cost of CRA and other regulations is threatening community to remain independent and effectively serve their customers.
- Pending interstate branching legislation magnifies the need for a streamlined exam. for smaller banks. Consolidated branches will be examined infrequently, if at all, wh. community banks that compete against them will continue to face annual CRA examinations.
- Requiring small banks to comply with the same paperwork, reporting requirements and examination procedures as large banks hinders their ability to achieve the goals of CRA.
- CRA represents a huge data collection burden on banks, especially small banks. A streamlined examination process for small banks will lessen their compliance burden.

Streamlined Examination Threshold

IBAA recommends that the final rule raise the streamlined examination eligibility threshold for banks from $250 million to $500 million in assets and for bank holding companies from $250 million to $1 billion in assets.

- The $250 million threshold for streamlined examination eligibility applies to roughly 17% of the banking industry's total assets and 20% of the industry's total deposits.
- Raising the threshold to $500 million only nominally raises by 3 percentage points the amount of bank assets eligible for the streamlined examination.
- The small-bank assessment threshold should be subject to regular adjustments for inflation, economic activity and interest credited on accounts.

Small Bank Test

1. **Loan-to-Deposit Ratio** *IBAA recommends that an institution be presumed to have a reasonable loan-to-deposit ratio if it is consistent with the bank's peers, local market and economic conditions. A "reasonable" loan-to-deposit ratio standard would permit latitude to consider the level of public deposits, municipal bonds and loans originated and sold into the secondary market.*

- IBAA strongly opposes the use of a fixed ratio, such as the proposed 60%, for determining a reasonable loan-to-deposit ratio for the following reasons:

  a) the potential for misuse as a hard and fast rule;
  b) a fixed standard could result in credit allocation;
  c) imposition of a fixed ratio would contradict Congressional intent;

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d) a fixed ratio might undermine safety and soundness as banks try to meet an arbitrary "magic number;"
e) using a national median loan-to-deposit ratio establishes an arbitrary bell curve mentality that is inappropriate for CRA; and
f) a national median does not reflect regional differences or seasonal variations.

- Public deposits should be excluded from the definition of "deposits."

- "Loan" should be defined to include purchases of local municipal bonds (a close substitute for community development lending) and loan originations and their subsequent sale into a secondary market.

2. **Makes the Majority of Loans in Its Service Area** *The final rule should clarify that banks should not be required to "geocode" their loans as proof of community lending.*

3. **Adequacy of Loan Mix** *The proposed definition of "good loan mix" exceeds the scope of CRA and suggests credit allocation. The final rule should delete the reference to making loans "across economic levels." In addition, the final regulation should clarify that banks and thrifts have the discretion to develop the types of products and services that are best suited to their expertise, business objectives and the credit needs of their communities.*

4. **No Legitimate Complaints** *IBAA recommends that the agencies adopt complaint procedures to determine "bona fide complaints" and incorporate a specific definition for "consumer complaint" in the final rule. Additionally, only complaints by customers or community members residing within a bank's service area should be considered legitimate.*

5. **No Evidence of Discriminatory Practices** *IBAA strongly opposes evaluating and rating a bank based on an isolated instance of discrimination; judging compliance on an isolated instance fails to prove intent. Creating a new standard that requires banks to be downgraded for isolated acts establishes an impossible compliance standard and is bad public policy.*

6. **HMDA Reporting Banks Have Reasonable Distribution of Such Loans** *There is no statutory basis for requiring HMDA reporting banks to have a "reasonable geographic distribution" of reported loans, and such a requirement is tantamount to credit allocation. IBAA recommends that this criterion be rewritten to focus on "analyzing the distribution of HMDA related loans."*

Enforcement Authority

IBAA requests the agencies delete from the final rule the provisions permitting the agencies to use the full complement of enforcement authority, including levying of civil money penalties, against banks that receive a composite CRA rating of "substantial noncompliance."

- The enforcement provisions of the proposal are beyond the scope of the agencies' legal authority.

- The statute requires the agencies to encourage compliance, suggesting that positive incentives are in order, rather than severe penalties.

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Service Area

The proposal unnecessarily constrains a bank's community to an artificially drawn service area based on "reportable" lending activity. IBAA recommends that the agencies rewrite the definition of "service area," broadening it to reflect the entire community that a bank serves and giving consideration to all lending activity.

Lending Test

The lending test as proposed is unworkable. The test will likely lead to contradictory conclusions and misplaced incentives that could undermine safety and soundness and could be criticized for forcing credit allocation. In addition, the market share test is an artificial, arbitrary, and unworkable measure of a bank's performance. The IBAA recommends that the lending test be totally reworked to accommodate the following concerns:

- The proposal places institutions in direct competition with each other for outstanding CRA ratings. It is inappropriate to treat CRA performance as a zero-sum game or grade institutions on a bell curve, thereby making it is impossible for all banks to achieve satisfactory performance.

- The proposal creates unwise incentives for banks to engage in predatory pricing or to lower their credit underwriting standards in order to garner loans (and market share) in the low/mod areas.

- Carefully thought out community development plans could be disrupted by efforts to "buy" good business and gain market share at any price.

- Since loan activity is not measured for non-bank lenders or small banks, market share results for the CRA-reporting lenders will reflect artificial markets that do not accurately reflect true market shares.

- Heightened scrutiny of specific geographic tracts would not constitute a meaningful evaluation of a bank's CRA performance in rural areas where low/mod residents are widely dispersed.

- The proposal's emphasis on quantity of loans ignores much of the time- and labor-intensive efforts, or quality of service, needed to facilitate lending to targeted borrowers and community development.

Investment Test

To avoid penalizing well-capitalized banks, total assets is a more equitable and appropriate base against which to measure a bank's commitment to CRA investments.

Service Test

Banks should receive credit for lending-related activities, such as borrower counseling, which may help to increase the bank's level of lending in its community, and for deposit-related activities, such as government check cashing, which provide needed services to a bank's community.

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Strategic Plan

Banks should have the option to be assessed under a strategic plan, but IBAA strongly opposes mandating that a bank prepare such a plan.

Publication of Examination Schedule and Public Comments

IBAA requests that the final rule clarify that only pertinent comments related to the specific institution under examination and received from members of the bank's own community will be considered during CRA examinations.

Composite Ratings

The automatic downgrading to substantial noncompliance for institutions receiving consecutive "needs to improve" ratings fails to take account of the individual circumstances of the bank and should be deleted.

Data Collection

There is no statutory basis for the extremely burdensome proposed data collection requirements, which should be deleted from the final rule.

Transition Period

The agencies should provide a transition period of at least six months from the adoption and publication of the final rule to allow banks to begin to collect data and comply with the proposed reporting requirements. Evaluations based on the new assessment standards should not begin until at least six months after examiner training is completed.

Rebuttable Presumption

IBAA recommends that the final rule make clear that a bank can rebut a presumption at any time during the examination process and at any time during an appeal of a CRA rating. The final rule should clarify that the rebuttable presumption provision is for banks only, and that community or consumer groups do not have such rights.

Weight of Ratings During Application Process

IBAA recommends that the agencies establish a rebuttable presumption that an outstanding rating will result in approval of the CRA aspect of an application. Under the rebuttable presumption, the burden should rest on a protestant to show that the application should not be approved on CRA grounds.

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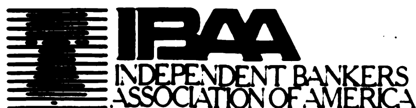

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March 24, 1994

Mr. William Wiles
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20th Street and Constitution Avenue, N.W.
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Washington, D.C. 20429

Ms. Kathy Simone
Director, Information Services Division
Public Affairs
Office of Thrift Supervision
1700 G Street, N.W.
Washington, D.C. 20552
OTS 93-234

Re: Revised Community Reinvestment Act Regulations

Dear Sir/Madam:

The Independent Bankers Association of America (IBAA) submits these comments in response to the joint agency proposal to revise the Community Reinvestment Act (CRA) regulation that appeared in the *Federal Register* on December 21, 1993. The IBAA is the only national trade association that exclusively represents the interests of the nation's community banks.

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On July 15, 1993, President Clinton requested the banking agencies--"in close consultation with the banking industry, thrift industry, Congressional leaders, and community groups across the country--to work together to reform the CRA enforcement system by developing new regulations and procedures that replace paperwork and uncertainty with greater performance, clarity, and objectivity." In response to these presidentially mandated goals, the agencies have released a comprehensive proposal for comment.

Community bankers strongly support the goal of CRA--lending and investing in all areas of our communities, including low- and moderate-income areas. IBAA strongly supports the establishment of a streamlined CRA procedure for community banks. The proposed streamlined examination approach for small banks is the type of innovative approach thet is responsive to the President's challenge to focus CRA on real investment and services rather than meaningless documentation. By proposing a streamlined procedure for small banks, the agencies are appropriately relying on the ample authority that is provided in the CRA statute.

IBAA believes that other specific aspects of the proposal require modifications prior to their adoption. Our detailed comments on the proposal follow as outlined in the table of contents below.

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BURDEN OF CURRENT CRA SYSTEM

There is ample evidence to support the need for a tiered system for CRA. The regulatory cost and burden associated with the current CRA process are staggering, particularly for community banks. Most of this cost can be attributed to meaningless paperwork and documentation that banks must produce to "justify" their CRA compliance.

A study on the costs of the regulatory burden conducted by Grant Thornton for the IBAA last year concluded thet CRA is the <u>most expensive</u> pre-FDICIA compliance area for community banks. The study found that tha nation's 10,000 community banks spend over $1 billion annually to comply with CRA. Community bankers spend 14.4 million hours each year--1,440 hours per bank--in paperwork exercises, such as filling up their CRA files with memoranda documenting routina activities, attending civic meetings, and the like. This wasteful process hinders community banks' ability to serve their customers. The study also found thet CRA compliance accounted for nearly one-third of tha total compliance costs for the 13 most costly regulatory areas studied in the IBAA/Grant Thornton study, almost three times more costly than the safety and soundness examination.

Other industry studies have also concluded that CRA is the most burdensome regulatory requirement. The American Bankers Association (ABA) 1991 study found that the "single most burdensome regulatory requirement was determined to be compliance with the Community Reinvestment Act as it is currently supervised and enforced." As with the IBAA/Grant Thornton study, ABA found that the paperwork involved in documenting CRA activities was the greatest burden, particularly for community banks.

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The agencies themselves have found that costs of regulatory burden are high. An FFIEC study completed in 1992 estimated that the banking industry's costs of regulatory compliance for 1991 reached some $17 billion or 14 percent of noninterest expense. We believe that the agencies' own expenses are increasing due to the escalating regulatory burden imposed on financial institutions.

The cumulative costs of CRA and other regulations is threatening community banks' ability to remain independent and effectively serve their customers.

IMPLICATIONS OF PENDING INTERSTATE BRANCHING LEGISLATION

The streamlined examination system for smaller banks is justified by the fact that the pending interstate banking and branching legislation--which is highly likely to be enacted--will give large multistate banking organizations substantial CRA relief. This legislation will allow multistate banks to consolidate their separate banks into branches of a single bank. The branches of these consolidated banks and their service areas will most likely be examined very infrequantly, if at all, while community banks that compete against them will continue to face annual CRA examinations. The streamlined examination will offset some of this inequity.

APPLICATION OF CRA TO NON-BANKS

Only traditional depository institutions carry an explicit community reinvestment responsibility. Yet, they are losing market share to a wide array of other financial institutions, including securities firms; mutual funds; insurance, mortgage and finance companies. These firms are drawing deposits away from local communities and make little, if any, effort to serve local credit needs. Furthermore, these institutions benefit, directly and indirectly, from government activities designed to maintain financial stability and, as such, have a responsibility to the communities they are serving.

Given the shifts in market share from banks and savings and loans to these other financial players, a smaller and smaller share of the financial marketplace is under any CRA obligations. IBAA urges the agencies to recommend to Congress that CRA be extended to these nonbank providers of deposit and credit services to ensure that all communities' credit needs are served.

NEED FOR A TIERED SYSTEM

Comptroller of the Currency Eugene Ludwig's statement before the Senate Banking Committee on July 15, 1993, made the indisputable case for a tiered system:

> As we develop new CRA standards, we must recognize the diversity of the institutional and community settings in which banks and thrifts operate. How any perticular institution meets its CRA obligations will depend on a variety of factors including its overall business strategy, size, financial resources, corporate structure, location, and tha needs of the community in which it operates. While all institutions must strive to meet CRA requirements, we must recognize that smaller community banks simply cannot engage in the sema type of sophisticated efforts (such es geocoding) as large banks in order to demonstrate that their CRA performance is satisfactory.

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Today's rules apply CRA in the same manner to all insured banks and thrifts, regardless of size or location. Regulatory policies have attempted to differentiate between the documentation requirements for small banks and large banks, but with little success. Today, banks with staffs of 10 are asked to do the same as thosa with staffs of thousands. Banks in towns with populations of 1,000 are being held to standards that rival those for multinational financial corporations headquartered in the United States and serving the world.

No public purpose is served by a regulatory system that inflicts community banks with the same standards and requirements as multi-billion dollar institutions. No public purpose is served by a regulatory structure that threatens the very existence of small community banks and, in turn, the communities they serve.

At the agencies' last public hearing on CRA reform, then-IBAA-President James Lauffer recommended that the agencies consider a six-part examination program for community banks. The IBAA proposal called for the agencies to evaluate a bank on the following criteria: whether it makes the majority of its loans locally and has a good loan mix, and makes a variety of loans, including commercial (farm), real estate and consumer; has had no legitimate, bona fide complaints from community members; has a reasonable loan-to-deposit ratio based on peer group analysis and local economic conditions; has revealed no evidence of discriminatory practices in compliance and/or fair lending examination; has properly delineated its community for CRA purposes; and, has orally reported to examiners on ascertainment of community needs, and community outreach. We are pleased that the proposal incorporated many of tha IBAA recommendations.

At that same hearing, the ABA also recommended that the agencies explore a "simple screen" examination for small community banks, tracking very closely the recommendations previously made by the IBAA. ABA suggested that the agencies look at the following criteria to assess CRA compliance of community banks: adequacy of a bank's community delineation, the contents of the CRA public file, the loan-to-deposit ratio (on a relative standard by peer group), tha percentage of loans in the community, credit product mix, and credit underwriting standards. Again, we are pleased that the proposed streamlined examination incorporated many of the industry's recommendations.

We note that the Consumer Advisory Council (CAC) to the Federal Reserve Board also recommends a tiered system. The CAC said the "Regulators should create a tiered structure for CRA examinations thet contains cost-effective requirements for small community banks."[1]

PROPOSED TIERED SYSTEM

IBAA strongly supports a tiered system for CRA examination, with streamlined examination procedures for small banks. A tiered system will "recognize the real differences in circumstances in which our banks and thrifts operate," which President Clinton said is "critical to improving the CRA process." IBAA commends the agencies for proposing a streamlined CRA examination system. The proposed streamlined examination for small banks recognizes that it is counterproductive to subject community banks to the same onerous paperwork, reporting and other requirements as large multinational and multistate banks.

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[1] Consumer Advisory Council Recommendations on CRA Reform, Attachment B to the Federal Reserve Board Staff Memo on CRA Reform Project, December 7, 1993.

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Different size banks have differing abilities to comply with paperwork and reporting requirements.

Statutory Authority

The Community Reinvestment Act directs the agencies to promulgate regulations to implement the statute. The statute is very flexible and provides ample discretion to the implementing agencies to establish a tiered system for community banks. In fact, the legislative history makes clear tha Act was not intended to require banks to do any additional paperwork.[2]

CRA examination techniques have changed drastically over the last decade and have moved far from the original Congressional intent by imposing a huge data collection burden on banks. The proposed streamlined examination process is more consistent with the original intent and should significantly reduce tha paperwork requirements for smaller banks.

Conversely, requiring small banks to comply with the same paperwork, reporting requirements and examination procedures as large banks hinders their ability to achieve the goals of CRA. Numerous studies have shown that it is much more difficult for small banks to meet community reinvestment obligations if they divert their finite resources away from lending in order to meet examination requirements.

Size Threshold

Under the proposal, only independent banks with less than $250 million in total assets, and banks owned by holding companies with total banking assets of less than $250 million, are eligible to elect to be evaluated under the small bank assessment method. While a large number of banks would be eligible for streamlined procedures at this asset level, it only applies to approximately 17 percent of tha banking industry's total assets and 20 percent of tha industry's total deposits.

Larger community banks should have the option to be examined under the streamlined system. There are many community banks larger than $250 million in assets that operate with small staffs and an intense local focus, frequently in non-metropolitan areas. A streamlined examination for these large community banks would free up more compliance dollars that can be batter spent on actual community reinvestment.

Therefore, IBAA requests that the final rule be revised to allow community banks with up to $500 million in assets the option of being examined under tha streamlined procedures. Raising the size cut-off to $500 million only increases tha banking assets subject to the small bank assessment method by a nominal percentage (3 percentage points) for a total of 20 percent of tha industry's assets.

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[2] The Senate Report states that, "The Committee believes that the regulatory agencies already have sufficient data available to carry out the intent of this Act without requiring additional red-tape." S. Rep. 95-175, 95th Cong., 1st Sess., May 16, 1977, at 34. The Senate report goes on to discuss the fact that the CRA, as originally introduced, would have required banks to file additional material with the regulators. However, the Senate Banking Committee concluded that additional burdens "would not be necessary or appropriate to the enforcement" of CRA. Id.

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Under the rule as proposed, two small community banks of $100 million and $150 million in assets would not be eligible for the small bank assessment method if they were owned by the same holding company. However, many small banks owned by somewhat larger holding companies are operated as completely independent entities in widely separated markets and do not have any greater resources than banks outside of holding companies. This may be particularly true in unit banking or limited branching states (and states that were formerly so).

We strongly urge the agencies to revise the final rule to permit small banks owned by somewhat larger holding companies to be eligible for streamlined examinations. IBAA recommends that the holding company threshold be increased to $1 billion in banking assets. If the size threshold for independent banks remains $250 million, then it is even more critical that the holding company limit be increased.

IBAA also urges the agencies to provide for regular adjustments to the size thresholds adopted for the small bank assessment method. This is needed to account for the fact that banks grow as a result of inflation, economic activity and interest credited on accounts, while maintaining the same level of staffing. A fixed asset level for streamlined examinations could discourage community banks from growing and helping their local economies to grow.

STREAMLINED EXAMINATION

Under tha small bank assessment method, examiners would evaluate small banks using a streamlined examination process based primarily on an examination of their lending records through the six factors described below. The bank's overall CRA performance will be presumed to be satisfactory if the bank:

- Has a reasonable loan-to-deposit ratio (a ratio of 60%, adjusted for seasonal variation, is presumed reasonable) given its size, financial condition and credit needs of the service area
- Makes a majority of its loans in its service area
- Has a good loan mix (i.e., makes, to the extent permitted by law and regulation, a variety of loans to customers across economic levels)
- Has no legitimate, bona fide complaints from community members
- Has not engaged in a pattern or practice of illegal lending discrimination that it has not fully corrected; or committed isolated acts of illegal discrimination, of which it has knowledge, that it has not corrected fully or is not in tha process of correcting fully
- For institutions subject to HMDA, has a reasonable distribution of HMDA loans

In general, the IBAA supports using such a combination of factors to evaluate a small bank's CRA compliance. However, we do have concerns and questions about some aspects of this streamlined examination that we believe need to be clarified or modified in the final rule. The language in the proposal, in some instances, is vague and ambiguous. The final rule should contain more elaboration and explanation of each criterion as suggested below.

Reasonable Loan-to-Deposit Ratio

The proposal states that a loan-to-deposit ratio of 60%, adjusted for seasonal variation, is presumed to be reasonable. IBAA strongly opposes the use of the 60% ratio, or any fixed ratio, because it does not take into account the ebbs and flows of the marketplace. While it has been stated that this ratio is not intended to be a bright line test, past experience

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of bankers suggests that it will become one. Specific numbers, or ratios, that appear in a regulation are usually enforced as hard and fast rules. Furthermore, the diversity of communities and institutions rules out imposing fixed numerical performance standards. Such a fixed standard could result in credit allocation--something the IBAA strongly opposes as bad public policy.

In addition, a fixed loan-to-deposit ratio clearly violates Congressional intent. Prior to the passage of the CRA, three days of hearings were held by the Senate Banking Committee to discuss the bill. At the opening of those hearings, the bill's sponsor, then-chairman of the Senate Banking Committee, Senator William Proxmire said:

> The Community Reinvestment Act would not allocate credit, nor would it require any fixed ratio of deposits to loans. But it would provide that a bank charter is indeed a franchise to serve local convenience and needs, including credit needs.[3] [emphasis added]

The law the Congress eventually adopted did not include any fixed ratios. To impose a fixed ratio with this regulation would contradict the clear Congressional intent.

The use of a fixed numerical ratio could also undermine safety and soundness as banks try to reach the "magic number" by lowering credit standards or otherwise making unsafe and unsound loans. A fixed ratio would also contradict the statutory requirement that banks meet the credit needs of their community consistent with the safe and sound operation of such institutions. A recent detailed analysis of the CRA concluded there are some profitable loans to be made in low- and moderate-income communities but this does not mean that greatly increasing lending in such communities is going to be a profitable activity.[4] The authors went on to note that the evidence indicates that the general effect of the CRA is to reduce depository institution safety and soundness.[5]

In a review of the CRA proposal, the General Accounting Office (GAO) indicated that it was concerned that the proposed loan-to-deposit ratio "may inadvertently encourage unsafe and unsound banking practices."[6] The GAO noted that very small institutions typically have low loan-to-deposit ratios because they are often located in small towns with undiversified economies. The GAO points support our contention that imposing a fixed loan-to-deposit ratio would undermine safety and soundness.

The fact that a 60% loan-to-deposit ratio is the median for all banks with less than $250 million in assets is disturbing since, at the outset, half of all banks would not be

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[3] See Community Credit Needs: Hearings on S. 406 before the Senate Committee on Banking, Housing, and Urban Affairs, 95th Cong., 1st Sess. 133 (1977) (opening statement of Senator Proxmire).

[4] Macey, Jonathan R. and Miller, Geoffrey P., "The Community Reinvestment Act: An Economic Analysis," Virginia Law Review, Vol. 79, pp. 291, 320.

[5] Ibid, p. 320.

[6] Letter from James L. Bothwell, Director, Financial Institutions and Market Issues, General Accounting Office, to Representatives Henry A. Gonzalez and Joseph P. Kennedy II, January 26, 1994, p. 8 (hereinafter, "GAO Letter").

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presumed to be in compliance with the loan-to-deposit test. This exclusion of 50 percent of the small banks is arbitrary and not supported by the agencies as being necessary or reasonable. Using a median establishes an arbitrary bell curve mentality that is inappropriate for CRA.

Additionally, a national median does not reflect regional differences or seasonal variations. Loan demand and banks' lending is directly related to the local economic conditions. A median ratio is not sensitive to the wide variations in local conditions. In particular, agricultural banks have very seasonal loan demand that is also subject to fluctuations in weather patterns, international trade policy and marketplace demands. Rural areas also generally have older populations and less turnover of residents and businesses than more urban areas. As a result, rural banks often have much lower loan demand than their urban and suburban counterparts.

Simply averaging a rural bank's loan-to-deposit ratio over the course of a year would not accurately reflect its commitment to community lending. Typically, a bank lending to farmers and other agricultural borrowers will reach its lending peak and maintain it for about two quarters each year. As farmers sell their production into the market they pay off their loans; they will not borrow again until the following year. The bank cannot commit those funds to other borrowers for more than a few months, since it knows that the community's farmers will need loans to get ready for the next growing cycle.

The regulation as drafted does not define "loans" and "deposits." "Deposits" should be defined to exclude public deposits. Many small banks accept public deposits as a service to their communities and these public deposits can be a significant portion of their deposit base. Yet, they are often short-term and must be fully collateralized. It can be difficult to lend against collateralized deposits and, as such, they should be excluded from any deposit measure.

"Loans" should be defined to include all pertinent instruments, including local municipal bonds which are a close substitute for community development lending. Often, community banks are primary purchasers of these local municipal bonds, for which there is a limited market. In fact, often community banks will lend directly to local municipalities for community or economic development purposes, eliminating the need for a bond issue. Whether community banks have lent directly to their community, or indirectly through a bond purchase, they should receive "CRA credit" for meeting this community credit needs.

Loans should also reflect loans originated and subsequently sold into the secondary market. Many banks are active lenders, yet choose not to hold the loans in portfolio because of interest rate risk or other factors. In addition, the sale of loans to the secondary market allows a bank to originate more loans than it could if it held all of its loans in portfolio. However, loan sales would not count in a bank's loan-to-deposit ratio. Making available long-term, fixed-rate home mortgage loans that are sold into the secondary market helps a bank meet the credit needs of its community and should be counted as a measure of the bank's lending activity.

Loans should also include mortgage-backed securities (MBSs), collateralized mortgage obligations (CMOs), and other collateralized securities that represent loans originated by the bank and sold into the secondary market. To better manage interest rate risk and capital requirements, many banks are selling their loans into a secondary market and repurchasing a collateralized security which requires a lower risk weighting for capital purposes. However,

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the bank's effort to serve its community's credit needs should not be overlooked or disregarded based on subsequent action the bank has taken to lower their interest rate risk or capital requirements.

IBAA recommends substituting a reasonableness standard for the loan-to-deposit ratio. An institution should be presumed to have a reasonable loan-to-deposit ratio if it is consistent with its local peers (an institution may not have local peers, in which case, no peer comparison should be done), local market and economic conditions. Examiners should evaluate a bank's lending performance based on the size of the bank and community, community demographics, the competition the bank faces, and regional and local economic conditions.

For example, a small bank in a metropolitan community with stiff competition may not have as high a loan-to-deposit ratio as a bank with little competition in a smaller community. Likewise, a rural bank in a depressed economic area may have a lower ratio than banks in non-depressed areas. Or a bank in a small community that recently lost its largest employer or that has a substantial percentage of retired or older residents, may have a lower ratio than similar banks in the region.

The use of a "reasonable" loan-to-deposit ratio standard should be flexible enough to consider the level of public deposits, municipal bonds, and loans sold into the secondary market. A reasonable standard would give a much more accurate view of the level of a bank's investment in its local community than using a fixed loan-to-deposit ratio.

Makes a Majority of Loans in Its Service Area

A small institution must make the majority of its loans in its service area to satisfy this criterion. There are a variety of means by which an examiner can determine if a bank is making the majority of its loans locally. For example, a bank which is required to report data under the Home Loan Mortgage Act would have its LARs report available for examiner inspection. Other acceptable methods would include examiners reviewing a sampling of loans to identify zip code, county, or local address. Whatever method is chosen, it must ensure that a documentation or reporting burden is not placed on the small bank.

IBAA is concerned that "service area" may be too narrowly defined to reflect the bank's community. (See discussion on service area, *infra*, at pp. 17-18.) We recommend that this criterion be revised to reflect the "majority of loans in its community." The final rule should clarify that small banks are not required to institute a tracking system for individual loan identification, or otherwise "geocode" their loans as proof to the examiners. Geocoding is time-consuming and burdensome for community banks. And it is in direct violation of Congressional intent. (See discussion, *supra*, at p. 6 and footnote 2.)

Has A Good Loan Mix

Evaluating whether a bank has a good loan mix and makes a variety of loans will depend on the charter and business plan of the bank, as well as on the availability of loan products from other financial service providers. An agricultural bank should be presumed to be in compliance if it offers a variety of agricultural loan products, such as real estate and production loans, FmHA loans and agri-business loans. A business bank might offer SBA-guaranteed loans to service customers who might not otherwise qualify for a loan. Likewise,

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an institution concentrating on residential real estate lending should offer products accessible to low- and moderate-income customers, such as FHA- and VA-guaranteed loans.

However, a small business bank should not be required to offer mortgage loans if there are other providers of mortgage credit in the community, and vice versa. A small bank competing in a metropolitan area where there are many other service providers should not be required to be "all things to all people" and offer a full array of loan products. The existing interagency policy statement on CRA adopted on March 30, 1989, states as much:

> The CRA was not intended to limit an institution's discretion to develop the types of products and services that it believes are best suited to its expertise and business objectives and to the needs of its particular community, as long as the institution's program is consistent with the objective of the CRA. Nor is it the purpose of this statement to establish specific lending requirements or programs for financial institutions subject to CRA.

We recommend that the final regulation include clarifying language regarding adequacy of loan mix that reflects this previously adopted statement of the agencies.

The proposel defines a good loan mix as "makes to the extent permitted by law and regulation, a variety of loans to customers across economic levels." This definition goes beyond the scope of the law. The purpose of the CRA states that "regulated financial institutions have a continuing and affirmative obligation to help meet the credit needs of the local communities in which thay are chartered." Helping to meet tha credit needs of a community does not mean that all potential borrowers will ba qualified and receive loans.

Defining a "good loan mix" as loans made across all economic levels also suggests credit allocation. Congress specifically rejected the use of credit allocation as a portion of CRA.[7] Additionally, the existing interagency policy statement on CRA clearly states that credit allocation is not the intent of CRA. The policy states, "in line with the long-standing view of the agencies thet the CRA was not intended to establish a regulatory allocation of credit, the agencies have neither requested commitment from applicants to make particular types or amounts of loans nor specified the terms of or conditions for such loans."

It appears thet the agencies are attempting to formulate a means for determining whether a bank is serving all segments of its community, including low- and moderate-income areas, by referencing "all economic levels" as part of this criterion. We do not dispute that CRA requires an institution to serve all segments of its community, but believe that the proposed criterion fails to address this requirement with the reference to serve borrowers at all economic levels. The agencies must recognize that the credit needs of qualified low/mod borrowers may not match tha other segments of the community. Serving potential borrowers at all economic levels may also require services and products other than credit products.

The examiner should consider the banker's knowledge of his/her local community and its credit needs. The benker who understands tha local community will be able to explain

[7] The Senate Banking Committee specifically "rejected the course of setting percentage targets for investments." S. Rep. 95-175, 95th Cong., 1st Sess., May 16, 1977, at 34. During the floor debate, Senator Heinz stated that the CRA "is not an attempt to allocate credit." 123 Cong. Rec. S. 9039-9119, June 7, 1977.

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why the bank offers particular products and credit services to its community and what the credit needs of the community are.

Finally, the procedures that an examiner will use to determine that an institution has a good loan mix are unknown. Will small banks be required to prepare or assemble data for examiners? What information will examiners deem necessary? What factors are considered to make tha presumption that an institution has a good loan mix? The final rule must clarify which party is responsible for assembling any pertinent information and how a bank can ensure that they will be presumed to have a good loan mix. To the extent possible, as stated in the proposal, the burden should ba on the examiner and not the bank. We recommend that examination procedures include a discussion with bank management to incorporate the bank's ascertainment of its community's credit needs. The final rule should also strike the language "across all economic levels," as the qualifier of having a good loan mix. (See discussion on HMDA distribution criterion, infra, at pp. 14-15.)

No Legitimate Complaints

The institution must not have had any legitimate, bona fide complaints from community members to satisfy this criterion. The first step for the examiner should be to determine tha validity of the complaint. This would require a subjective judgement on the part of the examiner, but it is critical that the opinion and judgement of the banker also be considered. The final rule should clarify that complaints that are resolved satisfactorily for the complainant should be considered "closed" and should not affect the CRA evaluation.

IBAA recommends that the agencies adopt complaint procedures comparable to those found in 12 CFR 227, Unfair and Deceptive Practices. Tracking this regulation, we recommend that a definition for "consumer complaint" be added to the proposed regulation as follows:

> Consumer complaint means an allegation by or on behalf of an individual, group of individuals, or other entity from the bank's community that a particular act or practice of a bank violates the Community Reinvestment Act or regulation issued pursuant thereto, or evidences the bank's failure to help meet the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with the safe and sound operation of the bank.

Complainents should be required to follow certain procedures in lodging their complaints, including:

1) The complaint must be in writing.
2) The complaint should include information describing the act or practice that is thought to violate CRA.
3) The name and address of the bank.
4) The name and address of the complainant.

Procedures should be developed for complaints filed either directly with the bank or with the agency. Within 15 business days of receipt of the complaint, the complainant should receive either a substantive response or an acknowledgement setting a reasonable time frame for a substantive response. If the agency receives the complaint, a copy should be sent to the affected bank within 10 business days. If tha bank receives the complaint, it should place the correspondence in its file for review by the examiners during the

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examination. Once the complaint is satisfactorily resolved, the correspondence should be removed from the public file. (See discussion on public file, infra, at p. 25.)

Complaints about technical, nonsubstantive violations, such as a failure to include a required item in the public file or failure to post a CRA notice in a branch, should not affect the CRA evaluation. Only complaints from customers or community members residing within a bank's service area should be considered legitimate. Any complaints filed by individuals or organizations that do not reside in the bank's service area should not be considered legitimate. Without firsthand knowledge of the bank or its community, an out-of-area complaint would result in little more than the bank being held to a standard based on hearsay. Complaints should not be automatically disqualified or considered non-legitimate by either the bank or the agency if a local consumer relies upon a nonlocal organization to help make their complaint.

Of particular concern to small institutions is the possibility that large advocacy groups with agendas not related to the local community or the local bank will involve themselves in a local complaint as a means to focus attention. Small banks do not have the resources to handle such "manufactured" complaints. If the agencies choose not to prohibit complaints from out-of-area individuals or organizations, then it is critical that special procedures be developed to handle these types of complaints. To do otherwise would create a situation where small banks could be held hostage by a large advocacy campaign to "make an example."

No Evidence of Discriminatory Practices

This criterion requires that an institution must not have engaged in a pattern or practice of illegal discrimination that it has not fully corrected; and has not committed isolated acts of illegal discrimination, of which it has knowledge, that it has not fully corrected, or is not in the process of correcting fully.

The IBAA supports fair lending and believes that the industry and the agencies must take the necessary steps to eliminate illegal discrimination. However, the IBAA strongly opposes evaluating and rating a bank based on an isolated instance of discrimination. Such a narrow test is inherently unfair and sets up a scenario where almost any institution in the country could be guilty at some time of lending discrimination. Judging compliance on an isolated instance fails to prove intent. IBAA recognizes that the aggrieved party in an isolated instance is entitled to pursue action against the bank, but individual action provides no justification for the agencies to take action under CRA against a bank that has not condoned, promoted, or possibly been aware of the illegal discrimination.

Reviewing the legislative history of CRA, it is clear that Congress neither intended nor envisioned CRA as fair lending legislation. At the time of its passage, there was considerable debate about the goal of CRA. But most legislators agreed that the focus of the legislation was on the problem of depository institutions shipping funds outside the areas in which the funds were obtained. The focus of CRA was on communities, not on race, ethnicity, gender, or other protected classes.[8]

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[8] Macey, Jonathan R. and Miller, Geoffrey P., "The Community Reinvestment Act: An Economic Analysis," Virginia Law Review, Vol. 79, pp. 291, 299.

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Over time, fair lending examination procedures have been incorporated as part of the CRA examination. The current CRA evaluates banks for their compliance with antidiscrimination and other related credit laws. This assessment considers actions by institutions, including efforts to avoid doing business in particular areas or illegal prescreening. The evaluation process considers two assessment factors:

D Any practices intended to discourage applications for types of credit set forth in the institution's CRA statement(s).

F Evidence of prohibited discriminatory or other illegal credit practices.

Under the current system, a bank can receive a "needs to improve" or "substantial noncompliance" rating if it fails to accept applications from all segments of its local community; policies and procedures are inadequate; the board of directors and senior management are uninvolved; and, the institution is in violation of tha Equal Credit Opportunity Act, tha Fair Housing Act, the Home Mortgage Disclosure Act or other regulations related to discrimination.

The current system provides for a rigorous review and recognizes that banks guilty of discrimination cannot effectively be serving their entire community. IBAA recommends that the focus in the revised CRA rules incorporate the same balance. Creating a new standard that requires banks to be downgraded for isolated acts establishes a standard that is impossible to meet satisfactorily and is bad public policy. Furthermore, the IBAA requests that the agencies define what is meant by "fully corrected" and "has knowledge of" to ensure banks can develop the appropriate policies and procedures.

HMDA Reporting Banks Have Reasonable Distribution of Such Loans

This criterion requires HMDA reporting banks to have a reasonable geographic distribution of the reported loans. IBAA strongly opposes this criterion, which is tantamount to credit allocation. There is absolutely no statutory basis for this criterion in either HMDA or CRA. In fact, a reading of the purposes of the HMDA statute reveals quite the contrary. The purpose of HMDA is "to provide the citizens and public officials of the United States with sufficient information to determine whether depository institutions are filling their obligations to serve the housing needs of the communities and neighborhoods in which they are located..."[9] Congress also stated thet "nothing in this title is intended to, nor shall it be construed to, encourage unsound lending practice or the allocation of credit."[10] Therefore, to evaluate banks based on a "reasonable geographic distribution of HMDA loans" implicitly suggests that loans should be distributed across all census tracts in the service area, regardless if this is consistent with safety and soundness or consumer demand.

The interagency policy statement on Analyses of Geographic Distribution of Lending adopted December 6, 1991, stated that HMDA "data should be seen as reliable by the institution that carefully collects and reports it, and [the HMDA data] can be used without change to reach some conclusions about the demographic impact of the geographic lending

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[9] 12 USC 2801 et seq; 89 Stat. 1125; Pub. L. 94-200, Title III, (hereinafter, "HMDA"), Section 302(b).

[10] HMDA, Section 302(c).

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patterns of the institution's housing related loans." No mention is made in that statement about having a "reasonable" distribution of HMDA loans or what type of distribution could be considered reasonable.

HMDA data is a starting point for analyzing a bank's lending, not an ending point. Without looking at other factors involved in a bank's lending, no determination can be made regarding whether the distribution of HMDA loans is reasonable. The HMDA data have significant limitations, including the lack of information about factors important in assessing tha creditworthiness of applicants and the adequacy of collateral offered as security on loans.[11] Without this information, determining if lending patterns are reasonable or if applicants have been treated fairly is not possible.[12]

There have been numerous discussions on the uses of HMDA data and the limitations of such data. The proceeding of a Fannie Mae Research Roundtable on HMDA Data and Mortgage Market Discrimination Research, held December 9, 1992, described many of the problems associated with HMDA data. Fannie Mae's Office of Housing Research found that instances of redlining and discrimination of mortgage applicants on the basis of race or national origin can be suggested but not proven by the HMDA data.[13]

To require as part of CRA that lenders have a "reasonable geographic" distribution of HMDA loans goes beyond the capabilities of this limited data. IBAA recommends that this criterion be rewritten to focus on "analyzing the distribution of HMDA-related loans."

Failure to Meet Ona or More of the Six Criteria

If a small bank fails to meet or exceed all of the six standards for a satisfactory rating, it is not presumed to be performing in a less than satisfactory manner, according to the proposed rule. Rather, the agency will conduct a "more extensive examination of the bank's loan-to-deposit ratio, its record of lending to its local community, and its loan mix." Members of the community may be contacted and the most recent fair lending examination will be reviewed. A bank may also request that the agency take into account its investment and service record.

IBAA requests thet the agencies provide more clarity in the final rule about the nature and extent of the "more extensive examination." Community bankers are concerned about what data and other information they may be called on to provide in the more extensive exam. They are concerned that, if the extent of documentation required is of a similar nature and degree to thet required under current examination practices, than there will be little, if any, reduction in the paperwork burden. Banks will have to maintain the documentation that they currently assemble "just in case" the examiners decide to conduct a more extensive examination.

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[11] Canner, Glenn B., " Expanded HMDA Data on Residential Lending: One Year Later," Federal Reserve Bulletin, October 28, 1992, p. 801.

[12] Ibid.

[13] "Proceedings: HMDA Data and Mortgage Market Discrimination Research," James H. Carr and Isaac F. Megbolugbe, Fannie Mae Roundtable Series, December 9, 1992, p. 8.

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In addition, how contact with community members will be made is unclear. In small towns, such contacts could be disruptive and raise the specter of nonexistent problems. Bank management should be given the opportunity to suggest potential contacts and make reasonable objections to any contacts proposed by the examiner.

IBAA requests that the requirements for the more extensive exam be stated definitively in the final rule and make clear that the examination burden should remain with the examiner to the greatest extent possible. Some of the detail necessary to explain these procedures could appropriately be placed in an official commentary, provided the commentary is released before banks are required to comply with the new rules. (See discussion on Official Commentary, infra, at p. 29.)

ENFORCEMENT AUTHORITY

According to the proposal, the agencies intend to use the full complement of enforcement authority granted by Section 8 of the FDI Act (12 USC Section 1818), including the levying of civil money penalties, against banks that receive a composite CRA rating of "substantial noncompliance." The IBAA strongly opposes this and does not believe that it is appropriate to include this enforcement provision in tha final rule for several reasons. We request that it be deleted.

Legal Authority

First and foremost, tha enforcement provision of the proposal is beyond the scope of the agencies' legal authority. The CRA statute provides only one specific regulatory sanction for a poor CRA record--the agency may condition or deny an application for a deposit facility by the bank.[14] No other regulatory enforcement mechanisms are authorized by the CRA statute.[15]

The legislative history supports this view. When the Senate bill that became the CRA was debated on the Senate floor, Senator Richard Lugar of the Banking Committee noted that the sanctions offered were that "the institution would have some difficulty extending its facilities, no more and no less than that."[16]

Under Section 8 of the FDI Act, the agencies have general authority to use regulatory enforcement sanctions whenever an institution is "engaged in an unsafe or unsound practice" or is "violating a law, rule or regulation." Section 8 of the FDI Act contains only general regulatory enforcement authority. Under well-settled principles of statutory construction, the specific enforcement sanction of the CRA statute controls over tha general authority of Section 8.

Even applying Section 8, however, a "substantial noncompliance" rating for CRA performance does not constitute an "unsafe or unsound practice," nor is it a "violation of law

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[14] CRA, Section 804(2).

[15] The statute does contemplate one other "enforcement" mechanism using the court of public opinion: the public disclosure of an institution's CRA rating and written evaluation. CRA, Section 807.

[16] 123 Cong. Rec. S. 8961, June 6, 1977.

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or regulation." The CRA statute does not require an institution to maintain a satisfactory CRA rating or any particular level of performance. The crux of the statute is that the "agency shall assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with the safe and sound operation of the institution" and that the agency shall "take such record into account in its evaluation of an application for a deposit facility"[17] (emphasis added). Receipt of a less than satisfactory CRA rating does not constitute violation of a law or regulation. Accordingly, Section 8 enforcement sanctions do not apply.

The statute does direct the agencies to publish "regulations to carry out the purpose of the title" (Section 806). The purpose of CRA, as stated in Section 802(b) of the Act, is to require the agencies to use their examination authority "to encourage institutions to help meet the credit needs of the local communities in which they are chartered..."[18] The statute does not say that the agencies can force institutions to achieve a certain level of performance.

Use of the Section 8 enforcement powers is also inappropriate because CRA evaluation is such a subjective process. Severe penalties for subjective findings of failure are inherently unfair.

IBAA does not dispute that the agencies have authority to use the full range of enforcement sanctions against banks that violate anti-discrimination laws (which are adverse factors in the CRA performance record). But this enforcement authority is derived from those laws (e.g., Equal Credit Opportunity Act, Fair Housing Act), not CRA.

The current CRA Questions and Answers adopted by the FFIEC recognize the appropriate sanctions that are available to the agencies under CRA. The answer to Question 29 states that the agencies can deny a corporate application for poor CRA performance; they can use enforcement powers to ensure compliance with the requirements of the regulation (currently, preparation of a CRA Statement, maintenance of a public comment file, and posting of a CRA Notice); and they can use enforcement powers to ensure compliance with antidiscrimination and fair lending laws. This is appropriate, since there are objective ways to determine a bank's compliance with these requirements. This is not true of CRA ratings themselves.

Incentive vs. Sanction

Use of enforcement sanctions is inconsistent with the statutory intent for the agencies to encourage institutions to help meet local credit needs. In our opinion, a better way to encourage CRA compliance, and one that is more consistent with statutory authority, is to use positive incentives--the carrot rather than the stick. Such incentives could include rewards for an "outstanding" rating, such as reduced examination requirements, less frequent exams, and insulation from protest of an application.

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[17] CRA, Section 804.

[18] Moreover, the purposes of the CRA and the findings of Congress as stated in the statute do not provide authority for the agencies' enforcement powers, since it is well-settled that purposes and findings clauses do not have the force of law.

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SERVICE AREA

The proposed rule defines service area as the geographic areas surrounding each office or group of offices in which a retail institution (including a small institution) makes most of its direct reportable loans. A rebuttable presumption would exist that the institution's service area is acceptable if it is broad enough to include low- and moderate-income areas, and does not arbitrarily exclude low- and moderate-income areas. Reportable loans means home mortgage loans, consumer loans (closed-end only), and loans to small businesses (businesses with gross receipts of up to $10 million or up to 500 employees) and small farms (annual gross receipts of less than $500,000).

In enacting CRA, Congress found that:

1) regulated financial institutions are required by law to demonstrate that their deposit facilities serve tha convenience and needs of the communities in which thay are chartered to do business;

2) tha convenience and needs of communities include the need for credit services as well as deposit services;

3) regulated financial institutions have a continuing and affirmative obligation to halp meet the credit needs of the local communities in which they are chertered.[19] (emphasis added)

IBAA believes that the "service area" proposed in tha regulation is a much narrower area than Congress intended for CRA. The focus on "service area" rather than "community" is troublesome. Compounding the problem is the focus on only "direct" "reportable" loans made within an area around the office or group of offices. This definition not only fails to consider deposit services, it totally excludes other types of lending, indirect or nonreportable loans, in which an institution may engage for the purpose of satisfying its community credit needs.

The proposal suggests that certain types of "reportable" loans warrant CRA credit, while other nonreportable loans do not. The legislative history for CRA does not support disregarding nonreportable loans. The issue is whether thase nonreportable loans are serving a credit need of the bank's community.

Using the service area definition could unnecessarily constrain a bank's ability to serve the credit needs of its local community. The statute requires the agencies to assess an institution's record "of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods..."[20] (emphasis added). Again, Congress intended for the agencies to look at the entire community, not an artificially drawn service area based on "reportable" lending activities.

The term "community" is not defined by the statute except for those financial institutions serving primarily military personnel where "entire community" may be defined to include their entire deposit customer basa without regard to geographic proximity. As stated

[19] CRA, Section 802.

[20] CRA, Section 804(1).

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in tha findings clause, financial institutions are required to serve the credit needs as well as the deposit needs. We believe that it is reasonable to conclude that the proposed service area dafinition is not an acceptable basis upon which to evaluate a bank's CRA performance.

The current regulation requires a bank to delineate the local community or communities that it serves. The interagency guidelines suggest two methods for making this delineation. First, the institution can consider using widely recognized existing boundaries such as Matropolitan Statistical Areas (MSAs) or counties. The agencies have noted that such boundaries are "frequently a reasonable approximation of an institution's community."[21] The second guideline states thet an institution may use its effective lending territory--that area or areas around each office or group of offices where the lender makes a substantial portion of its loans.

The overriding concern of correctly delineating the local community "is to ensure that low- and moderate-income neighborhoods are not arbitrarily excluded from the delineated area." As drafted, the proposed test could cause such areas of a bank's community to be arbitrarily excluded, either because it is an area in which an institution does not make most of its loans or the loans are either indirect or nonreportable.

IBAA recommends that the agencies rewrite the definition of service area, broadening it to ensure that it reflects the entire community that the bank serves and giving consideration to all lending activity. To satisfy tha Congressionsl intent that deposits drawn from the local community be used to meet the credit needs of that community, tha service area must also consider where the institution draws its deposits and how this relates to its landing.

Multiple Service Areas

IBAA concurs that an institution's CRA rating should reflect its performance in all of the local communities in which it is doing business. As recommended above, it is critical that tha dafinition of service area be broadened to reflect tha entire community or communities that an institution serves. While we recognize that larger institutions will have multiple service areas, we want to emphasize our concern that rural areas not be blended with urban service areas. In addition, it is understandable that the regulators will not be able to examine, es part of each CRA examination, every service area of a large bank. We believe this gives a tremendous advantage to larger institutions, particularly those compating against small, stand-alone benks.

Even with the streamlined examination, smaller banks will receive an annual (or possibly 18-month) examination, while their competitor across tha street may never be "sampled." Therefore, IBAA requests that tha agencies establish an examination schedule for a large bank's multiple service areas that reflects a sampling of both urban and rural areas, and provides for all of en institution's service areas to be examined within a 3-to-5-year period. Otherwise, it is conceivable that, with random sampling, some service areas may never be examined. Those service areas that receive "needs to improve" or "substantial noncompliance" retings should be reexamined as part of the next examination cycle in addition to tha new sampling.

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[21] FFIEC Interagency Policy Statement "Community Reinvestment Act," June 17, 1992, p. 3.

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LENDING TEST

As proposed, large banks will be evaluated on the basis of their performance under three tests: the lending test, the investment test and the service test. The lending test will form the primary basis for the composite rating of a retail bank.

IBAA has serious concerns about the lending test which, in our opinion, render it unworkable. In particular, the market share portion of the lending test is likely to lead to contradictory conclusions and misplaced incentives for banks that could undermine safety and soundness. The market share test is an artificial, arbitrary and unworkable measure of a bank's performance. In many cases, it is not likely to lead to an accurate and valid conclusion about tha bank's CRA performance. In addition, the lending test could be criticized as forcing credit allocation--something, as discussed previously, the Congress clearly did not intend.

The GAO noted that the proposed market share test will not be meaningful when financial institutions (1) do not have low- or moderate-income areas in their service area, (2) are the only reporting institution in the market or are located in markets where the nonreporters comprise a significant share of the market, and (3) have service areas that only partially overlap with other financial institutions' areas.[22] We concur with this GAO assessment and believe that these problems render the market share test meaningless.

Competition for Ratings

As delineated in tha proposal, tha market share test is structured so that institutions are in direct competition with each other for outstanding CRA ratings. To achieve an outstanding rating, a bank's market share of reportable loans in low- and moderate-income ("low/mod") areas must significantly exceed its market share in the other parts of its service area. A satisfactory rating requires roughly comperable market shares in the two areas. This means thet, in order for one bank to receive an outstanding rating, another bank must receive a below satisfactory rating, regardless of its CRA efforts or performance.

IBAA believes it is inappropriate to treat CRA performance as a zero-sum game or to grade institutions on a bell curve where it is impossible for all banks to achieve satisfactory performance. This is especially unfair when the agencies are proposing to impose the full range of enforcement sanctions on benks that do not achieve satisfactory ratings.

We also note that es a practical matter, under certain circumstances, it might be impossible for an institution to receive an "outstanding" rating, let alona a "satisfactory" rating, under the proposed test. The South Shore Bank in Chicago is often cited as a bank with an impressive community development record. In that community, a competing bank would find it almost impossible to garner a comparable market share to do well under the lending test. Similarly, when there is significant competition in a community it is much more difficult to generate market share than when thare is little compatition. The test fails to take this into consideration.

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[22] GAO Letter, p. 8.

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Safety and Soundness Concerns

The lending test has potentially negative implications for banks' safety and soundness and creates unwise incentives for banks. To wrest market share from each other, banks may engage in predatory, or below cost, pricing as they all attempt to chase the finite number of available safe and sound loans in low/mod areas. Or banks may lower their credit underwriting standards to levels that threaten safety and soundness in order to make loans in the low/mod areas.

The CRA statute specifically states that the agencies are to encourage banks to help meet the credit needs of their local communities, "consistent with the safe and sound operation of such institutions" and that the agencies are to assess a bank's record in this regard, "consistent with the safe and sound operation of such institution."[23] The lending test is not consistsnt with safe and sound operations.

Effect on Niche Lenders

The lending test could also lead large banks to "buy" good business away from banks and other lenders that have long focused their efforts on otherwise underserved communities. For example, minority banks may face withering competition from large institutions that will make loans simply to get a good CRA rating. Carefully thought-out community development plans could be disrupted by these efforts to gain market share at any price.

Artificial Markets

The market share test only measures loan activity of CRA-reporting lenders, namely banks and thrifts over $250 million in size. By excluding the loan activity of non-CRA-reporting lenders, the market share test fails to actually measure the true loan market and the true competition among loan providers. This will lead to anomalous results and incorrect conclusions in many markets where non-CRA-reporting lenders have significant market share. Most, if not all, markets will be affected.

The vast majority of urban and suburban markets are likely to have non-bank lenders with significant market share. Many rural markets are likely to heve both non-bank lenders and small benk lenders with significant market share. If these non-CRA-reporting lenders do not have "roughly comparable" market shares in both high-income and low/mod income areas, results for the CRA-reporting lenders will not accurately reflect their true market shares.

The lending test also establishes artificial markets because it only measures the loan activity of certain "reportable loans." Several significant types of lending that can be very important and beneficial to low- and moderate-income households are excluded from the definition of "reportable loans." Notably, automobile loans and credit card loans are excluded even though they may constitute a very significant pert of the credit needs of the community, particularly for low- and moderate-income borrowers. For example, an automobile loan may be of paramount significance to a low-income borrower who resides in a rural area where there is no public transportation and needs a car to get to work.

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[23] CRA, Sections 802(b) and 804(1).

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Evaluation of a bank's CRA performance based on "reportable loans" also has implications for credit allocation, because it will encourage a bank to make certain "reportable loans" at the expense of other loans that may be needed by the community as well.

Inability to Monitor Performance

Another problem with the market share test is that since it relies on comparing one bank's performance with others', the bank will be unable to monitor its progress during a reporting period. Since this is likely to increase, rather than reduce, uncertainty about how a bank's CRA performance will be rated, it is contrary to one of the goals of the CRA reform effort.

In addition, as the GAO noted, markets are constantly changing so that the number of competing institutions within an institution's market and each institution's market share will likely change from year to year.[24] This will make it impossible to make any meaningful annual comparisons of lending activity.

Special Problems for Rural Areas

The lending test will present particular problems in rural areas. In these areas, geographic location is not a reliable indicator of economic status. In rural markets, high-, moderate- and low-income households can vary on a house-by-house basis and can be relatively well-dispersed across the census tracts or block numbering areas ("geographies") in a bank's market. As a result, only one or a few geographies may be characterized as low/mod. Heightened scrutiny of these geographies would not constitute a meaningful evaluation of a bank's CRA performance.

As an example, one community banker reported that, out of a market area containing 12,000 individuals and five block numbering areas, only one area with 450 people would be defined as low/mod. In terms of absolute numbers, there are far greater numbers of low/mod income individuals in the rest of tha bank's market area, yet the bank's entire CRA performance rating would hinge on its service to 450 people comprising 4 percent of the total population of its market.[25]

Failure to Address the Quality of a Bank's CRA Performance

The lending test's principal emphasis is on quantity--the number of loans and dollar volume of loans made. This emphasis ignores much of the time- and labor-intensive efforts that banks make to facilitate lending to targeted or lower-income borrowers, such as borrower counseling or home buyer seminars and other outreach programs to reach underserved communities. Likewise, a community development project financed by a bank may take a disproportionate amount of time and effort to bring to fruition, relative to the dollars loaned out. A bank may also make loans available to its community by facilitating lending by third parties through conduits such as the IBAA Mortgage Corporation, or available government and state programs.

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[24] GAO Letter, p. 9.

[25] Although less than $250 million in assets, this bank is subject to the lending test because it is owned by a holding company that owns two additional small banks in other communities. The holding company has aggregate assets exceeding $250 million.

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All of these activities contribute greatly to the quality of a bank's service to its community. A bank should be encouraged to undertake these efforts as well and should receive CRA "credit" for these activities. It appears that some of these activities are intended to be reflected and given credit in the investment and service tests. However, it is the lending test that forms the basis for the composite rating. The investment test only affects the final rating positively if the investment rating is outstanding or high satisfactory. The service test only affects the final rating if the service rating is outstanding. Therefore, investment and service activities for banks that receive satisfactory ratings under these categories essentially are given no credit at all. The final CRA rule must be revised to make clear that these types of activities will be reflected in a bank's CRA rating on an equitable basis.

Recommendation

In IBAA's opinion, the shortcomings of the lending test are so severe that the test should be totally reworked to accommodate these concerns.

INVESTMENT TEST

The investment test would consider investment in community and economic development activities. Banks would be evaluated on the amount of assets devoted to qualified investments, compared to their risk-based capital. Assessing investment performance against risk-based capital would penalize well-capitalized banks that would have to maintain higher levels of investments to achieve satisfactory ratings than their less-capitalized counterparts. Congress and the agencies have spent considerable time and effort in the past few years encouraging banks to increase their capital levels as insurance against bank failures. Many regulations give favorable treatment to banks with higher capital ratios. In IBAA's opinion, total assets would be a more equitable and appropriate base against which to measure a bank's commitment to CRA investments.

SERVICE TEST

The service test would evaluate retail banks primarily based on the percentage of branches that are located in or are readily accessible to low/mod areas in its service area. Consideration will be given to the limitations faced by banks with a small number of branches and whether the bank provides other services that promote credit availability. The service test is where banks will receive credit for activities such as credit, borrower or small business counseling; home buyer seminars; and low-cost deposit or check-cashing services.

However, because the lending test forms the basis for a large bank's composite rating, and because the six criteria form the basis for a small bank's rating, activities undertaken pursuant to the service test may not receive the degree of credit that they deserve. In fact, as mentioned above in the discussion of the lending test, these activities may not receive any credit if a bank is "merely" satisfactory, because the service test only affects the composite rating if it is outstanding. Many of these services are essential in order to increase the level of lending in a community. It may take time before the results of these efforts are reflected in hard and fast numbers as actual loans. Banks should receive credit for these activities on an equitable basis with activities measured under the lending test.

Under the proposal, in a densely populated area a branch would be considered readily accessible if it was "in easy walking distance." In less populated areas, a branch would

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generally be considered readily accessible if it was in "easy or normal driving distance." The IBAA objects to these qualifiers to define readily accessible. Depending on the area of the country, these terms could be interpreted with a wide variation. For example, in Western states an "easy" drive could be a distance of 40-50 miles. At same time, in New York City, "easy" walking distance is a matter of opinion. "Easy" is a very subjective term and subject to wide interpretations.

More and more financial institutions are looking for alternatives to brick and mortar branches to deliver financial services to their communities more cost-effectively and efficiently. The goal is reasonable access for all customers to these services. IBAA recommends that this test focus on the provision of financial services to all parts of a bank's community.

STRATEGIC PLAN

Under the proposal, any institution, as an alternative to being rated under the small bank assessment method or the lending, service and investment tests, could elect to submit for agency approval a CRA plan with measurable goals against which its subsequent performance would be assessed. The plan would be required to be publicly disclosed and subject to public comment before approval. If the agency approved the plan, it would assess the institution's performance to determine if the institution met or exceeded the plan's goals. If the institution failed to meet or exceed the preponderance of the measurable goals set forth in the plan, the institution's performance would be evaluated under the other applicable tests.

The IBAA believes that institutions should have the option to be assessed under the strategic plan. We believe that the strategic plan could place a tremendous documentation and paperwork burden on small banks. Therefore, we are unalterably opposed to mandating that a bank prepare a strategic plan.

Many aspects of the strategic plan option require clarification. What are "measurable" goals? If these goals are specific lending targets in specific areas, how can the agencies be assured that the credit needs of the entire community are being served? Measurable goals also suggests the possibility of credit allocation. How can the agencies prevent this from occurring?

Banks will be evaluated based on whether they meet or exceed the plan goals. How will the agencies factor in extraordinary occurrences in a community? For example, if a principal employer of the area closes, increasing unemployment, and the bank fails to meet its lending goals as a result, does it fail its plan? The agencies stated that amendments to a plan will be considered on the grounds that a material change in circumstances has made the plan no longer appropriate. Would the loss of a large employer require the bank to file an amendment, even if it is uncertain about the impact on its goals? Is failure to file an amendment a violation of the plan?

How can a bank exceed its goals? Would it be possible for banks to "game" the system and put together a plan that appears difficult, but in reality, will be quite easy to exceed? For example, in recent years, many large bank mergers have been accompanied by announcements of "large" CRA investments over a specified time period. Upon closer analysis, most of these CRA commitments represent a small fraction of the bank's total lending activity; however, the number or amount sounded good.

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Plans require banks to solicit public comment. What happens if no group comments? Conversely, what happens if a nonlocal organization offers comments that the institution believes are not pertinent to its community? Can nonlocal comments be disregarded? Under what circumstances can an institution disregard local comments?

How will the agencies determine that a plan is adequate? What measure will the agencies use to determine thet the plan is the best way for the institution to meet the credit needs of its entire community?

Most community banks have indicated that they have little interest in the strategic plan option. However, if this is to remain an option, we strongly believe that the agencies need to be more explicit about the requirements for a strategic plan.

PUBLIC FILE, DOCUMENTATION AND DISCLOSURE

According to the proposal, an institution would have to make available for public inspection a file with all signed, written comments from the public received over the last two years; its performance data for that period; maps of its service areas and lists of census tracts or block numbering areas that make up each service area; and a copy of the public section of the most recent CRA performance evaluation.

The IBAA requests that the agencies clarify that banks do not need to keep in the file the correspondence related to any written complaints that have been satisfactorily resolved for the consumer. Since small banks are not subject to the data collection requirements and yet could be located in an MSA, IBAA requests that the agencies clarify that these institutions need maintain only the maps of their service areas and not the accompanying census tract data or block numbering area data.

The proposal also requires a small bank to include in the public file its loan-to-deposit ratio computed at the end of the most recent calendar year. A year-end snapshot is not necessarily a reliable indicator of a bank's loan-to-deposit ratio. Particularly for agricultural banks, the loan-to-deposit ratio is seasonal and will fluctuate significantly (as much as 20 percentage points or more) during the course of the year. IBAA recommends that the requirement to include the year-end loan-to-deposit ratio in tha public file be deleted.

IBAA also requests that the agencies delete the requirement for a bank with a less then satisfactory rating to include in its public file a description of current efforts to improve its performance. We object to this requirement because it compromises confidentiality. A bank's plan to improve its CRA performance could contain confidential information about its strategic business planning that should not be available to the public.

PUBLICATION OF EXAMINATION SCHEDULE AND PUBLIC COMMENTS

The agencies propose to publish a list of benks which are scheduled to undergo CRA exams in the next calendar quarter. Members of the public would be invited to submit comments to the agencies regarding the CRA performance of banks on the list. Comments received prior to the exam would be taken into consideration during tha exam. IBAA requests that the final rule be amended to clarify that only partinent comments related to the specific institution under examination and received from members of tha bank's own community be considered during the exam.

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As is the case with "legitimate, bone fide complaints," small institutions are concerned that large advocacy groups with agendas not related to the local community or the local bank will file comments in order to hold a small bank hostage to the CRA process and try to "make an example" of the bank as part of a large advocacy organization's CRA campaign. (See discussion, supra, at p. 13.)

COMPOSITE RATINGS

Tha assessment criteria include terms like "roughly comparable," "substantial," "significant," "very significant," "most," "few," etc. IBAA recognizes that, in using words of this nature, the agencies have attempted to balance the need for flexibility against tha desire for certainty and consistency in examinations. We oppose the imposition of fixed ratios. However, to avoid inconsistent application and to ensure fair and reasonable application of thase terms, the agencies have a responsibility to ensure that examiners receive comprehensive guidance and training and that bankers understand what is necessary to achieve a specific rating.

Outstanding Ratings for Small Banks

The proposal is vague about how a small bank electing the small benk assessment method can achieve an outstanding rating. The agencies must apply criteria for an outstanding rating so that it is an achievable goal. In assessing whether to assign en outstanding rating for a small bank, the proposel states that, at the bank's option, the agencies will take into account its record of making qualified investments and providing services that enhance credit availability or meet tha needs of low- and moderate-income persons. Flexibility to consider the full range of activities that can enhance credit availability and promote community development is paramount in order to avoid a presumption that small benks which meet the six tests are "merely" satisfactory.

All of the activities that we racommend be given appropriate credit in the lending, investment and service tests for large banks should also be given credit for banks that elect the small benk assessment method (e.g., time- or labor-intensive efforts to facilitate lending to targeted or lower-income borrowers or to community development projects; credit, borrower or small business counseling; home buyer seminars; low-cost deposit or check-cashing services). (See discussion, supra, at pp. 22-23.)

Downgrading to Substantial Noncompliance

The agencies propose to automatically downgrade to "substantial noncompliance" a bank that would otherwise be rated "needs to improve" if the benk has received ratings of "needs to improve" on its two previous examinations. IBAA opposas this because it is a rigid, inflexible provision thet fails to take eccount of tha individual circumstances of the benk. If the bank has been making a good faith effort to improve its performance, but has not yet been able to achieve tha satisfactory level, it should not be penalized and essentially given a lower rating than it deserves. Arbitrarily downgreding benks in this manner is especially objectionable if a "substantial noncompliance" rating carries the potential for enforcement sanctions, as is proposed.

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DATA COLLECTION AND REPORTING

The agencies have proposed significant new data collection requirements. Banks that do not elect the small bank assessment method would be required to collect and report data on the geographic distribution of their home mortgage, consumer, small business (including small farm) loan written applications, denials, originations and purchases. The IBAA strongly opposes this data collection requirement. There is no statutory basis for this requirement. In fact, the contrary is true. Congress has considered, and rejected several times, small business reporting requirements of this nature. As part of the FDIC Improvement Act (FDICIA), Congress imposed new reporting requirements for small business and small farm loans as part of the Call Report. The extent of the data collection envisioned by this proposal goes beyond that required for the Call Report and would be incredibly burdensome and costly, greatly offsetting any perceived benefit.

Broadening of HMDA Data Collection

The proposal states that institutions not now covered by HMDA would have to collect and report the summary home mortgage data required under the new rule. In essence, the agencies are nullifying tha statutory exemption from HMDA by regulatory fiat. The IBAA strongly opposes this extension of the HMDA reporting and the associated burden it will impose primarily on small banks.

TRANSITION PERIOD

The proposel provides that the data collection and reporting requirements shall take effect July 1, 1994, for all institutions that are required under the regulation to collect and report data. Data collected from July 1, 1994, though December 31, 1994, would be required to be reported to the agencies no later than January 31, 1995.

The IBAA opposes this time frame for the data collection. It is unrealistic to expect institutions to be able to assemble the new data and prepare the appropriate reports in the allotted time frame. At a minimum, the agencies should provide a transition period of six months from the adoption and publication of the final rule for banks to begin to collect the data. In addition, banks should have until March 1 to report tha previous year's data to the agencies. This date is consistent with the March 1 filing date for HMDA pursuant to Section 203.5(a). It is unrealistic to expect banks to file these reports by January 31 in addition to the numerous other year-end reports institutions are required to file. There is no justification for this additional burdan.

The proposal states that evaluations based upon the new assessment standards could begin by April 1, 1995. The IBAA believes that this time frame is unrealistically short. Banks should be evaluated under tha new program beginning at least six months after tha publication of the final rule and tha completion of the examiner training. It is critical that the effective dates be linked to the completion of the examiner training. To do otherwise could cause banks to be evaluated by examiners who are not knowledgeable on how to assess a bank under the new rules.

IBAA recommends that tha agencies provide for an adequate transition period for implementation of both tha new examinations and reporting requirements. IBAA requests that, at a minimum, there be at least a six-month transition period from the adoption and

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publication of the final rule and the completion of examiner training prior to applying the new rules to the industry.

EXAMINER TRAINING

Examiner training will be critical to the successful implementation of this revised rule. Under the new rule, examiners will be required to exercise a considerable amount of discretion and judgement. To do this effectively and judiciously, IBAA believes that a significant amount of training is required.

Consistent and appropriate implementation of CRA depends on how examiners apply the standards they have been given to work with when they come into the bank. And in order to apply the standards appropriately, examiners must receive proper training.

In particular, the proposal states that, for streamlined examination, "the burden of the examinations will be shifted largely from the banks being examined to the examiners." For this burden shift to take place, examiners will need to be trained on how to conduct these examinations without shifting that burden back to the banks. This is critical if the proposal is to realize the goal of reducing burden on small banks.

The agencies must also take steps to reconcile the conflict that develops between CRA exams and safety and soundness exams. Too often bankers make what they believe are good "CRA loans" (which, in fact, may be favorably cited in a CRA exam) only to have the safety and soundness examiner later classify the loans. Examiners must be "cross-trained" in compliance and safety and soundness in order to minimize this situation.

We recognize that evaluation of CRA performance requires examiner judgement. This is necessary so that examiners can take adequate account of the differences among communities and the banks that serve them. However, in a review of the proposal, the GAO noted that there are numerous areas in the proposed regulations where examiners will be required to use discretion to determine an institution's performance. The GAO concluded that, in addition to the need for specific guidance "on how and under what circumstances examiner discretion will be used," "comprehensive training programs for all examiners will be important to emphasize the guidelines for using discretion."[28]

IBAA requests that all examiners receive comprehensive training on the new CRA rules prior to their imposition on the banking industry.

EXAMINATION GUIDELINES

The IBAA requests that the agencies, jointly or independently, publish for public comment the examination procedures that will be used to implement the revised CRA rule. We recognize that seeking public comment on examination procedures is not a standard agency practice; however, the magnitude of change proposed by the revised CRA rules warrants a departure from usual and customary procedures.

To avoid any unintended consequences from these new standards, and to ensure that small banks face no additional documentation burdens, the agencies need to take every step to ensure that the banking industry and examiners are fully aware of how the CRA rule will

[28] GAO Letter, p. 10.

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be implemented. Further, by providing the industry the opportunity to comment on the examination procedures, the agencies have a better chance of ensuring that the rule is implemented in the correct manner.

APPEALS PROCESS

The IBAA believes that an effective appeals process is very important to the successful implementation of the revised CRA rule. In general, community bankers are dissatisfied with the current appeals process. Most bankers are unsure how to pursue an appeal, while others have expressed concern about the lack of objective decision-makers in the process.

We offer the following recommendations to help implement an effective and fair appeals process for the revised CRA rule. Most importantly, the appeals process should provide a definitive course of action for institutions to appeal a CRA rating without resort to courts and without fear of retribution from examiners or the agencies. Bankers should know that a process exists allowing them to dispute an examination conclusion. For example, an ombudsman specializing in CRA matters could be an effective solution.

OFFICIAL COMMENTARY

The IBAA strongly recommends that the agencies create a commentary to this regulation. As the agencies have done with other complicated regulations, we believe that a commentary would provide an ideal vehicle for the agencies to issue official staff interpretations of the regulation. Good faith compliance with the commentary should afford institutions protection from enforcement actions.

MISCELLANEOUS

Basis for Assessment

The preamble to the proposal states that the emphasis of the CRA assessment should be on "evaluating each institution's record in light of its business strategy and community." It also states that "the regulations would not require institutions to offer specific loan products, to make specific loans or investments or to make loans or investments that are expected to result in losses or are otherwise inconsistent with safe and sound banking practices." We wholeheartedly agree with these statements.

We recommend that this language be added to the regulation itself so that it does not become "lost" in the preamble and ignored when the regulation is implemented. Subsection (c) of the section entitled "Assessment standards - summary" contains only the language regarding "loans or investment that are expected to result in losses...," etc. This subsection should be expanded to include the language from the preamble regarding business strategy, community, specific loan products, and specific loans and investments.

Applicability of CRA to Bankers' Banks

The IBAA requests that the final rule explicitly exempt bankers' banks from the regulation.

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Affiliates

Because the CRA is specifically aimed at the provision of credit by banks, affiliate activities should be used to adjust an institution's CRA rating upwards, if the activities of the affiliate help the institution meet credit needs of the local community (service area). Only the activities of an affiliate in the local community should be used to affect the CRA performance of an institution.

Many banks are affiliated with entities that provide credit or credit-related services to the public. The use of affiliates in the lending process is integral to extending credit by many institutions and should be recognized in the CRA evaluation process. These affiliates can be related to the bank in several ways. They can be a subsidiary of the bank, a sister entity that is owned by the bank's holding company, or contractually affiliated. An example of a contractual affiliate is IBAA Mortgage Corporation, which acts as an intermediary to allow small banks that do not have the resources to originate and hold mortgages to provide their customers with access to a mortgage provider. This enhances the ability of the small bank to provide credit services to its community.

Positive CRA credit is a means of encouraging the use of affiliates, which enhances the flow of credit to the community. Care must be taken not to do anything that will restrict the use of affiliates by small banks.

Rebutting the Presumptions

At several places in the proposal, the agencies establish rebuttable presumptions that a bank will receive particular ratings if it achieves described levels of performance. However, the proposal is vague about how and when the presumptions can be rebutted. IBAA recommends that the final rule make clear that a bank can rebut a presumption at anytime during the examination process and at anytime during any appeal of a CRA rating. We also request that the final rule clarify that the ability to rebut a presumption is the bank's only and that others, such as community or consumer groups, do not have the ability to rebut a presumption in an attempt to lower a bank's rating. The CRA rating ultimately is a matter between the bank and its regulator. It is the bank that must live with the rating and its attendant consequences.

Weight of Ratings During Application Process

Pursuant to the CRA statute, a bank's CRA rating is taken into account when an agency reviews the bank's application for a deposit facility (e.g., branch, merger, acquisition or conversion application). In our view, an outstanding rating should be entitled great weight in the application process. As proposed, the rule only says that an outstanding rating "generally...is consistent with approval" and will receive "extra weight." This is insufficient.

IBAA recommends that the agencies establish a rebuttable presumption that an outstanding rating will result in approval of the CRA aspect of an application. Under the rebuttable presumption, the burden should be on any protestant to show that the application should not be approved on CRA grounds. The rebuttable presumption for an outstanding rating is appropriate where potential protestants have an opportunity to provide comments to the agencies during the examination process. It is also particularly appropriate since it appears that, under the present proposal, an outstanding rating will be difficult to achieve. Accordingly, a bank that achieves an outstanding rating should be duly rewarded.

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Establishing a rebuttable presumption in favor of an outstanding rating during the corporate application process is one way to reward outstanding banks. It should also help to reduce or eliminate the time and costs incurred by a bank that must defend itself against a frivolous protest.

REGULATORY FLEXIBILITY ACT

The proposed rule gives small banks three options with regard to CRA evaluation. One of these options could result in a significant economic impact and the other two options will result in a significant economic impact on small banks. Therefore, we believe that a regulatory flexibility analysis must be conducted by the agencies before a final rule is adopted.

A "significant economic impact" could be imposed under the alternative assessment method when a small bank fails to meet one or more of the criteria necessary for receipt of the presumption of "satisfactory." The resulting economic impact should be examined because the agencies have provided no basis to conclude that a "substantial number" of small banks will not be affected in this manner.

The next option available to a bank under the proposed rule is to adopt a CRA strategic plan. Doing so could be costly and, therefore, could have a significant economic impact on any bank that chooses this option. The agencies have provided no basis to conclude that there will not be a "substantial number" of small banks that will avail themselves of this option, thereby suffering a "significant economic impact."

The final option for small banks is to be assessed under the "landing test." It is clear that use of this test will impose a "significant economic impact" on any entity that uses it.

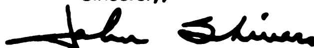
It would appear that the agencies have merely assumed that all small banks will use the "alternative assessment method" and that they will meet the presumption of "satisfactory" performance when making the Regulatory Flexibility Act certification. In view of the foregoing, the assumption is unwarranted and the analysis needs to be conducted.

CONCLUSION

IBAA strongly supports a tiered system for CRA with streamlined examination procedures for small banks. A tiered system will recognize the very real differences in the circumstances under which large and small banks operate. IBAA commends the agencies for proposing a streamlined CRA examination system. We greatly appreciate the agencies' concern, evidenced in the proposal, about the ever growing and crushing regulatory burden that community banks face. A tiered system with real regulatory relief for community banks will allow them to return their focus to what they do best--serving their communities.

We appreciate this opportunity to comment and would be pleased to discuss any parts of this letter in further detail.

Sincerely,



John Shivers
President

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November 15, 1994

Mr. Robert E. Feldman
Acting Exec. Secretary
Federal Deposit Insurance Corp.
550 Seventeenth Street, NW
Washington, DC 20429

Subject: CRA Regulatory Proposal - Comments

Dear Mr. Feldman:

We are pleased that the regulators chose to reconsider their December 1993 proposal on CRA in regard to the concerns which were raised by the banking community. Of significance was that the 60% loan to deposit ratio was dropped since it could have encouraged banks to unwisely relax lending criteria and to the extent that examiners are going to make more of an attempt to emphasize performance rather than documentation is a vast improvement over the existing system.

There are areas in the new proposal which give pause for concern. The collection of data concerning the race, gender and ethnicity of commercial borrowers would be overly burdensome and expensive for banks. Further, there is no foundation in the Community Reinvestment Act itself mandating the collection of such data, therefore this aspect of the proposal exceeds the scope of the law. Additionally, requesting and collecting this kind of data may not stand a legal challenge under Regulation B, the Equal Credit Opportunity Act, as it now stands. Finally, it is unclear how this data will be used or to what standard it will be compared to, to judge compliance.

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The proposal is unclear as to how a bank is to determine if a business is minority owned. For example, in the case of an interracial couple (or even a Caucasian husband and wife), how would that business be classified? Other areas of concern regarding the CRA regulatory proposal are as follows:

Under the lending test, "an institution would be evaluated based on the number, amount, complexity and innovativeness of its community development loans". This language is vague at best and open to broad interpretation by examiners. It also leaves unclear how this definition will fit in with prudent lending standards.

Defining a bank's "Service Area" becomes ambiguous and unclear. Previous definitions have relied upon where a bank collects deposits (which appears to be the intent of the Act itself). However, this proposal requires those geographies in the local areas where deposit taking ATM's are located and other geographies equi-distant from its branches and ATM's, which confuses the delineation of trade areas. The newly proposed definition relies almost exclusively on where a bank makes its loans, but the tracking of loans by census tract raises customer privacy concerns. If a bank has only one or two loans in a single tract, it may be relatively easy for an outsider to ascertain the identity of an applicant or borrower.

The Tier system is extremely important and, while the threshold of $250 million is considered realistic, it should be increased to a level which is more indicative of the market that most independent community banks lend themselves to which are community based loans. Stratification by asset size is an unfair measure. A $500 million bank in Madison, Wisconsin is a large bank; while a $500 million bank in the New York metropolitan area is a small bank. Perhaps utilizing SMSA data to include or exclude banks from the streamlined examination would be more appropriate.

The appropriate threshold should probably be $500 million and even more. As a $460 million bank within the greater metropolitan area of New York City, we are still engaged in small business lending and will be unfairly burdened by having to gather race and gender coding of small business loans. We therefore find ourselves put in a class with multi billion dollar organizations who are the predominant banks that we compete against.

If a bank inadvertently violates the spirit of CRA, is it a criminal offense or a civil matter with penalties and cease and desist orders? Allowing the imposition of civil money penalties as a result of a poor CRA examination is without statutory authority and should not be considered.

Under the proposed CRA, it will be extremely difficult to legislate equity for all borrowers who will have to be qualified within the parameters that are

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prescribed by regulation. There will be no advantage as to whether a customer borrows from a local community bank or a megabank since everyone will be judged by the same standards. The personal relationships, personalities and affinities that make each institution different will no longer exist since the discretion will be taken away from the lender. This is the reverse of what we had during the era of Regulation Q where banks were governed by regulation as to deposits. The industry fought for deregulation and the beneficiary, ultimately, has been the consumer. Consequently, after deregulating liabilities, we want to put a hammerlock on assets.

In a recent speech by Federal Reserve Chairman, Greenspan entitled: "New Horizons for the Basic Business of Banking", given at the American Bankers Association National Convention in New York, Chairman Greenspan highlighted why the regulation of assets does not work. One of the issues that he raised was that risk-based loan pricing would reduce the "sometimes disruptive rationing of credit that occurs especially during economic downturns". Chairman Greenspan goes right to the heart of the reason why we are losing business to other financial intermediaries - not only on the commercial side, but on the consumer side. In his speech, the Chairman said as follows: "Banks are inviting competitive incursions by offering only one interest rate per facility for borrowers of widely varying risk. A single interest rate for credit, or even two or three rates, suggests that some individual borrowers are being overcharged in relation to their riskiness and some are being undercharged. Indeed, informed observers say just that. The highest quality borrowers are being charged loan rates that are higher than actual loss experience indicates; meanwhile, the riskiest borrowers probably are not being charged sufficiently high rates to cover their significantly higher risk of default and loss in the event of default".

Under Regulation B, it is very difficult, if not impossible, to vary your interest rate according to the quality of the credit. We are forced to charge interest on "a one size fits all" basis for a customer, whether or not he is a good credit or a marginal credit. If the rate for a 10 year consumer credit home equity loan is 8%, that 8% applies to both the good and the marginal customer. While we may try to justify rate differences, it is still subject to examiner criticism. On the other hand, competing companies such as Money Store, Beneficial Finance and Champion Mortgage, can vary their rates based upon the grading of the credit quality. There is, for a similar maturity, "A", "B", "C" and even "D" paper and the rates charged could run anywhere from 8% to 16%. Not being subject to the same regulatory requirements, these institutions are not only able to provide a service to the community, but they are taking all of our business. This is also one of the areas where we lost out to automotive financing because we could not discriminate on rates nor have we had the flexibility.

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Under the Fair Lending Policy Statement on disparate treatment and disparate impact, it appears that to risk price loans could have a "disparate effect on borrowers from a protected class"; and that the bank would have to provide a credible and legitimate non-discriminatory explanation.

Chairman Greenspan further stated that proper risk-based pricing may cause some high risk borrowers to pay higher loan rates than now, other high risk borrowers will gain accessibility to credit for the first time. But how can we engage in such risk pricing without facing possible allegations of discrimination? Risk pricing requires banks to treat applicants differently and make a judgment as to their credit risk. Even though there would be a valid explanation for a difference in treatment, an examiner could allege disparate treatment on a prohibitive basis.

Chairman Greenspan's speech, clearly makes a case that Fair Lending and the revised CRA can't work since it will create a disadvantage to consumers whose credit accommodation would have been granted on a judgmental basis and, in the end, affect the competitiveness and profitability of banks as well.

Very truly yours,

Anthony S. Abbate

ASA:gh

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REGULATORY BURDEN

The Cost To

COMMUNITY BANKS

A STUDY PREPARED FOR THE

INDEPENDENT BANKERS ASSOCIATION OF AMERICA

By

GRANT THORNTON

January 1993

Accountants and
Management Consultants

The U.S. Member Firm of
Grant Thornton International

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PREFACE

This study was prepared for the Independent Bankers Association of America (IBAA) by Grant Thornton. The IBAA is the only national trade association that exclusively represents the interests of the nation's community banks.

Grant Thornton is an international accounting and consulting firm, providing audit, tax and consulting services through 47 offices in the United States and operations in 70 countries worldwide. The firm has an extensive financial institution practice consisting primarily of commercial banks and thrifts.

The principal authors were M. Scott Reed, Audit Partner and Chairman of the National Financial Institutions Industry Service Committee; M. Molly Curl, Financial Institutions Management Consulting Senior Manager; Denese C. Olson, Audit Manager specializing in financial institutions; and John C. Koegel, National Director of Marketing Research. Howard Groveman, National Director of Accounting and Auditing, participated significantly in the study's preparation. Other individuals making important contributions were Lori Applegate, Raymond Wiggins, Judy C. Foster, Allison Fitzpatrick and Kathy Sbragia. Margaret H. McCullough, Ph.D., contributed as a consultant in the areas of statistical analysis and evaluation.

The IBAA provided significant input into the design of the study, including the surveys. The IBAA staff also provided suggestions as the study progressed through its three phases. We appreciate the cooperation and courtesies extended to the Grant Thornton staff by the IBAA staff, and also by the banks that participated in the field cost studies, as well as those that took the time to complete the surveys, for without their assistance this study could not have been completed.

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Appendix *(provided seperately)*

A National Opinion Survey

B Cost Identification Model

C National Cost Surveys

Exhibits *(provided seperately)*

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- Analysis of Field Cost Studies
- Analysis of the National Cost Survey of Community Banks

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REGULATORY BURDEN
The Cost To
COMMUNITY BANKS

A STUDY PREPARED FOR THE
INDEPENDENT BANKERS ASSOCIATION OF AMERICA
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January 1993

EXECUTIVE SUMMARY

BACKGROUND

The commercial banking industry is increasingly concerned about the mounting level of regulatory burden affecting the operations of banks. Bankers have repeatedly voiced their concerns over escalating regulatory requirements.

Community banks account for more than 80% of the commercial bank charters in the United States. Such banks are significantly affected by the increasing level of regulatory burden. Furthermore, community bankers believe that their ability to serve the needs of their local communities is hampered by the growing regulatory burden.

In May 1992, the IBAA retained Grant Thornton to initiate a study of the impact of regulatory burden on community banks. The study was conducted in three phases.

Phase I - National Opinion Survey of Community Banks (June 1992)
Phase II - Field Cost Studies of Individual Community Banks (August-September 1992)
Phase III - National Cost Survey of Community Banks (October-November 1992)

The study's overall objective was to determine and document the cost of compliance with regulatory areas deemed most burdensome by community banks. We believe the approach used and described in this study effectively determined such costs.

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SCOPE

The study focused on thirteen regulatory areas, with the objective of determining and documenting the cost of complying with these specific rules. The study **DOES NOT EXTEND** to all of the other banking regulatory requirements. The projection and estimation of the industry cost of these specific regulatory areas are based **ONLY ON COMMUNITY BANKS**, as defined by the IBAA, and not on the U.S. banking industry as a whole. In addition, this study did not consider any of the additional regulatory requirements imposed by the Federal Deposit Insurance Corporation Improvement Act of 1991.

The universe of community banks was determined by the IBAA to include 84% of commercial banks. IBAA defines community banks as locally owned and operated institutions. These banks ranged in asset size from less than $1 million to almost $5 billion. The average asset size of the community banks was $82 million and the mean asset size was $42 million.

The breakdown of all U.S. banks as of September 30, 1992, is as follows:

	Community Banks	Banks Not Included In Study	Total Commercial Banks
Numbers of Banks	9,682	1,853	11,535
Total Assets (in thousands)	$ 821,679,159	$2,505,730,286	$3,327,409,445

METHODOLOGY

Phase I

Phase I of the study used written questionnaires to obtain the community bankers' opinions about the regulatory areas which are most costly. Phase I identified thirteen regulatory areas as most costly, or aggravating and burdensome.

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Phase II

To more fully understand and document the cost of compliance with these regulatory requirements, in Phase II Grant Thornton senior personnel performed field cost studies at nine representative community banks. Extensive interviews of bank employees were conducted and Grant Thornton's cost identification model was utilized to measure compliance costs in the following five categories:

1. Direct Employee Hours
2. Direct Employee Compensation
3. Direct Employee Benefits
4. Direct Third Party Expenses
5. Associated Operating Overhead (Exclusive of FDIC insurance assessments)

The results were then projected to the entire community bank population.

The FDIC insurance assessments were excluded from operating overhead because it was considered inappropriate to allocate this direct cost as a factor for the thirteen studied regulatory areas.

Phase III

The field cost studies were then used to develop thirteen separate surveys covering each of the thirteen regulatory areas. Each survey was sent to 200 community banks randomly selected from the IBAA's data base of approximately 9,700 community banks; in total 2,600 banks received the survey. The survey collected direct employee compliance hours and determined the annual compliance dollars based upon the cost per employee hour determined in Phase II. The survey results were first aggregated for each asset category, then weighted by the total assets of the community banks within the category to yield a composite total. These surveys, along with the field cost studies, then formed the basis for estimating the annual compliance cost for the thirteen regulatory areas. The data were divided into three asset-size categories.

Phase III also asked banks to rate regulations for redundancy, necessity and inefficiency. The respondents were asked to distinguish between those regulations that were necessary for safety and soundness or prudent banking and those that were not. Each of the thirteen regulatory areas was then graded on a "RUIN" scale.

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FINDINGS

The composite annual compliance hours and cost estimated by the national cost survey are as follows

ESTIMATED ANNUAL COMPLIANCE COSTS

	Annual Compliance	
	Hours	Cost
Community Reinvestment Act - Regulation BB	14.424.380	$ 1.032.466.852
Truth in Lending Act - Regulation Z	6.829.165	584.128.349
Regulatory Examination Process	3.174.803	326.254.089
Formal Written Policies	5.483.790	323.879.398
Loans to Insiders - Regulation O	1.898.145	300.437.736
Equal Credit Opportunity Act - Regulation B	5.160.636	233.759.476
Real Estate Settlement Procedures	1.624.764	106.821.882
Call Reports	1.613.098	94.107.924
Appraisal Requirements	1.100.663	65.399.930
Bank Secrecy Act	2.083.003	59.660.479
Geocoding-Geographic Loan Coding	1.777.882	56.789.106
Expedited Funds Availability Act - Regulation CC	1.917.889	47.644.344
Home Mortgage Disclosure Act - Regulation C	420.939	17.473.692
Sum Of All Studied Regulations	47.509.157	$ 3.248.823.257

The annual cost to community banks for complying with the thirteen regulatory areas is estimated to be nearly 48 million employee hours or approximately 22.800 full-time employees. The estimate of annual compliance hours was determined based on statistical analysis of the survey responses for the individual regulatory areas and contains an error rate of ±5%. Community banks' annual compliance cost for the thirteen regulatory areas is estimated at S3 2 billion.

These costs were analyzed in relation to total assets, equity capital, net income before tax.

Cost associated with each:

• $1 Million of total assets	$ 3,954
• $1 Million of equity capital	$ 45,186
• Dollar of net income before income taxes	$ 0.24

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COMMUNITY REINVESTMENT ACT

The study identifies Regulation BB, the Community Reinvestment Act (CRA), as the most burdensome regulation. The total annual cost to community banks for this regulation is approximately $1 billion and approximately 14.4 million employee hours or 6,900 full-time employees. CRA compliance costs community banks $1,256.53 for each $1 million in total assets and approximately $0.08 for each dollar of net income before taxes. The estimated cost of complying with CRA exceeded the next most burdensome regulation by approximately $448 million or 77%.

TRUTH IN LENDING

Regulation Z, Truth in Lending, was the second most expensive regulation, costing approximately $584 million and requiring 6.8 million employee hours or approximately 3,300 full-time employees per year. Truth in Lending compliance costs community banks $710.90 for each $1 million in total assets and approximately $0.04 for each dollar of net income before taxes.

COMPLIANCE COST FOR SMALLER BANKS

The study reveals that smaller banks face the highest compliance cost in relation to total assets, equity capital and net income before taxes. For each $1 million in assets, banks under $30 million in assets incur almost three times the compliance cost of banks between $30-65 million in assets. This increases to almost four times when compared to banks over $65 million in assets. These findings are consistent for both the equity capital and net income measurements.

VALUE AND EFFECTIVENESS OF REGULATORY AREAS

To gauge bankers' views on the necessity and efficiency of the thirteen regulatory areas in this report, our surveys included a new measure of regulatory burden, the IBAA "RUIN" scale.

The IBAA RUIN Scale is used to reflect the value and effectiveness of the regulatory areas included in the study in four categories:

- R — Redundant (a regulatory area that asks for information that can be obtained from quarterly bank Call Reports or from other existing sources).
- U — Unnecessary (a regulatory area for which there is little perceived need).
- I — Inefficient (a regulatory area that could be streamlined).
- N — Necessary (a regulatory area that is vital to the ongoing health and well-being of the nation's banking system).

The higher the RUIN scale rating, the more favorable banks perceive a given regulatory area. In our study, community bankers gave the highest (i.e. most favorable) marks to regulatory examination and Call Reports; at the same time, they gave the lowest marks to CRA.

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CONCLUSIONS

The results of the IBAA/Grant Thornton study on regulatory burden revealed that the annual cost for community banks to comply with the thirteen studied regulatory areas is estimated at $3.2 billion, requiring 48 million estimated annual compliance hours. Translating these hours into full-time equivalent employees, approximately 22,800 employees must dedicate their time to complying with these thirteen regulatory areas. The cost of complying with the thirteen regulatory areas when expressed as a percentage of net income before taxes is a staggering 24%.

These numbers apply only to the universe of community banks, (9,682 banks). If the data is extrapolated to cover all U.S. commercial banks, the cost is estimated at $11 billion for the thirteen regulatory areas.

This study substantiates the report by the Federal Financial Institutions Examination Council (FFIEC) issued in December 1992, which concluded that "available evidence suggests that the annual cost of regulatory compliance may be as high as $17.5 billion". The FFIEC study also found that regulatory burden is greater for smaller banks. Extrapolating the IBAA/Grant Thornton cost data to all U.S. commercial banks, it is clear that the FFIEC estimate is low.

The study confirms the FFEIC finding that compliance burden significantly increases as the bank size decreases (as a percentage of total assets). The relationship of cost to assets, equity and income is lower for larger banks. This trend is consistent through the three asset size categories. The mean community bank in the IBAA data base has assets of $42 million and an estimated 20 full-time equivalent employees. The annual cost for compliance is estimated at approximately $178 thousand, requiring 3,137 compliance hours and 1.5 full-time employees, or 7.5% of such banks' full-time work force. This is particularly significant since smaller banks are exempt from some compliance requirements.

The cost for community banks of complying with the Community Reinvestment Act is estimated at $1 billion annually, with compliance hours totaling more than 14 million. This high cost is directly attributed to the level of employee involvement in CRA compliance. Truth in Lending is the second most costly regulation in both costs and hours, probably because a large portion of community banks' lending is consumer-based, thus increasing related compliance costs.

This study provides significant evidence that the regulatory burden imposed by only the thirteen regulatory areas studied is enormous, both in terms of annual dollar costs and compliance hours. An overwhelming portion of community bankers' time, and of the personnel and earnings of the banks' are being directed toward compliance activities.

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PHASE I - NATIONAL OPINION SURVEY

SURVEY DESIGN

The study commenced in June 1992 when approximately 10.000 community banks received the national opinion survey. The survey was organized into the following eight categories:

- Regulatory Reports
- Examinations & Audits
- Lending-Related Regulations
- Other Consumer Protection Regulations
- Supervisory Policies
- Informational Reporting
- Safety & Soundness
- Other Regulatory Constraints

Each of these categories listed five to eight individual regulations or regulatory areas for bankers to rank in order of the most costly to their bank. In addition, we asked bankers to rank the same items based upon the level of aggravation to their bank (aggravating was not defined). Finally, the bankers were to list, regardless of category, which five regulatory items they considered the most costly and the most aggravating to their bank.

THE RESPONSE

Over 20% of the community banks responded to the survey, representing a strong cross section of all community banks. Of the more than 2,100 responses received, 1,915 were usable and tabulated in the overall results. The following represents the profile of the respondents:

- **Type of community served:**

- Rural	1.385	72.32%
- Suburban	300	15.67%
- Urban	192	10.03%

- **Approximate population of the community served:**

- Under 5,000	957	49.98%
- 5,000 - 14,999	342	17.86%
- 15.000 - 24,999	147	7.68%
- 25,000 - 49,999	137	7.15%
- 50,000 - 99,990	97	5.07%
- 100,000 or more	197	10.29%

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- **Type of organizational structure:**

- Individual bank without a holding company	655	34.20%
- One-bank holding company	1,007	52.58%
- Chain bank	22	1.15%
- Multi-bank holding company	192	10.03%

- **Total asset size:**

- Under $25 million	526	27.47%
- $25 million to $49 million	546	28.51%
- $50 million to $99 million	486	25.38%
- $100 million to $149 million	160	8.36%
- $150 million to $199 million	67	3.50%
- $200 million to $499 million	86	4.49%
- $500 million or more	11	0.57%

- **Number of full-time employees:**

- Under 10	352	18.38%
- 10 - 24	714	37.28%
- 25 - 49	467	24.38%
- 50 - 99	223	11.64%
- 100 or more	130	6.78%

- **Principal lending focus:**

- Agribusiness	673	35.14%
- Real estate	490	25.58%
- Commercial	288	15.03%
- Retail	212	11.07%
- Other	189	9.86%

- **Primary Federal Regulator:**

- Office of the Comptroller of the Currency	548	28.61%
- Federal Deposit Insurance Corporation	1,141	59.58%
- Federal Reserve Bank	161	8.40%
- Office of Thrift Supervision	23	1.20%

Responses were received from banks located in all fifty states.

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The ten most burdensome regulations. as ranked by the respondents are as follows:

1 Community Reinvestment Act
2. Truth in Lending
3. Real Estate Settlement Procedures Act
4. Appraisal Requirements
5. Expedited Funds Availability Act
6. Bank Secrecy Act
7. Call Reports
8. Formal Written Policies
9. Loans to insiders; lending limits
10. Home Mortgage Disclosure Act

The rankings were different for various size banks.

Exhibit A to this report presents a detailed analysis of the survey responses.

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PHASE II - FIELD COST STUDIES

SELECTION OF REGULATORY AREAS FOR STUDY

Phase II involved visits to nine community banks selected by the IBAA. The results of Phase I formed the basis for selecting the regulatory areas included in field cost studies. To accommodate the top ten concerns of all size banks, the list was broadened to include the top thirteen regulatory areas. The following regulatory areas were selected for such analyses:

1. Call Reports
2. Regulatory Examination Process
3. Bank Secrecy Act
4. Community Reinvestment Act - Regulation BB
5. Home Mortgage Disclosure Act - Regulation C
6. Equal Credit Opportunity Act - Regulation B
7. Appraisal Requirements
8. Expedited Funds Availability Act - Regulation CC
9. Geocoding - Geographic Loan Coding
10. Loans to Insiders - Regulation O
11. Truth in Lending Act - Regulation Z
12. Real Estate Settlement Procedures Act
13. Formal Written Policies

BANKS INCLUDED IN THE FIELD COST STUDIES

The IBAA selected nine banks from its membership that were believed to be representative of both the IBAA's membership and community banks as a whole. All of the banks were believed to have a solid compliance orientation. The banks ranged in assets from $16 million to $221 million, equity from $1.2 million to $16.6 million, and had reported net income (before taxes) ranging from $18 thousand to $1.8 million. These ranges and other data are based upon the reports of the individual banks for their most recent fiscal years. Other sample profile data for the nine banks are as follows:

- Aggregated totals

- Assets	$ 567.200.000
- Equity	$ 49.300.000
- Net Income (before taxes)	$ 6.516.000
- Total Full-Time (or equivalent) Employees	373

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- Averages

- Assets	$	63.000.000
- Equity	$	5.500.000
- Net Income (before taxes)	$	724.000
- Total Full-Time (or equivalent) Employees		41

- Primary Federal Regulator

- Office of the Comptroller of the Currency (OCC)	4
- Federal Deposit Insurance Corporation (FDIC)	4
- Federal Reserve Bank (FED)	1

- Banking Location

- Rural	4
- Urban	2
- Suburban	3

COST IDENTIFICATION METHODOLOGY

The annual costs of complying with the identified regulatory areas were accumulated within the following five categories:

1. Direct Employee Hours.
2. Direct Employee Compensation.
3. Direct Employee Benefits.
4. Direct Third Party Expenses.
5. Associated Operating Overhead (Exclusive of FDIC insurance assessments).

Inquiry of the Chief Operating Officer (COO) was used to identify the employees associated with each regulatory area. Prior to commencing our field visits, we developed a Grant Thornton Cost Identification Model (Appendix B) which encompassed the expected processes and steps an individual bank's employees would follow in complying with the regulatory areas. The identified time did not include "start up" cost for compliance with the regulatory area, but did include the time necessary to deal with the amendments and modifications to the regulatory area.

When regulatory compliance costs were transaction-based, such as those pertaining to expedited funds, appraisal requirements or Truth in Lending, we determined a time allocation for each transaction by interviewing the employees involved.

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Direct employee compensation was determined by using actual compensation levels . ~ed to hourly rates. either by specific individual or pertinent operating area.

Direct employee benefits were calculated based on the percentage of total salary devoted to each bank's total benefits. This percentage was then applied to the direct employee compensation cost to arrive at the direct employee benefit cost.

Direct third party costs include the cost of such items as computer software to assist in Call Report preparation. training manuals or outside training courses. These costs were individually studied and aggregated for each regulation.

The operating overhead allocation factor was determined based on the ratio of each bank's adjusted operating expenses to total salary cost. Adjusted operating expenses were determined by reducing the bank's operating expenses by the following:

1. Direct third party costs.
2. Board of directors fees.
3. FDIC insurance assessments.
4. Acquisition cost amortization.
5. Any other cost determined to be clearly unrelated to regulations.

The FDIC insurance assessments are not included in the overhead allocation. The FDIC insurance assessment is a direct cost of maintaining deposit insurance. It is not appropriate to include this assessment as a cost allocation factor for the thirteen studied regulatory areas.

The factor determined by the foregoing method was applied to the direct employee salary costs to arrive at the overhead allocation.

At the completion of all preliminary field cost studies the following additional steps were taken to help assure the reliability of the results:

1. The results for each individual regulatory area for all field tested banks were compared. Any significant variations were investigated and the results were revised if necessary.

2. The completed cost identification model for each bank was provided to the bank's COO. All questions or concerns identified were investigated and adjustments were made if necessary.

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SUMMARIZED RESULTS

The results of the study have been stratified into three categories based on the banks' total assets. An overview of the average annual compliance costs for the thirteen regulatory areas studied is presented in the following table:

AVERAGE ANNUAL COMPLIANCE COST

	Total Assets			
	Under 30 MM	Between 30-65 MM	Over 65 MM	Overall Averages
Employee Related Costs:				
• Compliance Hours	2,820	5,326	10,331	6,159
• Salary Cost	$ 45,446	$ 90,835	$ 218,469	$ 118,250
• Employee Benefits	12,458	22,938	56,202	30,532
Direct Third Party Costs	22,883	22,892	37,434	27,737
Overhead Allocation	37,764	117,123	222,507	125,798
Total Cost	$ 118,551	$ 253,788	$ 534,612	$ 302,317

An overview of the analytical comparisons of the field test banks for each category is presented in the following table:

ANALYTICAL COMPARISONS
STATED IN PERCENTAGES

	Total Assets			
	Under 30 MM	Between 30-65 MM	Over 65 MM	Overall Averages
Total Compliance Cost as a Percentage of:				
• Total Assets	0.55 %	0.68 %	0.41 %	0.47 %
• Equity Capital	5.45 %	7.09 %	4.87 %	5.34 %
• Net Income before Taxes	33.27 %	39.37 %	25.08 %	28.25 %
Compliance Salary Costs as a Percentage of Total Salary Costs	13.49 %	16.22 %	13.33 %	13.99 %
Percentage of Equivalent Compliance Employees to Total Equivalent Full-Time Employees	8.84 %	13.13 %	5.56 %	7.15 %

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ANALYTICAL COMPARISONS
STATED IN HOURS AND DOLLARS

	Total Assets			
	Under 30 MM	Between 30-65 MM	Over 65 MM	Overall Averages
Compliance Hours associated with each:				
• $1 Million of Total Assets	132	143	79	94
• $1 Million of Equity Capital	1,296	1,487	941	1,074
• Dollar of Net Income before Taxes	0.008	0.008	0.005	0.006
Compliance Cost associated with each:				
• $1 Million of Total Assets	$ 5,540	$ 6,798	$ 4,102	$ 4,670
• $1 Million of Equity Capital	$ 54,479	$ 70,869	$ 48,710	$ 53,369
• Dollar of Net Income before Taxes	$ 0.33[1]	$ 0.39[1]	$ 0.25[1]	$ 0.28[1]

[1]Income has been annualized for computational purposes.

These tables illustrate that banks in the $30-65 million asset size face the greatest burden in proportion to their assets, capital and income.

Various other studies have used noninterest expense to project overall compliance cost to the banking industry. We believe the use of that approach results in less consistent results due to the variability in this expense category. The other categories are significantly more consistent over a period of time.

ESTIMATED ANNUAL COMPLIANCE COST PER BANK

The average cost per compliance hour was computed for each category by regulatory area. These rates were applied to the average compliance hours determined by the field cost studies. An overview of the estimated annual compliance cost on a per bank basis for each category is presented in the following table:

Estimated Annual Compliance Cost Per Bank - Phase II

	Total Assets			
	Under 30MM	Between 30-65MM	Over 65MM	Composite
Community Reinvestment Act - Regulation BB				
- Compliance Hours	521	799	1,424	915
- Salary Cost	$ 13,089	$ 17,662	$ 42,404	$ 24,385
- Employee Benefits	3,693	4,339	11,771	6,601
- Direct Third Party Cost	9,101	4,042	10,819	7,987
- Overhead Allocation	9,801	20,971	42,654	24,475
Total Cost	$ 35,684	$ 47,014	$ 107,648	$ 63,448

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Estimated Annual Compliance Cost Per Bank - Phase II - continued

	Total Assets			
	Under 30MM	Between 30-65MM	Over 65MM	Composite
Expedited Funds Availability Act - Regulation CC				
- Compliance Hours	581	2,219	2,954	1,918
- Salary Cost	$ 5,170	$ 19,929	$ 36,614	$ 20,571
- Employee Benefits	1,117	5,307	10,534	5,653
- Direct Third Party Cost	429	1,368	1,184	994
- Overhead Allocation	4,881	28,776	35,236	22,964
Total Cost	$ 11,597	$ 55,380	$ 83,568	$ 50,182
Regulatory Examination Process				
- Compliance Hours	730	455	498	561
- Salary Cost	$ 11,630	$ 19,741	$ 25,560	$ 18,977
- Employee Benefits	3,163	4,953	4,236	4,117
- Direct Third Party Cost	1,069	7,893	4,493	4,485
- Overhead Allocation	10,413	24,389	25,769	20,190
Total Cost	$ 26,275	$ 56,976	$ 60,058	$ 47,769
Truth in Lending Act - Regulation Z				
- Compliance Hours	66	450	1,410	642
- Salary Cost	$ 787	$ 6,919	$ 26,496	$ 11,400
- Employee Benefits	241	1,865	7,332	3,146
- Direct Third Party Cost	8,192	6,421	12,677	9,097
- Overhead Allocation	703	10,225	28,383	13,104
Total Cost	$ 9,923	$ 25,430	$ 74,888	$ 36,747
Formal Written Policies				
- Compliance Hours	298	375	1,129	601
- Salary Cost	$ 4,681	$ 7,800	$ 32,902	$ 15,128
- Employee Benefits	1,247	2,031	8,258	3,845
- Direct Third Party Cost	472	39	783	432
- Overhead Allocation	3,962	10,483	33,027	15,824
Total Cost	$ 10,362	$ 20,353	$ 74,970	$ 35,229
Equal Credit Opportunity Act - Regulation B				
- Compliance Hours	48	113	811	324
- Salary Cost	$ 796	$ 2,392	$ 15,478	$ 6,222
- Employee Benefits	239	594	4,186	1,673
- Direct Third Party Cost	0	208	181	130
- Overhead Allocation	626	2,895	17,371	6,964
Total Cost	$ 1,661	$ 6,089	$ 37,216	$ 14,989

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Estimated Annual Compliance Cost Per Bank - Phase II - continued

	Total Assets			
	Under 30MM	Between 30-65MM	Over 65MM	Composite
Appraisal Requirements				
- Compliance Hours	188	228	278	231
- Salary Cost	$ 4,373	$ 4,421	$ 8,638	$ 5,811
- Employee Benefits	1,305	1,121	2,285	1,570
- Direct Third Party Cost	167	115	57	113
- Overhead Allocation	3,202	5,425	9,136	5,921
Total Cost	$ 9,047	$ 11,082	$ 20,116	$ 13,415
Bank Secrecy Act				
- Compliance Hours	130	268	757	385
- Salary Cost	$ 1,102	$ 3,307	$ 9,313	$ 4,574
- Employee Benefits	291	831	2,706	1,276
- Direct Third Party Cost	256	234	274	254
- Overhead Allocation	1,028	4,082	9,029	4,713
Total Cost	$ 2,677	$ 8,454	$ 21,322	$ 10,817
Call Reports				
- Compliance Hours	175	99	234	169
- Salary Cost	$ 2,242	$ 2,591	$ 4,525	$ 3,119
- Employee Benefits	679	441	1,179	766
- Direct Third Party Cost	2,772	1,874	2,510	2,385
- Overhead Allocation	1,781	2,836	4,520	3,046
Total Cost	$ 7,474	$ 7,742	$ 12,734	$ 9,316
Loans to Insiders - Regulation O				
- Compliance Hours	22	115	44	61
- Salary Cost	$ 522	$ 3,668	$ 4,531	$ 2,907
- Employee Benefits	171	851	315	446
- Direct Third Party Cost	233	83	83	133
- Overhead Allocation	406	4,048	5,027	3,160
Total Cost	$ 1,332	$ 8,650	$ 9,956	$ 6,646
Geocoding-Geographic Loan Coding				
- Compliance Hours	22	134	435	198
- Salary Cost	$ 495	$ 1,212	$ 5,332	$2,346
- Employee Benefits	140	305	1,542	662
- Direct Third Party Cost	110	0	833	314
- Overhead Allocation	454	1,533	5,235	2,408
Total Cost	$ 1,199	$ 3,050	$ 12,942	$ 5,730

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Estimated Annual Compliance Cost Per Bank - Phase II - continued

	Total Assets			
	Under 30MM	Between 30-65MM	Over 65MM	Composite
Real Estate Settlement Procedures				
- Compliance Hours	33	33	172	79
- Salary Cost	$ 522	$ 521	$ 3.845	$ 1.629
- Employee Benefits	159	134	1.047	447
- Direct Third Party Cost	82	602	3.457	1.380
- Overhead Allocation	472	662	4.358	1.830
Total Cost	$ 1.235	$ 1.919	$ 12.707	$ 5.286
Home Mortgage Disclosure Act - Regulation C				
- Compliance Hours	2	55	185	74
- Salary Cost	$ 37	$ 671	$ 2,831	$ 1,180
- Employee Benefits	13	167	811	330
- Direct Third Party Cost	0	13	83	32
- Overhead Allocation	35	798	2.762	1.198
Total Cost	$ 85	$ 1.649	$ 6.487	$ 2.740
Sum Of All Studied Regulations				
- Compliance Hours	2.820	5.324	10.331	6.158
- Salary Cost	$ 45.446	$ 90.834	$ 218.469	$ 118.249
- Employee Benefits	12.458	22.939	56.202	30.532
- Direct Third Party Cost	22.883	22.892	37.434	27.736
- Overhead Allocation	37.764	117.123	222.507	125.797
Total Cost	$ 118.551	$ 253.788	$ 534.612	$ 302.314

PROJECTED ANNUAL COMPLIANCE COST FOR ALL COMMUNITY BANKS

The projected annual compliance cost for all community banks was based on a relationship to total assets. The determination was made on a regulation basis by multiplying the total assets for U.S. community banks (9.682) for that category by the estimated annual compliance hours. These values were then weighted and combined to yield the projection of annual compliance cost. The number of banks and total assets were provided by IBAA from the Sheshunoff Call Report information as of September 30, 1992.

An overview of the projected annual compliance cost for all community banks for each of the categories is presented in the following table:

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Projected Annual Compliance Cost For All Community Banks - Phase II

	Total Assets			
	Under 30MM	Between 30-65MM	Over 65MM	Composite
Community Reinvestment Act - Regulation BB				
-Projected Compliance Hours	1,465,274	3,016,996	6,779,865	11,262,135
-Salary Cost	$ 36,809,401	$ 66,691,946	$ 201,919,087	$ 305,420,434
-Employee Benefits	10,388,003	16,380,478	56,033,477	82,801,958
-Direct Third Party Cost	25,596,858	15,266,831	51,503,639	92,367,328
-Overhead Allocation	27,564,921	79,181,708	203,098,086	309,844,715
Projected Cost	$ 100,359,183	$ 177,520,963	$ 512,554,289	$ 790,434,435
Expedited Funds Availability Act - Regulation CC				
-Projected Compliance Hours	1,634,034	8,378,854	14,064,217	24,077,105
-Salary Cost	$ 14,540,797	$ 75,248,702	$ 174,305,690	$ 264,095,189
-Employee Benefits	3,141,679	20,045,645	50,138,482	73,325,806
-Direct Third Party Cost	1,203,708	5,159,428	5,646,785	12,009,921
-Overhead Allocation	13,728,294	108,658,111	167,790,169	290,176,574
Projected Cost	$ 32,614,478	$ 209,111,886	$ 397,881,126	$ 639,607,490
Regulatory Examination Process				
-Projected Compliance Hours	2,053,045	1,718,118	2,371,029	6,142,192
-Salary Cost	$ 32,710,774	$ 74,543,862	$ 121,685,104	$ 228,939,740
-Employee Benefits	8,895,405	18,706,449	20,167,088	47,768,942
-Direct Third Party Cost	3,009,271	29,800,629	21,408,139	54,218,039
-Overhead Allocation	29,286,224	92,094,374	122,677,945	244,058,543
Projected Cost	$ 73,901,674	$ 215,145,314	$ 285,938,276	$ 574,985,264
Truth in Lending Act - Regulation Z				
-Projected Compliance Hours	185,612	1,699,228	6,712,848	8,597,688
-Salary Cost	$ 2,214,823	$ 26,121,365	$ 126,152,890	$ 154,489,078
-Employee Benefits	680,095	7,048,398	34,935,601	42,664,094
-Direct Third Party Cost	23,038,978	24,246,491	60,377,158	107,662,627
-Overhead Allocation	1,980,100	38,611,127	135,150,513	175,741,740
Projected Cost	$ 27,913,996	$ 96,027,381	$ 356,616,162	$ 480,557,539
Formal Written Policies				
-Projected Compliance Hours	838,082	1,416,023	5,374,994	7,629,099
-Salary Cost	$ 13,162,551	$ 29,448,209	$ 156,620,705	$ 199,231,465
-Employee Benefits	3,508,810	7,668,658	39,341,334	50,518,802
-Direct Third Party Cost	1,330,098	140,968	3,723,155	5,194,221
-Overhead Allocation	11,140,321	39,583,806	157,241,231	207,965,358
Projected Cost	$ 29,141,780	$ 76,841,641	$ 356,926,425	$ 462,909,846

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Projected Annual Compliance Cost For
All Community Banks - Phase II - continued

	Total Assets			
	Under 30MM	Between 30-65MM	Over 65MM	Composite
Equal Credit Opportunity Act - Regulation B				
-Projected Compliance Hours	134,996	426,710	3,861,532	4,423,238
-Salary Cost	$ 2,238,898	$ 9,036,047	$ 73,718,462	$ 84,993,407
-Employee Benefits	674,077	2,241,391	19,918,877	22,834,345
-Direct Third Party Cost	0	789,421	868,736	1,658,157
-Overhead Allocation	1,763,433	10,925,018	82,716,086	95,404,537
Projected Cost	$ 4,676,408	$ 22,991,877	$ 177,222,161	$ 204,890,446
Appraisal Requirements				
-Projected Compliance Hours	528,729	860,891	1,323,581	2,713,201
-Salary Cost	$ 12,295,881	$ 16,690,608	$ 41,140,859	$ 70,127,348
-Employee Benefits	3,671,310	4,229,039	10,859,201	18,759,550
-Direct Third Party Cost	469,446	437,001	248,210	1,154,657
-Overhead Allocation	9,003,738	20,482,646	43,498,857	72,985,241
Projected Cost	$ 25,440,375	$ 41,839,294	$ 95,747,127	$ 163,026,796
Bank Secrecy Act				
-Projected Compliance Hours	365,626	1,012,009	3,604,014	4,981,649
-Salary Cost	$ 3,099,549	$ 12,489,762	$ 44,367,593	$ 59,956,904
-Employee Benefits	818,522	3,143,586	12,906,936	16,869,044
-Direct Third Party Cost	722,225	888,098	1,303,104	2,913,427
-Overhead Allocation	2,888,900	15,407,799	43,002,436	61,299,135
Projected Cost	$ 7,529,196	$ 31,929,245	$ 101,580,069	$ 141,038,510
Call Reports				
-Projected Compliance Hours	492,196	373,847	1,113,844	1,979,887
-Salary Cost	$ 6,307,432	$ 9,783,177	$ 21,532,244	$ 37,622,853
-Employee Benefits	1,907,878	1,663,422	5,584,732	9,156,032
-Direct Third Party Cost	7,794,012	7,076,592	11,976,147	26,846,751
-Overhead Allocation	5,007,427	10,713,566	21,532,244	37,253,237
Projected Cost	$ 21,016,749	$ 29,236,757	$ 60,625,367	$ 110,878,873
Loans to Insiders - Regulation O				
-Projected Compliance Hours	61,871	437,987	209,738	709,596
-Salary Cost	$ 1,468,524	$ 13,857,151	$ 21,594,297	$ 36,919,972
-Employee Benefits	481,483	3,214,070	1,489,262	5,184,815
-Direct Third Party Cost	656,021	310,130	372,315	1,338,466
-Overhead Allocation	1,143,523	15,280,928	23,952,295	40,376,746
Projected Cost	$ 3,749,551	$ 32,662,279	$ 47,408,169	$ 83,819,999

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Projected Annual Compliance Cost For
All Community Banks - Phase II - continued

	Total Assets			
	Under 30MM	Between 30-65MM	Over 65MM	Composite
Geocoding-Geographic Loan Coding				
-Projected Compliance Hours	73,125	505,934	2,071,315	2,650,374
-Salary Cost	$ 1,390,283	$ 4,581,459	$ 25,379,504	$ 31,351,246
-Employee Benefits	391,205	1,155,937	7,322,204	8,869,346
-Direct Third Party Cost	306,946	0	3,971,365	4,278,311
-Overhead Allocation	1,275,931	5,793,784	24,945,136	32,014,851
Projected Cost	$ 3,364,365	$ 11,531,180	$ 61,618,209	$ 76,513,754
Real Estate Settlement Procedures Act				
-Projected Compliance Hours	92,806	124,616	819,094	1,036,516
-Salary Cost	$ 1,468,524	$ 1,973,552	$ 18,305,510	$ 21,747,586
-Employee Benefits	445,372	507,485	4,964,206	5,917,063
-Direct Third Party Cost	228,705	2,269,584	16,443,933	18,942,222
-Overhead Allocation	1,330,098	2,495,133	20,725,561	24,550,792
Projected Cost	$ 3,472,699	$ 7,245,754	$ 60,439,210	$ 71,157,663
Home Mortgage Disclosure Act				
-Projected Compliance Hours	5,597	132,228	880,526	1,018,351
-Salary Cost	$ 102,315	$ 2,537,423	$ 13,465,409	$ 16,105,147
-Employee Benefits	36,111	634,356	3,847,260	4,517,727
-Direct Third Party Cost	0	42,290	372,315	414,605
-Overhead Allocation	96,297	3,016,715	13,155,146	16,268,158
Projected Cost	$ 234,723	$ 6,230,784	$ 30,840,130	$ 37,305,637
Sum Of All Studied Regulations				
-Projected Compliance Hours	7,930,993	20,103,441	49,186,597	77,221,031
-Salary Cost	$ 127,809,752	$ 343,003,263	$ 1,040,187,354	$ 1,511,000,369
-Employee Benefits	35,039,950	86,638,914	267,508,660	389,187,524
-Direct Third Party Cost	64,356,268	86,427,463	178,215,001	328,998,732
-Overhead Allocation	106,209,207	442,244,715	1,059,485,705	1,607,939,627
Total Projected Cost	$ 333,415,177	$ 958,314,355	$ 2,545,396,720	$ 3,837,126,252

The detailed results of the field cost studies are presented in Exhibit B to this report and include the following sections:

Section I	-	Averages by bank size based on stratifications
Section II	-	Aggregate by bank size based on stratifications
Section III	-	Overall analysis
Section IV	-	Graphs

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PHASE III - NATIONAL COST SURVEY

The study's final phase was the national cost survey of randomly selected community banks. In consultation with the IBAA, thirteen separate cost surveys were designed (one for each regulatory area) based on information obtained in completing Phase II of the study.

The survey's objective was to guide the respondent bank through a series of questions to enable it to determine the number of annual personnel compliance hours needed to comply with the surveyed regulatory requirement. As with the field cost studies in Phase II, the aim was to determine the recurring hours necessary to comply with the specific regulatory requirements (and not to include "start-up" costs for these regulations). Respondents were asked to include the time commitment necessary to comply with the amendments and modifications to the regulatory areas.

In addition, the survey respondents were asked to evaluate the pertinent regulatory areas according to the IBAA RUIN Scale of Regulatory Burden. The IBAA's RUIN Scale reflects the value and effectiveness of major regulatory areas in four categories, as measured by community bankers:

- R Redundant (a regulatory area that asks for information that can be obtained from quarterly bank Call Reports or from other existing sources).
- U Unnecessary (a regulatory area for which there is little perceived need).
- I Inefficient (a regulatory area that could be streamlined).
- N Necessary (a regulatory area that is vital to the ongoing health and well-being of the nation's banking system).

To create RUIN ratings, we asked the bankers to evaluate each regulatory area on a scale of 1 to 5 (shown below). Thus, the "best" regulatory areas received 15 points, the "worst" received only 3 points.

Very Redundant			Not Redundant	
1	2	3	4	5
Unnecessary			Essential	
1	2	3	4	5
Not Efficient			Very Efficient	
1	2	3	4	5

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THE SAMPLE

The surveys were sent to 2.600 community banks randomly selected by the .BAA using the -off Call Report data base as of March 31, 1992. Each of the 2.600 selected banks received one surve, . thus each of the thirteen surveys were sent to 200 banks. Consistent with Phase II the sample was stratified into three categories by asset size. The following table presents some selected data for the 2.600 sample banks and those responding to the survey:

SELECTED SAMPLE DATA

	Total Assets			
	Under 30 MM	Between 30-65 MM	Over 65 MM	Total
Total Banks Receiving Surveys: ($ in thousands)				
• Total Assets	$ 17,198,933	$ 37,626,504	$ 170,945,582	$ 225,771,019
• Number of Banks	936	817	847	2,600
• Average size in Assets	$ 18,375	$ 46,054	$ 201,825	$ 86,835
Survey Respondents: ($ in Thousands)				
• Total Assets	$ 5,405,442	$ 12,064,975	$ 35,098,535	$ 52,568,952
• Number of Banks	290	268	250	808
• Average Size in Assets	$ 18,639	$ 45,019	$ 140,934	$ 65,061
• Percent Responding to the Survey				
Total Assets	31.43 %	32.07 %	20.53 %	23.28 %
Number of Banks	30.98 %	32.80 %	29.52 %	31.08 %
• Percent of U.S. Community Banks:				
Total Assets	8.12 %	8.54 %	5.64 %	6.33 %
Number of Banks	8.85 %	8.52 %	7.56 %	8.31 %

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EVALUATION OF METHODOLOGY

The Phase III national cost survey best estimate of annual compliance hours, with an er :5%, for the individual regulatory areas was determined based on statistical analysis of the surve, ses.

Each survey collected total annual compliance hours for the single specific regulatory area being surveyed. While each survey was sent to 200 sample banks, responses varied from a high of 85 (Call Reports) to a low of 50 (Loans to Insiders). When the different strata (created by asset size) were examined, sample sizes were considerably smaller and varied widely for the different surveys. These small sample sizes limited the ability to generalize from the accumulated data, and necessitated statistical analysis to obtain an estimate of compliance hours in which reasonable confidence could be placed.

To take into account the variability in activity associated with the different size banks, asset size was chosen as the basis for stratification. This, however, still resulted in considerable variability in reported compliance hours within strata relative to the sample sizes. To decrease such variability, and to more meaningfully describe activity within each bank, a "compliance factor" was computed (based on the number of compliance hours for each thousand dollars of assets held by the individual bank in the sample).

The mean compliance factor for each asset category was calculated, as well as a 90% confidence interval about this mean. Multiplying the average asset value for each stratum with this compliance factor mean and the high and low boundaries of the confidence intervals yielded a mean number of compliance hours and a confidence interval for each stratum.

The mean number of annual compliance hours for each category was then weighted by the total assets of the community banks within the asset category (nationally, not the number of banks sampled) to yield a composite mean. This mean reflects the best estimate of the average number of hours community banks spend complying with each regulatory area. In addition, the 90% confidence interval was computed, yielding a range of annual compliance hours about this "best estimate", providing reasonable confidence that the "real" average would fall if all community banks had provided information.

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The best estimate of annual compliance hours for each regulatory area is presented [illegible] llowing table. The data is sorted from highest to lowest.

ANNUAL COMPLIANCE HOURS

	Total Assets			
Regulatory Area	Under 30 MM	Between 30-65 MM	Over 65 MM	C[illegible]site
Community Reinvestment Act - Regulation BB	806	675	1,505	995
Truth in Lending Act - Regulation Z	651	406	1,048	702
Equal Credit Opportunity Act - Regulation B	396	482	506	461
Formal Written Policies	227	426	728	460
Regulatory Examination Process	213	208	334	252
Bank Secrecy Act	73	266	230	190
Expedited Funds Availability Act - Regulation CC	171	216	146	178
Geocoding-Geographic Loan Coding	98	135	250	161
Loans to Insiders - Regulation O	123	124	206	151
Call Reports	105	136	188	143
Real Estate Settlement Procedures	68	117	237	141
Appraisal Requirements	85	100	123	103
Home Mortgage Disclosure Act - Regulation C	4	72	47	41
Total hours	3,020	3,363	5,548	3,978

COMPARATIVE ANALYSIS OF PHASE II AND PHASE III

The design of the national cost surveys incorporated information obtained during the field cost studies. These studies were based on extensive field interviews and on transaction tests and analyses in certain regulatory areas. We cannot, however, be certain of the methodologies used by the banks to complete the surveys. Accordingly, we believe that some of the factors which would contribute to the difference between the Phase II and Phase III results would be:

- The survey questions and methodology were incorrectly interpreted by the individual(s) completing the survey, or the amount of time given to the completion of the survey was not sufficient to properly identify all the hours necessary to meet the regulatory requirements.
- The survey completion process did not properly include the individuals responsible for compliance with the regulatory requirements.
- The smaller sample size utilized by the field cost study approach in Phase II employed a direct interview approach, whereas the larger sample size in Phase III employed a quantitative approach.

The comparison of the field cost study results to the national cost survey's best estimate by asset size category is presented in the following table for each regulatory area:

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Comparative Annual Compliance Cost Phase II and Phase III

	Field Cost Study		Nat'l Survey	
	Hours	Cost	Hours	Cost
Community Reinvestment Act - Regulation BB				
Total Assets:				
Under $30 Million	1,465,274	$ 100,359,183	2,929,586	$ 200,646,143
Between $30 - $65 Million	3,016,996	177,520,963	2,218,554	130,564,532
Over $65 Million	6,779,865	512,554,289	9,276,240	701,256,177
Overall Composite	11,262,135	$ 790,434,435	14,424,380	$1,032,466,852
Truth in Lending - Regulation Z				
Total Assets:				
Under $30 Million	185,612	$ 27,913,996	2,238,657	$ 336,562,871
Between $30 - $65 Million	1,699,228	96,027,381	1,116,184	63,083,166
Over $65 Million	6,712,848	356,616,162	3,474,324	184,482,312
Overall Composite	8,597,688	$ 480,557,539	6,829,165	$ 584,128,349
Regulatory Examination Process				
Total Assets:				
Under $30 Million	2,053,045	$ 73,901,674	705,193	$ 25,368,154
Between $30 - $65 Million	1,718,118	215,145,314	653,951	81,902,390
Over $65 Million	2,371,029	285,938,276	1,815,659	218,983,545
Overall Composite	6,142,192	$ 574,985,264	3,174,803	$ 326,254,089
Formal Written Policies				
Total Assets:				
Under $30 Million	838,082	$ 29,141,780	747,623	$ 25,994,081
Between $30 - $65 Million	1,416,023	76,841,641	1,367,953	74,247,829
Over $65 Million	5,374,994	356,926,425	3,368,214	223,637,488
Overall Composite	7,629,099	$ 462,909,846	5,483,790	$ 323,879,398
Loans to Insiders - Regulation O				
Total Assets:				
Under $30 Million	61,871	$ 3,749,551	401,557	$ 24,302,872
Between $30 - $65 Million	437,987	32,662,279	411,909	30,716,921
Over $65 Million	209,738	47,408,169	1,084,679	245,417,943
Overall Composite	709,596	$ 83,819,999	1,898,145	$ 300,437,736
Equal Credit Opportunity Act - Regulation B				
Total Assets:				
Under $30 Million	134,996	$ 4,676,408	1,304,640	$ 45,145,081
Between $30 - $65 Million	426,710	22,991,877	1,463,248	78,843,385
Over $65 Million	3,861,532	177,222,161	2,392,748	109,771,010
Overall Composite	4,423,238	$ 204,890,446	5,160,636	$ 233,759,476

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Comparative Annual Compliance Cost Phase II and Phase III - conti

	Field Cost Study		Natior	vey
	Hours	Cost	Hours	ost
Real Estate Settlement Procedures				
Total Assets:				
Under $30 Million	92.806	$ 3.472.699	184.107	$ 6.885.212
Between $30 - $65 Million	124.616	7.245.754	411.204	23.922.264
Over $65 Million	819.094	60.439.210	1.029.453	76.014.406
Overall Composite	1.036.516	$ 71.157.663	1.624.764	$ 106.821.882
Call Reports				
Total Assets:				
Under $30 Million	492,196	$ 21,016,749	331,502	$ 14,167,647
Between $30 - $65 Million	373,847	29,236,757	430,235	33,649,054
Over $65 Million	1,113,844	60,625,367	851,361	46,291,223
Overall Composite	1,979,887	$ 110,878,873	1,613,098	$ 94,107,924
Appraisal Requirements				
Total Assets:				
Under $30 Million	528,729	$ 25,440,375	252,719	$ 12,157,454
Between $30 - $65 Million	860,891	41,839,294	339,733	16,507,350
Over $65 Million	1,323,581	95,747,127	508,211	36,735,126
Overall Composite	2,713,201	$ 163,026,796	1,100,663	$ 65,399,930
Bank Secrecy Act				
Total Assets:				
Under $30 Million	365,626	$ 7,529,196	240,321	$ 4,947,241
Between $30 - $65 Million	1,012,009	31,929,245	847,359	26,727,526
Over $65 Million	3,604,014	101,580,069	995,323	27,985,712
Overall Composite	4,981,649	$ 141,038,510	2,083,003	$ 59,660,479
Geocoding-Geographic Loan Coding				
Total Assets:				
Under $30 Million	73.125	$ 3,364,365	404,205	$ 18.633.405
Between $30 - $65 Million	505.934	11.531.180	389,213	8.866.885
Over $65 Million	2,071,315	61,618,209	984,464	29,288,816
Overall Composite	2,650,374	$ 76,513,754	1,777,882	$ 56,789,106
Expedited Funds Availability Act - Regulation CC				
Total Assets:				
Under $30 Million	1,634,034	$ 32,614,478	530,053	$ 10.580.597
Between $30 - $65 Million	8,378,854	209,111,886	654,374	16.338.187
Over $65 Million	14,064,217	397,881,126	733,462	20,725,560
Overall Composite	24,077,105	$ 639,607,490	1,917,889	$ 47,644,344

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Comparative Annual Compliance Cost Phase II and Phase III - continued

	Field Cost Study		Natior	rvey
	Hours	Cost	Hours	Cost
Home Mortgage Disclosure Act - Regulation				
Total Assets:				
Under $30 Million	5,597	$ 234,723	11,375	$ 481,484
Between $30 - $65 Million	132,228	6,230,784	225,267	10,600,792
Over $65 Million	880,526	30,840,130	184,297	6,391,416
Overall Composite	1,018,351	$ 37,305,637	420,939	$ 17,473,692
Sum Of All Studied Regulations				
Total Assets:				
Under $30 Million	7,930,993	$ 333,415,177	10,281,538	$ 725,872,242
Between $30 - $65 Million	20,103,441	958,314,355	10,529,184	595,970,281
Over $65 Million	49,186,597	2,545,396,720	26,698,435	1,926,980,734
Overall Composite	77,221,031	$3,837,126,252	47,509,157	$3,248,823,257

Although there was a substantial difference in estimated annual compliance hours, there was a much smaller difference in total estimated annual costs. A closer review of the survey data reveals that when compared to the field cost studies it is likely the respondents miscalculated their hours.

The overall difference between the total hours estimated by the field studies and the cost survey is 29,711,874 hours, of which 84.57% or 25,126,605 hours is represented by two regulatory areas: Expedited Funds Availability Act - Regulation CC and the Regulatory Examination Process. These two regulatory areas were given considerable attention during the field cost studies.

The single largest difference (22,159,216 hours) occurred with Expedited Funds Availability Act - Regulation CC. Compliance with the requirements of this regulation involves a significant number of operational activities. On more than one occasion during the field studies, bank employees reported low transaction time: however, after further investigation, including actual transaction tracing through the bank's operations, the actual time was considerably higher than the employees had originally estimated. The cost survey design attempted to guide banks to look closely at the transaction time. However, the responses indicated that the design of the survey did not succeed in achieving that objective. Accordingly, we believe it is likely that the survey respondents have significantly underestimated the hours necessary to comply with this regulation. It should be noted that the difference in compliance hours is significantly larger than the difference in compliance cost, because this compliance function is predominantly performed by operational employees whose overall composite hourly salary cost is the lowest in the bank.

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The second largest difference (2,967,389 hours) occurred with the compliance h[illegible]ted to the regulatory examination process. As with Regulation CC, during the field [illegible]es ban[illegible] [illegible]nitially underestimated the amount of time spent on the examination process. During the field [illegible] [illegible]onal probing disclosed substantial additional hours in excess of the initial estimates. According[illegible] [illegible]at survey respondents were too conservative in their estimates in this area.

The Phase III national cost survey best estimate of the annual compliance hours, with a error rate of ±5%, for the individual regulatory areas was determined based on statistical analysis of the survey responses

ESTIMATION OF ANNUAL COMPLIANCE COSTS

Phase III of the study requested respondent banks to provide direct annual personnel compliance hours with respect to the specific regulatory area covered in the survey completed by the bank. For purposes of converting this data to an estimated dollar cost we employed the following approach.

Phase II of the study gathered actual cost data from the test banks in the following four categories:

1. Direct Employee Compensation

2. Direct Employee Benefits

3. Direct Third Party Expense

4. Operating Overhead (Exclusive of FDIC insurance assessments)

The average cost per compliance hour was computed for each cost category by regulatory area. These rates were applied to the best estimate of annual compliance hours determined by the national cost survey to arrive at the annual compliance cost for each regulatory area. An overview of the estimated annual compliance cost on a per bank basis for each category is presented in the following table:

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Estimated Annual Compliance Cost Per Bank - Phase III

	Total Assets			
	Under 30MM	Between 30-65MM	Over 65MM	
Community Reinvestment Act - Regulation BB				
- Best Estimate of Compliance Hours	806	675	1,505	
- Salary Cost	$ 20,253	$ 14,927	$ 44,822	$ [illegible]
- Employee Benefits	5,716	3,666	12,447	[illegible]
- Direct Third Party Cost	14,086	3,416	11,439	[illegible]
- Overhead Allocation	15,166	17,722	45,078	[illegible]
Total Cost	$ 55,221	$ 39,731	$ 113,786	$ [illegible]
Truth in Lending Act - Regulation Z				
- Best Estimate of Compliance Hours	651	406	1,048	702
- Salary Cost	$ 7,755	$ 6,243	$ 19,697	$ 11,232
- Employee Benefits	2,375	1,680	5,451	3,169
- Direct Third Party Cost	80,747	5,792	9,424	31,988
- Overhead Allocation	6,928	9,222	21,102	12,417
Total Cost	$ 97,805	$ 22,937	$ 55,674	$ 58,806
Formal Written Policies				
- Best Estimate of Compliance Hours	227	426	728	460
- Salary Cost	$ 3,561	$ 8,870	$ 21,199	$ 11,210
- Employee Benefits	947	2,311	5,318	2,859
- Direct Third Party Cost	358	43	502	301
- Overhead Allocation	3,015	11,919	21,279	12,071
Total Cost	$ 7,881	$ 23,143	$ 48,298	$ 26,441
Regulatory Examination Process				
- Best Estimate of Compliance Hours	213	208	334	252
- Salary Cost	$ 3,397	$ 9,014	$ 17,154	$ 9,855
- Employee Benefits	923	2,262	2,844	2,010
- Direct Third Party Cost	311	3,604	3,014	2,310
- Overhead Allocation	3,041	11,135	17,291	10,489
Total Cost	$ 7,672	$ 26,015	$ 40,303	$ 24,664
Loans to Insiders - Regulation O				
- Best Estimate of Compliance Hours	123	124	206	151
- Salary Cost	$ 2,930	$ 3,934	$ 21,229	$ 9,364
- Employee Benefits	959	913	1,476	1,116
- Direct Third Party Cost	1,307	90	390	596
- Overhead Allocation	2,278	4,342	23,552	10,057
Total Cost	$ 7,474	$ 9,279	$ 46,647	$ 21,133

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Estimated Annual Compliance Cost Per Bank - Phase III - continued

	Total As			
	Under 30MM	Between 30-65MM	Over 65MM	'e
Equal Credit Opportunity Act - Regulation B				
- Best Estimate of Compliance Hours	396	482	506	-61
- Salary Cost	$ 6.562	$ 10.209	$ 9.669	$ 8.813
- Employee Benefits	1.971	2.537	2.613	2.374
- Direct Third Party Cost	0	887	111	333
- Overhead Allocation	5.161	12.355	10.849	9.455
Total Cost	$ 13.694	$ 25.988	$ 23.242	$ 20.975
Real Estate Settlement Procedures				
- Best Estimate of Compliance Hours	68	117	237	141
- Salary Cost	$ 1,080	$ 1,854	$ 5,304	$ 2,746
- Employee Benefits	329	477	1,445	750
- Direct Third Party Cost	169	2,141	4,770	2,360
- Overhead Allocation	976	2,355	6,014	3,115
Total Cost	$ 2,554	$ 6,827	$ 17,533	$ 8,971
Call Reports				
- Best Estimate of Compliance Hours	105	136	188	143
- Salary Cost	$ 1,345	$ 3,552	$ 3,640	$ 2,846
- Employee Benefits	407	604	949	653
- Direct Third Party Cost	1,663	2,569	2,020	2,084
- Overhead Allocation	1,069	3,888	3,637	2,865
Total Cost	$ 4,484	$ 10,613	$ 10,246	$ 8,448
Appraisal Requirements				
- Best Estimate of Compliance Hours	68	136	123	103
- Salary Cost	$ 1,967	$ 1,929	$ 3,827	$ 2,574
- Employee Benefits	587	490	1,013	697
- Direct Third Party Cost	75	50	26	50
- Overhead Allocation	1,440	2,367	4,048	2,618
Total Cost	$ 4,069	$ 4,836	$ 8,914	$ 5,939
Bank Secrecy Act				
- Best Estimate of Compliance Hours	73	266	230	190
- Salary Cost	$ 618	$ 3.260	$ 2.831	$ 2.243
- Employee Benefits	163	824	822	603
- Direct Third Party Cost	143	231	83	152
- Overhead Allocation	576	4.049	2.746	2.457
Total Cost	$ 1.500	$ 8.384	$ 6.482	$ 5.455

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Estimated Annual Compliance Cost Per Bank - Phase III - continued

	Total Assets			
	Under 30MM	Between 30-65MM	Over 65MM	
Geocoding-Geographic Loan Coding				
- Best Estimate of Compliance Hours	98	135	250	
- Salary Cost	$ 1,872	$ 1,219	$ 3,059	$
- Employee Benefits	529	307	883	
- Direct Third Party Cost	416	0	477	[illegible]
- Overhead Allocation	1,717	1,543	3,002	[illegible]087
Total Cost	$ 4,534	$ 3,069	$ 7,421	$ 5,008
Expedited Funds Availability Act - Regulation CC				
- Best Estimate of Compliance Hours	171	216	146	178
- Salary Cost	$ 1,517	$ 1,937	$ 1,803	$ 1,752
- Employee Benefits	327	515	519	454
- Direct Third Party Cost	126	134	58	106
- Overhead Allocation	1,432	2,797	1,736	1,988
Total Cost	$ 3,402	$ 5,383	$ 4,116	$ 4,300
Home Mortgage Disclosure Act - Regulation C				
- Best Estimate of Compliance Hours	4	72	47	41
- Salary Cost	$ 67	$ 1,373	$ 719	$ 720
- Employee Benefits	24	342	206	191
- Direct Third Party Cost	0	26	21.	16
- Overhead Allocation	64	1,633	702	800
Total Cost	$ 155	$ 3,374	$ 1,648	$ 1,727
Sum Of All Studied Regulations				
- Best Estimate of Compliance Hours	3,020	3,363	5,548	3,978
- Salary Cost	$ 52,924	$ 68,341	$ 154,953	$ 92,072
- Employee Benefits	15,257	16,928	35,986	22,725
- Direct Third Party Cost	99,401	18,983	32,335	50,241
- Overhead Allocation	42,863	85,327	161,036	96,408
Total Cost	$ 210,445	$ 189,579	$ 384,310	$ 261,446

The estimated annual compliance cost for all community banks was based on a relationship to total assets. The determination was made by multiplying the total assets for all community banks for each category by the best estimate of annual compliance hours. These values were then weighted and combined to yield the best estimate of annual compliance cost. The number of banks and total assets were provided by IBAA from the Sheshunoff Call Report information as of September 30, 1992. (Total community banks of 9,682).

An overview of the estimated annual compliance cost for all community banks for each of the categories is presented in the following table:

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Estimated Annual Compliance Cost For All Community Banks - Phase III

	Total Ass[illegible]			
	Under 30MM	Between 30-65MM	Over 65MM	[illegible]
Community Reinvestment Act - Regulation BB				
-Best Estimate Of Compliance Hours	2,929,586	2,218,554	9,276,240	[illegible]
-Salary Cost	$ 73,588,709	$ 49,056,853	$ 276,258,074	$ 39[illegible]
-Employee Benefits	20,769,987	12,052,761	76,696,986	109,[illegible]34
-Direct Third Party Cost	51,181,679	11,221,050	70,491,728	132,894,457
-Overhead Allocation	55,105,768	58,233,868	277,809,389	391,149,025
Total Cost	$ 200,646,143	$ 130,564,532	$ 701,256,177	$ 1,032,466,852
Truth in Lending - Regulation Z				
-Best Estimate Of Compliance Hours	2,238,657	1,116,184	3,474,324	6,829,165
-Salary Cost	$ 26,686,214	$ 17,169,899	$ 65,279,311	$ 109,135,424
-Employee Benefits	8,173,180	4,623,749	18,057,300	30,854,229
-Direct Third Party Cost	277,864,033	15,929,380	31,212,446	325,005,859
-Overhead Allocation	23,839,444	25,360,138	69,933,255	119,132,837
Total Cost	$ 336,562,871	$ 63,083,166	$ 184,482,312	$ 584,128,349
Regulatory Examination Process				
-Best Estimate Of Compliance Hours	705,193	653,951	1,815,659	3,174,803
-Salary Cost	$ 11,230,599	$ 28,376,852	$ 93,202,971	$ 132,810,422
-Employee Benefits	3,051,401	7,118,882	15,451,092	25,621,375
-Direct Third Party Cost	1,029,171	11,347,922	16,381,880	28,758,973
-Overhead Allocation	10,056,983	35,058,734	93,947,602	139,063,319
Total Cost	$ 25,368,154	$ 81,902,390	$ 218,983,545	$ 326,254,089
Formal Written Policies				
-Best Estimate Of Compliance Hours	747,623	1,367,953	3,368,214	5,483,790
-Salary Cost	$ 11,748,193	$ 28,461,433	$ 98,167,177	$ 138,376,803
-Employee Benefits	3,123,623	7,414,915	24,634,873	35,173,411
-Direct Third Party Cost	1,179,634	140,968	2,295,945	3,616,547
-Overhead Allocation	9,942,631	38,230,513	98,539,493	146,712,637
Total Cost	$ 25,994,081	$ 74,247,829	$ 223,637,488	$ 323,879,398
Loans to Insiders - Regulation O				
-Best Estimate Of Compliance Hours	401,557	411,909	1,084,679	1,898,145
-Salary Cost	$ 9,527,352	$ 13,025,440	$ 111,694,639	$ 134,247,431
-Employee Benefits	3,117,605	3,016,715	7,756,572	13,890,892
-Direct Third Party Cost	4,249,090	296,033	2,047,735	6,592,858
-Overhead Allocation	7,408,825	14,378,733	123,918,997	145,706,555
Total Cost	$ 24,302,872	$ 30,716,921	$ 245,417,943	$ 300,437,736

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Estimated Annual Compliance Cost For
All Community Banks - Phase III - continued

	Total Assets			
	Under 30MM	Between 30-65MM	Over 65MM	
Equal Credit Opportunity Act - Regulation B				
-Best Estimate Of Compliance Hours	1,304,640	1,463,248	2,392,748	[illegible]
-Salary Cost	$ 21,630,639	$ 30,970,663	$ 45,670,697	$ 98.[illegible] 399
-Employee Benefits	6,500,025	7,696,851	12,348,463	26.545.[illegible]39
-Direct Third Party Cost	0	2,692,488	496,421	3.188.909
-Overhead Allocation	17,014,417	37,483,383	51,255,429	105,753,229
Total Cost	$ 45,145,081	$ 78,843,385	$ 109,771,010	$ 233,759,476
Real Estate Settlement Procedures Act				
-Best Estimate Of Compliance Hours	184,107	411,204	1,029,453	1,624,764
-Salary Cost	$ 2,912,974	$ 6,498,623	$ 23,021,506	$ 32.433,103
-Employee Benefits	884,726	1,677,519	6,267,310	8.829.555
-Direct Third Party Cost	457,409	7,499,496	20,663,508	28,620,413
-Overhead Allocation	2,630,103	8,246,626	26,062,082	36,938,811
Total Cost	$ 6,885,212	$ 23,922,264	$ 76,014,406	$ 106,821,882
Call Reports				
-Best Estimate Of Compliance Hours	331,502	430,235	851,361	1,613,098
-Salary Cost	$ 4,249,090	$ 11,263,341	$ 16,443,933	$ 31,956,364
-Employee Benefits	1,287,968	1,917,164	4,281,628	7,486,760
-Direct Third Party Cost	5,254,187	8,147,949	9,121,729	22.523.865
-Overhead Allocation	3,376,402	12,320,600	16,443,933	32,140,935
Total Cost	$ 14,167,647	$ 33,649,054	$ 46,291,223	$ 94,107,924
Appraisal Requirements				
-Best Estimate Of Compliance Hours	252,719	339,733	508,211	1,100,663
-Salary Cost	$ 5,880,115	$ 6,583,204	$ 15,761,355	$ 28,224.674
-Employee Benefits	1,751,396	1,677,519	4,157,523	7,586.438
-Direct Third Party Cost	222,686	169,162	124,105	515.953
-Overhead Allocation	4,303,257	8,077,465	16,692,143	29,072,865
Total Cost	$ 12,157,454	$ 16,507,350	$ 36,735,126	$ 65,399,930
Bank Secrecy Act				
-Best Estimate Of Compliance Hours	240,321	847,359	995,323	2,083,003
-Salary Cost	$ 2,040,286	$ 10,459,823	$ 12,224,358	$ 24,724.467
-Employee Benefits	535,650	2,622,004	3,536,997	6.694.651
-Direct Third Party Cost	469,446	733,033	372,315	1,574.794
-Overhead Allocation	1,901,859	12,912,666	11,852,042	26,666,567
Total Cost	$ 4,947,241	$ 26,727,526	$ 27,985,712	$ 59,660 479

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Estimated Annual Compliance Cost For
All Community Banks - Phase III - continued

	Total Assets			
	Under 30MM	Between 30-65MM	Over 65MM	
Geocoding-Geographic Loan Coding				
-Best Estimate Of Compliance Hours	404,205	389,213	984,464	[illegible]
-Salary Cost	$ 7,691,696	$ 3,524,199	$ 12,100,253	$ 23[illegible]
-Employee Benefits	2,172,694	888,098	3,474,944	6,5[illegible]36
-Direct Third Party Cost	1,709,266	0	1,861,577	3,570,843
-Overhead Allocation	7,059,749	4,454,588	11,852,042	23,366,379
Total Cost	$ 18,633,405	$ 8,866,885	$ 29,288,816	$ 56,789,106
Expedited Funds Availability Act - Regulation CC				
-Best Estimate Of Compliance Hours	530,053	654,374	733,462	1,917,889
-Salary Cost	$ 4,718,537	$ 5,878,364	$ 9,059,676	$ 19,656,577
-Employee Benefits	1,017,134	1,564,744	2,606,208	5,188,086
-Direct Third Party Cost	391,205	408,807	310,263	1,110,275
-Overhead Allocation	4,453,721	8,486,272	8,749,413	21,689,406
Total Cost	$ 10,580,597	$ 16,338,187	$ 20,725,560	$ 47,644,344
Home Mortgage Disclosure Act - Regulation C				
-Best Estimate Of Compliance Hours	11,375	225,267	184,297	420,939
-Salary Cost	$ 210,649	$ 4,313,620	$ 2,792,366	$ 7,316,635
-Employee Benefits	72,223	1,071,357	806,684	1,950,264
-Direct Third Party Cost	0	84,581	62,053	146,634
-Overhead Allocation	198,612	5,131,234	2,730,313	8,060,159
Total Cost	$ 481,484	$ 10,600,792	$ 6,391,416	$ 17,473,692
Sum Of All Studied Regulations				
-Best Estimate Of Compliance Hours	10,281,538	10,529,184	26,698,435	47,509,157
-Salary Cost	$ 182,115,053	$ 215,582,314	$ 781,676,316	$ 1,179,373,683
-Employee Benefits	52,457,612	53,342,278	180,076,580	285,876,470
-Direct Third Party Cost	344,007,806	58,670,869	155,441,705	558,120,380
-Overhead Allocation	147,291,771	268,374,820	809,786,133	1,225,452,724
Total Cost	$ 725,872,242	$ 595,970,281	$1,926,980,734	$ 3,248,823,257

An overview of the analytical comparisons for all community banks for each category is presented in the following table:

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ANALYTICAL COMPARISONS

STATED IN PERCENTAGES HOURS AND DOLLAR

	Total Assets			
	Under 30MM	Between 30-65MM	Over 65MM	
Total Annual Compliance Cost as a Percentage of:				
• Total Assets	1.21 %	0.42 %	0.31 %	
• Equity Capital	11.86 %	4.41 %	3.69 %	-
• Net Income before Taxes	72.43 [1,2] %	24.49 [2] %	18.99 [2] %	23.9[illegible]
Compliance Hours associated with each:				
• $1 Million of Total Assets	171	75	43	58
• $1 Million of Equity Capital	1,680	778	511	661
• Dollar of Net Income before Taxes	.010	.004	.003	.003
Compliance Cost associated with each:				
• $1 Million of Total Asset	$ 12,060	$ 4,278	$ 3,105	$ 3,954
• $1 Million of Equity Capital	$ 118,605	$ 44,073	$ 36,876	$ 45,186
• Dollar of Net Income before Taxes	$ 0.72 [1,2]	$ 0.24 [2]	$ 0.19 [2]	$ 0.24 [2]

[1]The cost associated with each dollar of income is significantly higher than the amounts reflected in Phase II. This results from the substantial higher annual compliance hours reported by banks under $30 million in Phase III

[2]Income has been annualized for computational purposes.

The detailed results of the national cost survey are presented in Exhibit C to this report.

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IBAA RUIN SCALE OF REGULATORY BURD

The respondents to the survey rated the thirteen regulatory areas according to the RUIN sca ·g of 5 being the most necessary and beneficial and 1 being the least beneficial and useful. The fo reflects the respondents' ratings.

The regulatory areas have been sorted from worst to best.

Regulation	RUIN Rating
Regulation BB - Community Reinvestment Act	1.64
Home Mortgage Disclosure Act (HMDA)	1.92
Geocoding - Geographic Loan Coding	1.93
Regulation CC - Expedited Funds Availability Act	2.17
Real Estate Settlement Procedures Act (RESPA)	2.25
Regulation Z - Truth in Lending	2.30
Bank Secrecy Act	2.48
Regulation B - Equal Credit Opportunity Act	2.49
Regulation O - Loans to Insiders	2.56
Appraisal Requirements	2.76
Formal Written Policies	2.79
Call Reports	3.16
Regulatory Exams	3.19

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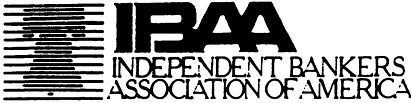

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Vice President

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James R. Lauffer
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Kenneth A. Guenther
Executive Vice President

February 2, 1995

Honorable Ricki Tigert Helfer
Chairman
Federal Deposit Insurance Corporation
550 Seventeenth Street, N.W.
Washington, D.C. 20429

Honorable Lawrence Lindsey
Governor
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, N.W.
Washington, D.C. 20551

Honorable Eugene Ludwig
Comptroller of the Currency
250 E Street, S.W.
Washington, D.C. 20219

Mr. Jonathan Fiechter
Acting Director
Office of Thrift Supervision
1700 G Street, N.W.
Washington, D.C. 20552

Dear Lady and Gentlemen:

As the agencies finalize the Community Reinvestment Act (CRA) regulation, the Independent Bankers Association of America (IBAA) reiterates our strong support for the adoption of a revised CRA rule that incorporates a meaningful tiered system whereby small banks would undergo streamlined examinations. We recognize that the effectiveness of the tiered approach in reducing regulatory burden will depend on how the revised rule is implemented by examiners. We urge you to consider this fact in your deliberations.

We believe that the examination procedures warrant a close review before they are implemented to determine if they are consistent with the goal of reducing regulatory burden. We note that the banking industry has not had the opportunity to comment on any examination procedures for the proposed CRA rule.

WASHINGTON OFFICE, ONE THOMAS CIRCLE NW, SUITE 950, WASHINGTON, D.C. 20005-5802 • 202 659-8111

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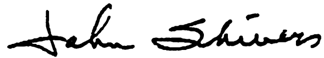
For example, it is our assumption that examiners will have extensive data bases at their disposal during the CRA examination. With the use of computers during an examination, the level of analysis can be quite detailed--down to a particular census tract or block numbering area. Depending on how the data is aggregated and analyzed, a real possibility exists that it could be used to micromanage a bank's lending.

We request that the new examination procedures to be used with the revised CRA rule be shared with the industry, preferably prior to their implementation. Examination procedures must be carefully drawn to avoid creating any possibility of credit allocation because of conclusions drawn from the data by overzealous examiners. In addition, the examination procedures should be carefully analyzed to ensure that no unintended consequences flow from implementation of the revised CRA regulation, and to ensure that small banks face no additional documentation burdens.

We appreciate your efforts to make CRA less burdensome for community banks and more performance focused.

Sincerely,



John Shivers
President

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 20551-0001

LAWRENCE B. LINDSEY
MEMBER OF THE BOARD

February 16, 1995

Mr. John Shivers
President
Independent Bankers Association
of America
One Thomas Circle, N.W.
Suite 950
Washington, D.C. 20005-5802

Dear Mr. Shivers:

Thank you for your letter of February 2, in which you request that the examination procedures currently being developed by the regulatory agencies to implement the revised CRA regulation be shared with the banking industry prior to their adoption. In this regard, you note a number of concerns about how new examination procedures might be used by examiners in a manner inconsistent with our shared goals of reducing the regulatory burden for community banks and avoiding credit allocation. I can assure you that the Federal Reserve recognizes the importance of developing examination procedures for the new CRA regulation that are consistent with these goals.

While we appreciate your concerns on the potential importance of the new CRA examination procedures, the Federal Reserve has not historically published any new examination procedures for comment prior to their adoption. Nonetheless, we appreciate receiving your thoughts and guidance on this matter and will keep them in mind as we move forward with the other agencies in the development of the new examination procedures. In addition, I would point out that the Federal Reserve's examination procedures relating to consumer affairs, including CRA, are published in a handbook that is available to the banking industry as well as the general public. Once the new CRA examination procedures are finalized and adopted, they will be incorporated into this handbook.

Again, we appreciate receiving your thoughts on this important matter.

Sincerely,

Larry Lindsey

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FDIC
Federal Deposit Insurance Corporation
Washington, DC 20429

Office of the Director
Division of Compliance and Consumer Affairs

To - Exec Committee
Lindsey - FDIC has
now answered -
K

February 27, 1995

Mr. John Shivers, President
Independent Bankers Association
of America
One Thomas Circle, N.W., Suite 950
Washington, D.C. 20005-5802

Dear Mr. Shivers:

Thank you for your letter dated February 2, 1995 wherein you express your support for a revised CRA rule that incorporates a tiered examination process. Your letter also requests that examination procedures be shared with the industry, preferably prior to their implementation.

The FDIC shares your observations about the importance of the examination procedures to the success of the CRA reform. In order for any change in the regulations to be effective, examiners must be given appropriate guidance for application of the regulations. The agencies are working to ensure that the procedures will be as effective as possible.

It is our practice to make examination procedures available to all interested parties. However, we do not publish examination procedures for notice and comment by the general public during the development process. As with any of our examination procedures, we welcome and encourage you and other interested parties to comment once the procedures are released.

Again, thank you for your letter and for your support for this reform effort.

Sincerely,

Paul L. Sachtleben
Director

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Office of Thrift Supervision
Department of the Treasury
Director
1700 G Street, N.W., Washington, D.C. 20552 • (202) 906-6590

March 2, 1995

John Shivers
President
Independent Bankers Association of America
One Thomas Circle, N.W.
Suite 950
Washington, D.C. 20005-5802

Dear Mr. Shivers:

This responds to your letter dated February 2, 1995, expressing your support for the adoption of a revised Community Reinvestment Act (CRA) regulation that incorporates a tiered system of examinations. Specifically, you strongly support a streamlined CRA examination for small institutions. Your letter asks that the examination procedures developed by the agencies in connection with the revised CRA rule be shared with the industry prior to their implementation.

Your observations about the importance of the examination procedures to the success of the CRA reform are well taken. The agencies are working to ensure that the procedures will be as effective as possible. Since examination procedures are for internal use, the agencies do not publish them for notice and comment by the public. It is our practice, however, to make the procedures available to all interested parties. Moreover, we will welcome any comments you may have on the CRA examination procedures once they are released.

Thank you for your expression of support for this reform effort.

Sincerely,

Jonathan L. Fiechter
Acting Director

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Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

March 9, 1995

John Shivers
Chairman
Independent Bankers Association of America
One Thomas Circle, N.W., Suite 950
Washington, D.C. 20005-5802

Dear Mr. Shivers: John

Thank you for your letter of February 2, 1995, and for your strong support for the adoption of a revised CRA rule that incorporates a tiered system whereby small banks would undergo streamlined examinations. You asked that the new examination procedures, which are being developed for use by examiners in connection with the new rule, be shared with the banking industry prior to their adoption. In particular, you expressed concern that examinations could result in micromanagement of banks' lending.

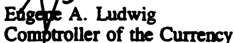
As you know, during the interagency CRA reform effort, we have repeatedly solicited the views of interested parties, among them the Independent Bankers Association of America and its member institutions. Your comments have been very helpful in shaping our proposed regulation, and we very much appreciate your continued interest and input. You can be assured that we recognize that examination procedures must be carefully drawn to avoid any possibility of credit allocation, and we will take appropriate safeguards in their development.

Examination procedures are internal operating documents for use within the agency; therefore they will not be published for notice and comment by the general public. However, after the adoption of a final rule and completion of examination procedures, the OCC plans to make the examination procedures available to the public. As with any agency policy or procedure, the OCC will welcome and consider any public views.

Clearly, it is time to bring the CRA reform effort to an orderly conclusion in order to end any confusion about the standards to which institutions will be held and to turn our attention to other important matters, such as examiner training and industry and community outreach.

Thank you again for your letter and input in this important process.

Sincerely yours,



Eugene A. Ludwig
Comptroller of the Currency

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Statement

of

Mark Milligan

Vice President and Secretary, State Savings Bank, Columbus, Ohio

on behalf of

America's Community Bankers

before the

Committee on Banking and Financial Services
Subcommittee on Financial Institutions and Consumer Credit

House of Representatives

March 9, 1995

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Good morning Madam Chairwoman and Members of the Subcommittee. My name is Mark Milligan and I am Vice President and Secretary of State Savings Bank, Columbus, Ohio. State Savings Bank is a $1.8 billion institution with 36 branches serving central Ohio. State Savings Bank carries an outstanding CRA rating because its Board and management emphasize the importance of community lending and involvement every day in the community we serve.

Through branch offices, our focus is primarily on home loans and, like most lenders, we make mortgage loans that conform to government and secondary market guidelines. But we also work to "fit-the-hard-to-fit" with various in-house programs if we deem the loan to be safe.

We believe in community lending -- as a responsibility and an opportunity. We also believe in a profitable operation and the need to make loans which, over time, prove to be prudent. As several not-for-profit housing developers have said to me: "A track record of bad loans doesn't help anyone."

It is my pleasure to appear today to testify on behalf of America's Community Bankers about Community Reinvestment Act reform. ACB is the national trade association for 2,000 savings and community financial institutions and related business firms. The industry has more than $1 trillion in assets, 270,000 employees and 16,000 offices. ACB members have diverse business strategies based on consumer financial services, housing finance, and community development.

ACB members are committed to the promotion of homeownership, removing needless barriers to credit, and investing in our communities. State Savings and the other individual members of ACB have built our businesses around our commitment to our communities. The goals of the CRA are goals that ACB member institutions pursue daily as a matter of good business practice. ACB's Board of Directors formalized this commitment in its 1993 Statement of Principles on Housing Opportunities. That statement accompanies this testimony and I ask that it be included in the record in its entirety.

This commitment to communities provides the backdrop for ACB's comments on CRA generally, and on specific provisions in the revised CRA regulatory proposal. It is our belief that any final CRA rules must enhance the ability of insured lenders to continue to pursue their commitment to their communities. Unnecessary or burdensome rules, no matter how well intentioned, get in the way of producing results. I am confident that the Subcommittee shares ACB's goal of eliminating such rules while furthering community lending.

The Subcommittee is to be commended for holding these very timely hearings. CRA is being addressed currently in several legislative proposals in the context of regulatory burden relief and on a stand-alone basis, and we understand that the regulatory agencies will issue a revised final rule soon. In your assessment of CRA and the manner in which it is implemented, I urge you to consider these elements of our stance:

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- Commitment to community investment is a function of day-to-day business for ACB members. We believe it is good business that can be done in a safe and sound manner.

- ACB encourages and supports the creation and implementation of incentives, in legislation, as well as regulation, as a way to reward solid CRA performers. I will give a few examples later.

- CRA was enacted to encourage insured lenders to meet the needs of their communities. Congress and the regulators have created other statutes and regulations that have specific enforcement sanctions. The Fair Housing Act and the Equal Credit Opportunity Act are examples of laws enacted with specific goals and strong enforcement measures and we do not believe that these laws or their implementation should be confused with CRA, as has often happened. There is a tendency, even in our industry, to confuse CRA and fair lending. While related, they are clearly different for important reasons.

- While the revised proposed regulation was an improved version of the earlier proposal, many of the burdensome provisions were retained. ACB opposes the imposition of additional data collection or reporting requirements for any institution, and we believe that any final rule should reflect the current practices of lenders and not impose additional requirements or contain wholesale changes.

- Finally, ACB strongly urges Congress to apply CRA to certain types of large, geography-based credit unions that are lending and taking deposits in the very same markets where banks and savings institutions operate. This would not be a burden for the credit unions -- it would be a shared opportunity.

General

I am here because I work with CRA every day and am familiar with how it is applied and put into action by an insured lender. I meet regularly with community groups to ascertain credit needs and help design products and programs to meet those needs. This is my chance, as a street-level lender, to talk briefly about how our shared interest in community lending and service can be best implemented. At the end of the day, CRA needs to be about loans made and services provided with a healthy respect for risk and the marketplace. Serving the needs of the entire community can be done in a safe and sound manner, and can be rewarding for the lender financially. At State Savings, we have developed and implemented a working knowledge of low-income housing tax credits in lending on income-eligible apartment projects. Not only have hundreds of units been built this way, but we receive market rates on loans we judge to be adequately safe.

ACB members, like State Savings, are community lenders, close to the diverse and varied needs of consumers and businesses alike. Because our business success is tied directly to the

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success of the areas in which we operate, ACB and its members have a great interest in ensuring the vitality of the communities we serve, at all income levels. As community-based lenders, we offer a full range of diverse programs, products, and services for the purpose of "reinvesting" in communities, including credit counseling and "loan fairs" and are active in both direct lending as well as indirect community development activities. We provide support from loan applicant education to grants for community projects.

At the state and local level, ACB members actively participate in lending consortia to leverage limited industry resources to further the goals of affordable housing and community and economic development. Community-wide or state-wide consortia enable small- to medium-sized institutions to invest in projects that are either too large, too complex, or too risky for one institution to bear. ACB suggests that greater participation in state-wide consortia lending would be achieved if Congress would specify that any consortium lending that addresses affordable housing or economic development needs, no matter where in the state it is located, would qualify as a community development loan for that institution. At State Savings, for example, we have a program whereby smaller lenders can avail themselves of the benefits of size and expertise of a larger lender by participating in the regular sale of portions of income-eligible housing loans.

ACB members also actively participate in a number of state and local programs aimed at bringing the dream of homeownership to a wider segment of the population. A substantial portion of ACB members provide mortgage financing, in a manner consistent with safety and soundness concerns, to borrowers whose loans are not eligible under traditional programs using conventional loan underwriting for resale into the secondary market. These held-in-portfolio loans of ACB members represent a significant portion of the assets invested in nonconforming affordable home loans in this country. These "hard-to-fit" loans are particularly embraced by State Savings, where we believe our local market knowledge and sense of community may make us a better judge of risk than Wall Street.

At State Savings, we have created a downpayment assistance fund by marrying a grant from the Federal Home Loan Bank of Cincinnati with a matching amount from two local foundations and the City of Columbus. The fund will enable about 70 families to become first-time homeowners and State Savings will make the mortgage loans.

I would like to cite just two of many examples of special approaches developed by ACB members:

- "First Place of Rochester," a partnership among First Federal Savings & Loan of Rochester, the City of Rochester, New York, and the North East Block Club Alliance, was formed to develop affordable housing in a targeted area of Rochester and also to create jobs for area residents and to provide job training for inner city high school students. First Federal of Rochester is the developer and is providing the construction financing as well as the permanent mortgages for the income eligible households. The second part of the initiative is to provide jobs for local minority

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contractors while construction is underway. The third part of the initiative is to provide a Youth Job Training Program for "at-risk" city high school students.

- Coast Federal Savings Bank in Los Angeles has introduced its Homebuyer's Assistance Program to offer an affordable and prudent means to finance a home mortgage using specially relaxed borrower qualifying standards. These standards include: flexible income and debt requirements, plus consideration of alternate documentation for applicants with no previous credit references. To reduce the amount of out-of-pocket expenses incurred by an applicant, Coast waives the customary fees for processing, documentation preparation and credit reports.

Incentives

As a general matter, we believe that incentives are far more important as sanctions. Insured lenders should receive positive feedback as a mechanism to maintain good performance, enhance satisfactory performance, or improve lower performance. We believe that insured lenders that meet or exceed their obligations to their communities should be recognized and rewarded. The decision to improve a CRA rating to an "Outstanding" is an expensive one, especially in terms of management commitment. Providing more cost-effective requirements for "Outstanding" performers is a positive way of encouraging heightened community reinvestment by offering real-dollar compliance savings to institutions that excel. Such an approach also is consistent with the reality that the vast majority of institutions have long been achieving a satisfactory level of compliance.

ACB suggests that the focus of amendments to the statute or the regulations should be on providing incentives rather than imposing additional requirements. For example, the revised proposed rule provides that a small institution, as defined in the proposal, generally will be eligible for a streamlined examination. But a small institution is defined as an institution with total assets of less than $250 million by itself, or is an affiliate of a holding company with total "bank or thrift" assets of less than $250 million. ACB supports expanding this definition of small institution to include an institution with $500 million in assets. Moreover, as a practical matter, we believe that reduced documentation and the streamlining of examinations are meaningful goals for <u>all</u> sizes and types of institutions. The ability to streamline examinations and/or reduce documentation requirements for institutions with "Satisfactory" or higher ratings would provide an incentive that would <u>encourage</u> community reinvestment in a manner consistent with CRA and its deposit reinvestment mandate in CRA.

ACB urges Congress to consider the following other incentives.

- <u>Application streamlining</u> - The statute could be amended to provide a "safe harbor" from deposit facility application challenges for institutions with two or more sequential "Outstanding" ratings on CRA examinations. An expedited approval process could be adopted for institutions that have received an "Outstanding" rating.

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- Service area delineation - The statute could provide specifically that institutions may use any reasonable method to define their service area and streamline the designation of multi-state or multi-service areas for large institutions.

- Coordinated review - A unified safety and soundness and consumer compliance examination procedure could be adopted to encourage greater coordination between types of examiners. The career tracks for safety and soundness and consumer compliance examiners could be unified.

- Small institution treatment - Small institutions below specified asset levels could be exempt from CRA or could have a streamlined examination procedure. The threshold could be adjusted for inflation. For example, Congressman McCollum's proposal provides small institution treatment we could support.

- Data collection - Elevate to the level of statute the legislative history of CRA that additional data is not to be collected.

Finally, on a related matter, we believe that funding and implementation for the Bank Enterprise Act is an effective mechanism to encourage the development and offering of products and services for all segments of the community. ACB would oppose any cuts to the funding already appropriated for the Community Development Financial Institution Fund and implementation of the Bank Enterprise Act. We support full funding and implementation.

Coordination with Fair Housing Act and ECOA

CRA was enacted to ensure that insured lenders meet the credit needs of the communities in which they are located. The deposit reinvestment mandate contained in the CRA seeks to address the concern that if credit demand exists with the community from which deposits are drawn that the deposits are not disproportionately used for loans in other communities. We believe that the CRA statute provides the agencies with the regulatory authority to "encourage" community reinvestment. An institution's record of serving its community's credit needs is one of the many items taken into account when the agencies evaluate an institution's application to expand its deposit-taking facilities. The application process was viewed as an excellent opportunity to "encourage" behavior without prescribing it.

ACB believes that the debate surrounding compliance with CRA is being confused with compliance with laws enacted for a different purpose that have more explicit enforcement provisions, e.g., the Fair Housing Act and the Equal Credit Opportunity Act. We believe that CRA compliance must be viewed independently from the enforcement of the Fair Housing Act and the Equal Credit Opportunity Act. In a recent letter dated February 21, 1995, to the banking trade organizations, Deval Patrick, the Assistant Attorney General, Civil Rights Division, Department of Justice, answered an inquiry as to the role of CRA in the enforcement by the Department of Justice of the fair lending laws.

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"The responsibility for enforcing the CRA belongs to the regulatory agencies. If we determine that a lender (whether or not it is subject to CRA requirements) has deliberately conducted its business in such a way as to avoid lending to persons protected by the fair lending laws, we will consider that evidence of a pattern or practice of lending discrimination. CRA performance may be relevant; but, it our view, it is not dispositive."

Although the response attempts to explain the rationale of the Department of Justice, we believe that a further clarification is necessary to ensure that enforcement of the Fair Housing Act and the Equal Credit Opportunity Act (which are important for all of us) are nonetheless is not combined with CRA encouragement.

Proposed Regulatory Changes

ACB recognizes and appreciates the work and good faith efforts of the agencies in amending the revised proposal and although it is improved and reflects numerous industry and public comments, it still falls short of achieving the level of flexibility necessary. The final rule or any statutory changes must be flexible enough to reflect the diversity of communities served by insured lenders. Let me highlight several areas of the revised proposal on which ACB has commented:

Strategic Plan Option. ACB believes that, although the revised proposed regulation in this area is generally an improvement, the proposed changes do not provide the flexibility necessary to fit the diversity of communities and the magnitude of products and services offered around the country. For example, although we certainly support the concept of the strategic plan option for CRA, we do not believe that the plan should be open for public comment prior to regulatory approval. The revision clarifies the role of community involvement in the development of the plan and requires the institution to solicit public comment formally on the plan for at least 30 days through publication in a local newspaper. Only after the public comment period has expired is the plan eligible for submission to the agencies for consideration. The formal publication requirement raises concerns over the disclosure of confidential, business plan information. It also confuses what would be prudent business practice instead of mandated process.

ACB has urged the agencies to delete the requirement for formal public comment. The strategic plan is fundamentally a business plan that an institution must formulate after considering all of the relevant factors, including CRA obligations and input from the community.

Data Collection. Further, deletion of the proposed data collection requirements would aid substantially in focusing institutions on actual lending rather than creating a preoccupation with form over substance and paperwork over performance. The revised proposal still contains the data collection requirements that ACB opposed in the prior proposal. The proposal would require that banks and savings institutions collect and report information

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regarding the race and gender of their small business and farm borrowers. We do not believe the statute authorizes this sort of data collection.

For several reasons we believe that the collection and reporting of this information would be problematic. For example, there are few safeguards to protect the personal privacy of borrowers who provide the information. In addition, as many lenders would not be required to report this information, the data inevitably would be incomplete and inaccurate and would have different competitive consequences for lenders.

Perhaps the most troubling and burdensome portion of the revised proposal's data collection requirements is the need to code loans for race and gender. The statutory basis for this type of classification is unclear, and ACB has urged the agencies to delete this requirement. The problems with race and gender classification have been widely expressed by the agencies themselves and the industry in general.

Indeed, the volume of interpretation necessary to address every possible, or even likely, variation would be substantial. Some possible questions suggested by the requirements and definitions include the following: How are small businesses run by families to be categorized with their 50/50 split? Does it matter who actually operates the business? For example, what if the family-owned and operated business is primarily owned by the mother, but operated by the children? Even the simplest case of the sole proprietorship is complicated because of the potential division of ownership of the business. The complications are limited only by the imagination but reality will reflect that kaleidoscope of images. This is simply not an area amenable for regulation and is unworkable.

In fact, ACB believes that further data collection will actually divert CRA compliance resources away from lending to low- and moderate-income borrowers. Each dollar spent on compliance and the collection of data for which there is no stated purpose may be a dollar diverted from use in credit outreach. Recordkeeping requirements should be kept at a minimum in order to minimize the related costs. ACB members want to be in the business of devoting their full energies to investing in their communities not to be in paperwork purgatory, and we urge Congress to encourage, rather than discourage, lenders to meet the credit needs of all segments of their communities. We want to be judged in our communities and by our regulators by what we do -- not by analytical gameplaying.

Accordingly, as we mentioned above, ACB urges Congress to preclude the agencies from imposing the data collection requirements.

Service Area Delineation. Another issue in the revised proposal that ACB cannot support is the service area delineation. The revised proposal sharply constricts the flexibility of an institution to draw its service area boundaries. The current rules provide institutions with alternative methods for delineating their service area. Generally institutions are able to use

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the areas surrounding their branches, their effective lending territories surrounding their branches, or any other "reasonably delineated local area that meets the purposes of the CRA."

ACB notes that examiners have criticized institutions for using a method of delineation of the service area that is similar to the method in the revised proposal. In general, the service area must include geographies in the local areas around an institution's branches and deposit-taking ATMs in which the institution has originated or had outstanding, during the previous calendar year, a significant number and amount of home mortgages, small business and small farm and consumer loans (if the institution chooses to include consumer loans), and "any other geographies equidistant from its branches and ATMs, taking into account political boundaries or significant geographic barriers."

It is possible that certain segments of a community that the institution currently designates would no longer be included in the new definition of service area. There are census tracts in which little or no housing exists, for any number of reasons including zoning, environmental and geographical, that would be included in a service area using the "equidistant" language. None of these anomalies is resolved by a hard and fast rule that permits little variation. Removing flexibility in the definition of service area does not allow an institution to adapt to the community which it serves. ACB urges a return to the more flexible current approach in defining service area. Let each lender define its service area and defend its boundaries. Logic and reasonableness should be required -- without presuming the actual process for New York city and Coshocton, Ohio in the same sentence.

Although the revised proposal contains many improvements, ACB urges Congress to request that the agencies move cautiously when adopting a final rule. Changes altering the manner in which insured lenders do business, imposing additional requirements, or creating uncertainty will undermine the efficient operation of the institutions and may perversely decrease the flow of credit into the community.

Legislative Proposals

In addition to the incentives that I mentioned above that are included in regulatory burden relief proposals, there are several stand-alone legislative proposals to amend CRA. Congressman McCollum's bill (H.R. 317) would provide for modified examinations for institutions with total assets of less than $500 million and would provide for a safeharbor from applications denial on CRA grounds for institutions that have received a rating of "Outstanding" or "Satisfactory." ACB would support these sorts of changes. These are examples of incentives designed to motivate an insured lender to work for and to maintain an "Outstanding" CRA rating.

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Extend CRA to Unregulated Lenders

Finally, if the intent of the review of CRA is to determine how to maximize the private-industry resources that can be directed to low- and moderate-income borrowers, then the pool of funds for community reinvestment capital can be enhanced by simply focusing outside the class of institutions currently subject to CRA. Banks and savings institutions hold just a third of the nation's financial assets, compared with half when CRA was enacted. Clearly, institutions covered by CRA cannot meet all the credit needs of the nation's communities.

In particular, we believe that CRA should be applied to geography-based or community-chartered credit unions and to credit unions serving multiple employer groups from one metropolitan area. It is these "come-one, come-all" credit unions, where the common bond has been severely, if not totally diluted, that application of CRA is needed to ensure that all segments of the community are being served. There is no other way for these geographically based credit unions to demonstrate that their lending programs benefit all segments of their local communities. Credit unions with little left in the way of a common bond should be required to reach out and serve all members of the communities in which they are located, including low- and moderate-income consumers.

Continued growth and prosperity of our local communities depends on the commitment of all depositories in the community to the principle of reinvestment to the community. Indeed, a credit union that voluntarily decided, by a majority vote of its members, to become subject to the requirements of CRA, submitted an application to the NCUA to change its charter and become a federal savings association. The NCUA denied the application last week on the basis, among other things, that the credit union had not included a chart comparing the costs of regulators and insurance in its application.

Madam Chairwoman, we welcome these hearings and the opportunity to present our views. As the regulatory agencies complete their changes to the proposed CRA regulations, we urge you to maintain your interest in this important subject.

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Savings & Community Bankers
of America

PAUL A. SCHOSBERG
President & Chief Executive Officer

November 21, 1994

Robert E. Feldman
Acting Executive Secretary
Federal Deposit Insurance Corporation
550 17th St., N.W., Room 402
Washington, D.C. 20429
[RIN 3064-AB27]

Communications Division
Office of the Comptroller
of the Currency
250 E Street, S.W.
Washington, D.C. 20219
[Docket No. 94-15]

Kathy Semone, Director
Information Services Division
Public Affairs
Office of Thrift Supervision
1700 G St., N.W.
Washington, D.C. 20552
[Docket No. 94213]

William W. Wiles, Secretary
Board of Governors of the
Federal Reserve System
20th & Constitution Ave., N.W.
Room B-2222, Eccles Building
Washington, D.C. 20551
[Docket No. R-0822]

Re: Community Reinvestment Act Regulations
59 Fed. Reg. 51232 (October 7, 1994)

Dear Ladies and Gentlemen:

Savings & Community Bankers of America ("SCBA") welcomes this opportunity to comment on the interagency, revised proposal amending the Community Reinvestment Act regulations. SCBA is a national trade association representing an industry of more than 2,200 savings and community financial institutions with more than 16,000 offices, 285,000 employees, and nearly $1 trillion in assets. Its members focus on providing real estate finance and community financial services.

SCBA members are committed to the promotion of homeownership, removing needless barriers to credit, and investing in our communities. The goals of the Community Reinvestment Act ("CRA") are goals SCBA members pursue daily as a matter of good business practice. SCBA's Board of Directors formalized this commitment in the Statement of Principles on Housing Opportunities unanimously adopted on January 28, 1993 (copy attached). The Statement of Principles underscores our industry's pledge to affordable housing and reflects the views of the mainstream of the industry.

An example of this pledge is the participation of SCBA members in the Affordable Housing and Community Investment Programs ("AHP" and "CIP") of the Federal Home Loan Bank System. In just five years, SCBA members and other institutions have used the AHP to commit $277.3 million for the construction and/or rehabilitation of 72,734 units of affordable housing representing total development costs of nearly $4 billion. Through the CIP, they

Savings & Community Bankers of America

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have provided financing not only for housing but for development of the economic infrastructure so vital to a successful community. Savings institutions and other bank system members have deployed $5.5 billion through the CIP for the construction of 145,868 units of housing, including more than 3,000 units dedicated specifically for the elderly. An additional $216 million has been invested in non-housing projects to promote job creation and economic development.

This commitment to communities provides the backdrop for SCBA's comments on the revised CRA regulatory proposal ("revised proposal"). It is SCBA's goal that the final CRA rules enhance the ability of lenders to continue to pursue their commitment to their communities. Our comments and suggestions are intended to remove any unintended or unnecessary barriers to this commitment.

The Revised Proposal.

SCBA welcomes this opportunity to comment on the second revision to the CRA regulations published by the four federal banking agencies ("the agencies"). The issues embodied in the first proposal[1] were complex and controversial. The revised proposal addresses many of the issues raised in that first proposal, but includes new items and provides greater specificity to others. SCBA's comments will focus on these additions.

The Lending Test -- "Assessment Context."

One of the new features in the revised proposal is the "assessment context" evaluation. As proposed, the banking examiners would prepare a community and institution "CRA profile" that would include:

- Demographic data on the community such as median income levels, distribution of household income, the nature and type of available housing stock, average housing costs and other data relevant to the community in which the institution operates;

- Examiner-developed data on the credit needs of the community and the institution's service area(s) based on information obtained from community based organizations, state and local governments, economic development agencies and any information the institution chooses to provide;

- Product offerings and the business strategy of the institution;

[1] 58 Fed. Reg. 67466 (Dec. 21, 1993).

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- The "institutional capacity and constraints," including the size of the institution, its capital levels, the national, regional, and local economic conditions, and safety and soundness limitations;

- The institution's past performance and the performance of similarly situated lenders; and

- The contents of the institution's public file and any information deemed relevant by the examiners.[2]

There are several issues presented by the "assessment context." SCBA recognizes that the assessment context represents an attempt by the agencies to address the diversity of our nation's communities. The credit needs of a rural town may be vastly different from those of a central city. Regional and other historical differences contribute to the variety of community needs.

It is, however, problematic to have examiners assess community needs. Examiners may or may not be members of the particular community they must evaluate. Further, it is difficult to judge a community and its needs accurately on the basis of an annual review. Such assessments, to achieve a suitable level of sophistication, take substantial time and resources.

SCBA suggests that the institutions themselves, as members of their communities, are better situated to determine the credit needs of their communities. No examiner can be expected to understand fully the character of a community to judge whether one type of facility or program better meets the community needs over another type of facility or program. Local lenders have a better vantage point to assess the effectiveness and use of a facility or program. This cannot be matched on a national or regional examiner level.

While the proposal would provide for institution input into the assessment context, examiners are not required to use the information provided, nor are the examiners required to disclose the results of their assessment to institutions. Given the limitations of resources, both institutional and regulatory, SCBA urges the agencies to defer to the community needs assessment of the institution itself, subject to subsequent examiner review rather than examiner assessment de novo.

If independent examiner analysis is maintained, at a minimum, the assessment context should be provided to the institution at an early stage of development. Otherwise, institutions will be unable to predict accurately the assessment context under which their lending will be

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[2] See, e.g., proposed 12 C.F.R. §§ 345.21(b), 563e.21(b); 59 Fed. Reg. 51232, 51288 and 51306 (Oct. 7, 1994).

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judged.[3] As the goal of regulation should be to promote compliance, advance disclosure is necessary for an institution to understand the standards by which it will be measured and to judge its ongoing progress to achieve those goals. To provide the assessment context after the fact, or not at all, is to provide no guidance on how to comply.

Lastly, the assessment context would compare the performance of a particular institution with that of "similarly-situated" lenders. As "similarly-situated" lenders can meet the credit needs of the same community in different, but "innovative" ways, it is unnecessarily restrictive to compare the activities of one particular institution to another. One institution may engage in active outreach with the elderly; another may address the credit needs of immigrants. Both institutions may be of equal size and capacity, yet the revised proposal would require examiners to compare the substantially different types of lending performance. SCBA suggests that this result is counterproductive to the purpose of "encouraging" lenders embodied in the CRA statute.

In addition, "similarly-situated" lenders may include those entities not subject to CRA obligations. This makes the comparison unduly harsh for the CRA-subject institution as the universe employed for CRA purposes may be too narrow (only CRA-subject institutions) or inappropriate as the performance of a non-CRA lender may be enhanced by the use of resources not diverted to CRA compliance paperwork.

The Lending Test.

Under the revised proposal, once the assessment context has been determined, institutions would be judged on their lending in the following manner:

1. The geographic distribution of loans, including the proportion of the institution's total lending in its service area(s);

2. The dispersion of lending throughout the institution's service area(s);

3. The number and amount of loans in low-, moderate-, middle-, and upper-income geographies in the institution's service area(s);

4. Borrower characteristics, including the number and amount of home mortgage loans made to low-, moderate-, middle-, and upper-income individuals;

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[3] This disclosure should be limited to the institution because of the proprietary information on products and business strategies contained in the assessment. Publication would inappropriately disclose to competitors the business plan of a particular institution.

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5. The number and amount of small business and small farm loans[4] by the size of the loan; and

6. At the institution's option, the number and amount of consumer loans to low-, moderate-, middle-, and upper-income borrowers.[5]

An institution's record of community development lending, including the number and amount of community development loans outstanding, their complexity and degree of innovation, and the number and amount of lines of credit and commitments for community development lending would also be evaluated within the context of the lending test. An institution would receive more favorable ratings for using innovative or flexible lending practices to address the credit needs of low- or moderate-income individuals.[6]

There are a number of concerns about the lending test. First, it would appear to require geocoding of all loans, not just those in an institution's service area. This is an increase in expense that has not been justified by the revised proposal and seems beyond the scope of the statutory purpose of CRA. Given the changes in the definition of service area discussed below, there would appear to be no reason for expanding geocoding requirements in this manner. Accordingly, SCBA urges that the requirement be deleted.

Further, the definitions of low- and moderate-income borrowers are not consistent with the definitions used by the Federal Housing Finance Board ("FHFB"). Under the AHP (12 C.F.R. Part 960), "low- and moderate-income households" means "households for which the aggregate income is 80 percent or less of the area median income."[7] This difference between the revised proposal definitions which classify low-income loans as those below 50 percent of the median income is important, given the use by many institutions of the FHFB Affordable Housing Program to further their community reinvestment efforts.

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[4] Small businesses and small farms are defined to be those entities with gross annual revenues less than or equal to $1 million. Proposed 12 C.F.R. §§ 345.12(t) & (u), 563e.12(s) & (t); 59 Fed. Reg. 51232, 51288 and 51306 (Oct. 7, 1994).

[5] See, e.g., proposed 12 C.F.R. §§ 345.22(b), 563e.22(b); 59 Fed. Reg. 51232, 51289 and 51307 (Oct. 7, 1994).

[6] Id.

[7] 12 C.F.R. § 960.1(g).

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In addition, the Community Development Banking and Financial Institutions Act of 1994 defines "low-income" using the 80 percent of median income test.[8] SCBA urges the agencies to conform the definitions in order to facilitate more low- and moderate-income lending programs and not impede the use of FHFB programs or community development financial institutions.

Third, and most importantly is the extent to which the elements of the lending test interrelate. The test requires an analysis of both the geography of where loans are made and the income levels of the borrowers. Yet no guidance is given as to the relative weighting of either element in arriving at the lending test score. This leaves institutions competing for loans that would qualify under both sets of criteria with uncertain credit given to loans that only qualify under one. This type of uncertainty may have the unintended consequence of increasing competition for low- and moderate-income loans whose collateral is located in certain census tracts while decreasing the availability of credit for low- and moderate-income borrowers who wish to move out of certain census tracts. Much more guidance is needed for institutions to understand how they would be evaluated.

Consortia Lending.

SCBA commends the agencies for revising the treatment of consortia lending as community development loans eligible for consideration under the lending test.[9] SCBA urged previously that an institution participating in a consortium which invests or lends in an area that includes, but is larger than the institution's service area, should receive CRA credit for the full amount of the investment or loan. The revised proposal was amended somewhat to reflect the concern that, otherwise, institutions might not continue to invest in community- or state-wide consortia. These programs enable small and mid-sized institutions to invest in projects that are either too large for the individual lender because of the institution's lending limits, are outside its expertise, or are too risky for one institution to bear.

SCBA suggests that greater participation in state-wide consortia lending would be achieved if the rule is modified to state explicitly that any consortia lending that addresses affordable housing or economic development needs, no matter where it is located within the state, qualifies as a community development loan. This type of consortia lending should not be restricted by a definition more appropriately limited to a particular institution and limitations

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[8] Riegle Community Development & Regulatory Improvement Act of 1994, Title I, "Community Development Banking & Financial Institutions Act of 1994," § 103(17); Pub. L. No. 103-325, 108 Stat. 2160, 2166 (Sept. 23, 1994).

[9] See, e.g., proposed 12 C.F.R. §§ 345.22(d), 563e.22(d); 59 Fed. Reg. 51232, 51289 and 51307 (Oct. 7, 1994).

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of small business size.[10] Consortia lending projects are varied and achieve results that far exceed the resources of a single institution. They should be encouraged, not inhibited by needless limitations or rigid allocation requirements among participants. SCBA encourages the agencies to be more flexible in their approach to affordable housing consortia.

SCBA also urges inclusion of certain types of third-party loans in the lending test. The purchase of GNMA loans, for example, due to their low- and moderate-income borrowers, should be expressly permitted under the lending test. Purchases of these types of loans within an institution's service area assist in the provision of credit under other governmental programs and should be encouraged. To eliminate them from consideration unnecessarily inhibits their use and harms one type of government-sponsored program at the expense of another. Accordingly, SCBA urges the reconsideration of the use of government-sponsored/insured, third-party loans in the lending test.[11]

Assessment Factor.

Institutions would receive a higher lending evaluation for those "innovative" programs used to promote low- and moderate-income lending. While innovation and imagination should be encouraged, the heavy weighting of untried or unproven programs over existing programs such as FHA or VA lending is misplaced. SCBA urges the agencies not to penalize those institutions who pursue standardized, successful community lending programs. The fact that a program is no longer new does not mean that it is no longer worth supporting. For FHA loans in particular, given the complexity of the loan documentation, the agencies may wish to consider granting additional credit to encourage the offering of this "tried and true" loan program.

Service Area Delineation.

The revised proposal constricts the flexibility of an institution to delineate its service area. The current rules provide institutions with alternative methods for delineating their service area, including the use of the effective lending territory. Generally institutions are able to use the areas surrounding their branches, their effective lending territories surrounding their

[10] Indeed, the revised proposal already recognizes this type of exemption for wholesale or limited purpose institutions. Expansion to all types of consortia lending merely applies to the exemption to all institutions.

[11] The issues surrounding third-party loans also call into question the handling of "table-funded" loans or loan purchases made shortly after origination. SCBA urges the agencies to take a flexible approach to the inclusion of these types of loans in the lending test.

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branches, or any other "reasonably delineated local area that meets the purposes of the CRA."[12] Multi-institution ATMs are not included.[13]

Under the revised proposal, an institution may not delineate its service area in a manner that reflects illegal discrimination or arbitrarily excludes low-, and moderate-income geographies, taking into account the bank's size and financial condition and the extent of its branching network. Additionally, the service area must consist only of whole census tracts of block numbering areas.[14]

Generally, the service area must --

1. Include those geographies in the local areas around an institution's branches and deposit-taking ATMs in which the institution has originated or had outstanding, during the previous calendar year, a significant number and amount of home mortgages, small business and small farm and consumer loans (if the institution chooses to include consumer loans), and "any other geographies equidistant from its branches and ATMs, taking into account political boundaries or significant geographic barriers."

2. Not extend substantially across metropolitan areas or state lines unless the service area is located in a multi-state metropolitan statistical area ("MSA"). If the service area is a multi-state MSA, separate service areas must be delineated for the areas in each state and for those areas inside and outside of the MSA.

SCBA is concerned over the increase in the number of service areas and the potential anomalies that the proposed new definition of service area causes because of the lack of flexibility and clarity in the new definition. The use of the term "significant," a broadening of the current "substantial" modifier used to define "effective lending territory," is intentional and is designed "to include all geographies around branches and proprietary deposit-taking ATMs[15] where an institution has made more than a handful of loans."[16] This is a significant

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[12] See, e.g., 12 C.F.R. § 563e.3(b)(3).

[13] For example, 12 C.F.R. § 563e.3(b).

[14] See, e.g., proposed 12 C.F.R. §§ 345.41, 563e.41; 59 Fed. Reg. 51232, 51292-51293 and 51310-51311 (Oct. 7, 1994).

[15] ATMs included in the service area designation are only those that the institution runs for its sole ("exclusive") benefit (proposed definition of "Automated teller machine"). It is not clear whether an ATM that is connected with a "brick and mortar" branch that the institution owns and operates, but is connected to an ATM network, is not included in the service area designation because network access eliminates any "exclusivity" of use.

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expansion of the existing community delineation. Further, the flexibility of the current rule with its three alternative methods that granted "substantial leeway . . . so long as the definition is reasonable,"[17] is removed in favor of greater coverage.

Because of the revised proposal's imposition of one test for non-limited purpose or customer institutions, institutions are now legitimately concerned that the "service area" circle that is drawn to include areas where "more than a handful of loans" are made will be so inclusive that it will far exceed common sense. For example, an institution with a widely dispersed branch network could conceivably face the inclusion of large portions of a state substantially beyond the cities and towns surrounding each branch. The focus on lending in any area, rather than where the branches are located, causes institutions to include many more localities than currently contemplated by the existing regulation. This has the concomitant effect of requiring the designation of separate service areas for each "community." Given the potential for making "more than a handful of loans" throughout a state or multi-state area, an institution may face the need to consider each and every community in a state separately as a service area. This result is simply too burdensome both for the institution and the regulator. Common sense must prevail, otherwise institutions may be less willing to expand into new areas if the generation of "even a handful of loans" triggers the application of a new service area. Indeed, in those few instances where the service area concept has been experimentally applied by an individual institution, the resulting delineation is too large.[18]

In addition, for those institutions whose service areas include multi-state MSAs, rather than allowing an institution to consider the MSA as one service area, the proposal appears to require a separate service area for each state that comprises the MSA. SCBA suggests that this requirement unnecessarily promotes "paperwork over performance," and urges the agencies to allow an institution the option to use MSA boundaries, no matter if state lines are crossed, as service areas.

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[16] 59 Fed. Reg. 51232, 51246 (Oct. 7, 1994).

[17] Board of Governors of the Federal Reserve System, Division of Consumer and Community Affairs, *Consumer Compliance Handbook*, Chapter "Regulation BB," page 76 (Oct. 1990).

[18] See, e.g., comment letter of David H. Wells, Jr., President, Key Federal Savings Bank, Owings Mills, Maryland, dated November 18, 1994.

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The preamble to the revised proposal states that the issues of multiple service areas will be addressed via unspecified "examination procedures."[19] SCBA suggests that the problems created by the expansive definition of service area will result in case-by-case determinations by the agencies regarding which communities each institution must include in its service area(s). This is simply too cumbersome to be workable for either the agencies or institutions.

In addition, institutions are required to file their service area maps in the spring of each year. This could be a substantial filing depending on the final determination of how many service areas a particular institution has. SCBA urges the agencies to lessen the number and size of filings required by limiting the number of defined service areas. This is consistent with Title III of the recently enacted Riegle Community Development and Regulatory Improvement Act of 1994 that requires the agencies to consider expressly the reporting burdens new or revised regulations have on the industry.[20]

SCBA notes that examiners have criticized previously the "equidistant" approach and the resulting circular service area method. Examiners have instructed institutions explicitly not to draw circles around their branches as a method of delineating their communities. Return to this previously criticized method would cause compliance frustration and is potentially inconsistent with existing community delineations. It is possible that certain segments of a community that the institution currently designates would no longer be included in the new definition of service area. There are census tracts in which little or no housing exists, for any number of reasons including zoning, environmental and geographical, that would be included in a service area using the "equidistant" language. None of these anomalies is resolved by a hard and fast rule that permits little variation. Removing flexibility in the definition of service area does not allow an institution to adapt to the community which it serves. SCBA urges a return to a more flexible approach in defining service area.

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[19] "Questions of how many service areas should be examined during an examination and how performance in different service areas should be weighed are more appropriately handled through examination procedures than through regulatory language. The agencies have therefore omitted from the revised proposal all discussion of examination treatment of multiple service areas." 59 Fed. Reg. 51232, 51244 (Oct. 7, 1994).

[20] See, Section 302, "Administrative Consideration of Burden with New Regulations," which requires an express evaluation of regulatory burdens when establishing an effective date and Section 303, "Streamlining of Regulatory Requirements," which requires a review to eliminate costly rules that may impede the provision of credit. Riegle Community Development and Regulatory Improvement Act of 1994, Pub. L. No. 103-325; 108 Stat. 2160, 2214-2215.

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Affiliate Lending.

The revised proposal will allow an institution to elect to consider in its CRA lending assessment the lending of an affiliate if the affiliate reports or collects HMDA data and small business and/or farm loan data. The agencies may consider affiliate lending practices even if the institution has chosen not to have the lending considered if the agency determines that this lending is "integral to the business of the bank." The revised proposal attempts to make clear that both the institution and the affiliate may not count the same loan (no double counting); all the loans made in the service area(s) by the affiliate will be looked at, not just those that are made to low- and moderate-income borrowers in the service area(s). This applies to any entity in the holding company structure, including the holding company itself.

SCBA urges the agencies to restrict the inclusion of affiliate lending to a voluntary basis only. There are many reasons why separate corporate structures are used for differing types of activities. Limiting an insured depository's exposure to risk is a reason often cited by the agencies in support of moving certain types of activities out of the insured depository institution itself into an affiliate or subsidiary. Given the recent history of class action law suits filed against mortgage lenders, e.g., Rodash and the many escrow accounting lawsuits that resulted in the recent HUD rule, limiting an institution's exposure to the potential of class action suits is a legitimate safety and soundness goal.

The ability of the agencies to "pierce the corporate veil" and include affiliate lending unnecessarily weakens the corporate separateness that limits an institution's risk exposure from its affiliate's activities. This is a precedent that could expand an institution's risk exposure, not limit it. SCBA urges the agencies to reconsider their need to include affiliate lending.

Further, inclusion of affiliate lending on a strictly voluntary basis aids the ability of institutions to comply with the final regulations. In this manner, the joint compliance of institution and affiliate(s) can be coordinated. To include affiliate lending after the fact poses tremendous compliance and documentation concerns. CRA compliance will be difficult if not impossible. Accordingly, SCBA urges the agencies to include affiliate lending on a voluntary basis only.

Investment Test.

SCBA welcomes the expansion by the agencies of those items that will be considered in the revised proposal's investment test and the elimination of the risk-based capital ratio. Qualified investments have been broadened to include a wider variety of investments both in and out of an institution's service area.

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Among other items included in the list of "qualified investments" are membership shares in those particular credit unions that benefit low- or moderate-income individuals or address affordable housing needs. The inclusion of credit union membership shares as qualified investments for insured banks and savings institutions is particularly ironic given the current debate surrounding the extension of CRA to credit unions. SCBA believes that those geographic-based credit unions that are full participants in the financial services marketplace should be required to comply with CRA. In certain states, e.g., Massachusetts, they are already required to do so.

Furthermore, the inclusion of deposits in credit unions within the range of qualified investments should be explicitly restricted to credit unions that meet the new statutory definition of a "community development financial institution," plus any associated implementing regulations. This would provide consistency with the Riegle Community Development and Regulatory Improvement Act of 1994.

SCBA continues to urge that the definition of "qualified investments" in the revised proposal be further clarified to include holdings of Federal Home Loan Bank ("FHLB") System consolidated obligations and stock, as well as holdings of FNMA and FHLMC debt. The investment in FHLB consolidated obligations and stock have helped fund the System's Affordable Housing and Community Investment Programs. These programs have been leveraged to provide more than $2.6 billion in credit to low- and moderate-income borrowers. Further, at a minimum, institutions holding FHLMC/FNMA stock or debt should get proportionate credit for the affordable housing share of the GSE under the Housing and Community Development Act of 1992. Alternatively, the agencies may wish to encourage FNMA and FHLMC to develop specific low- and moderate-income loan securities that would qualify under the investment test.

Service Test.

The proposal issued in December 1993 would have based an institution's service test assessment on the percentage of its branches located in or readily accessible to low- and moderate-income geographies. The revised proposal recognizes that the actual presence of brick and mortar branches is not necessarily the sole or best indicator of an institution's provision of "services" to its community. SCBA supports the inclusion of alternative delivery systems in the service test, such as banking by telephone or computer, bank-at-work and bank-by-mail programs.

SCBA notes, however, that the use of networked ATMs is given less weight in the service test. As the vast majority of ATMs are networked, it would be the rare ATM that would be considered under any criteria other than as an alternative delivery system. This may restrict inclusion of those ATMs that an institution owns and services because networked ATMs are not operated "exclusively" for the benefit of the owner-institution. This would be an

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unfortunate result. If an institution owns and maintains an ATM, it should receive more consideration than a networked facility that is owned by another entity. SCBA suggests that the term "exclusive" should be deleted from the definition of ATM and the concept of maintenance substituted. In this manner, institutions that maintain an ATM whether or not it is networked, would receive recognition under the service test.

In addition, SCBA suggests that the agencies consider, as an alternative service methodology, the offering of debit cards. Debit cards provide the convenience of a checking account without the need for further identification at the point of sale. Debit cards also provide access to ATM networks, thereby increasing a depositor's ability to gain access to his or her account and use a wider array of ATMs.

Community Development Services.

In addition to evaluating an institution's delivery of retail banking services, the revised proposal's service test would also measure the degree to which an institution provides "community development services." These are defined to include services that "primarily benefit low- and moderate-income individuals"[21] and small business and farms "and address affordable housing . . . or other community economic development needs that are not being met by the private market."[22] This is new, and the preamble sheds little light on the types of services envisioned by this portion of the service test. The agencies may well intend to give institutions credit for counseling and other educational services provided as part of ongoing outreach programs, a result that SCBA would support. However, it is not clear that this is indeed the intention of this portion of the test, nor is it clear that activities of joint ventures or similar entities that institutions use to provide outreach and counseling programs would qualify.

SCBA suggests that this portion of the service test needs further refinement to avoid unnecessarily excluding activities that should be encouraged. The use of the modifier, "primarily," is unduly restrictive. Additionally, ending the sentence after "community economic development needs" would address joint venture and other institution-related entity activities left out by the additional restrictive language. If these activities are to be encouraged, they should be encouraged regardless of the type of business structure or investment.

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[21] See, e.g., proposed 12 C.F.R. §§ 345.24(c)(1)(i), 563e.24(b)(c)(1)(i); 59 Fed. Reg. 51232, 51290 and 51308 (Oct. 7, 1994).

[22] Id.

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Assessment Ratings.

Appendix A, "Ratings," attempts to clarify how a composite CRA rating would be derived after an evaluation of an institution's lending, service and investments. There is an attempt in the rating process to prevent institutions from "buying" a rating through superior performance in service and investment by more heavily weighting the lending performance. SCBA suggests that few institutions will have the ability to "buy" a rating and that the rating structure is unnecessarily restrictive in response to a concern that is more apparent than real.

In general, lending is weighted at twice the investment and service tests. This is reflected in the numerical scores given each test. Lending is generally scored at twice the number of either service or lending test -- an outstanding lending score is 12, an outstanding service or investment score is 6. Additionally, another limitation is included that actually emphasizes the lending score further. If the total of the points given for all three tests exceeds twice the lending score, the composite score is limited to the number that is two times the lending score. Such a limitation magnifies the bias in favor of the lending score. SCBA suggests that the agencies have already reflected the emphasis on lending in the numbers assigned to the ratings; a further limitation is redundant and unnecessarily discourages service and investment. There is no need for the "twice lending cap" contained in Appendix A(b)(4)(ii).

Further, only the composite score is disclosed to an institution. SCBA suggests that compliance would be encouraged by also disclosing to the institution, on a confidential basis, the subscores that make up the total CRA rating. It is possible that an institution would not know that its performance in a particular area such as service is in need of improvement because its composite score is satisfactory. It is important that the subscores be communicated if the agencies expect improvement. Otherwise an examiner may return the following year to find no improvement because the institution thought its performance was satisfactory. Such confusion can be eliminated by disclosing to the institution both its composite and subscores.

SCBA also notes with some concern the potential over-emphasis on innovation and the need to constantly improve performance. While institutions need to reflect changing community credit needs, unlimited resources cannot be devoted to developing new and untried programs that reflect neither the market or the actions of competitors. Nor should evolving needs necessarily result in ever higher standards. Reasonableness needs to be applied in the rating of performance.

Small Institution Streamlined Examination.

SCBA supports the changes made in the revised proposal to the small institution streamlined examination. Elimination of the specific loan-to-deposit ratio is a positive reflection of the diversity of smaller institutions and the variety of communities that they serve. A small

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institution is defined as an institution with total assets of less than $250 million by itself, or is an affiliate of a holding company with total "bank or thrift assets" of less than $250 million.

The revised proposal notes that there is a difference between small institutions and those small institutions that are affiliates of a larger holding company as "[t]he larger holding company could be expected to provide support and assistance to a degree not available to a small independent institution." While holding companies may provide additional resources to their subsidiary depository institutions, it is equally true that some do not. SCBA suggests limiting the inclusion of the holding company assets to those situations where the holding company provides substantial operational assistance such as data processing or other support services rather than including those arrangements where the holding company acts more as an investor.

SCBA notes, however, that reduced documentation and the streamlining of examinations are meaningful goals for all sizes and types of institutions. The ability to streamline examinations and/or reduce documentation requirements for institutions with "Satisfactory" or higher ratings would provide an incentive that would serve to encourage community reinvestment in a manner consistent with the CRA. SCBA urges the agencies to consider these and other incentives discussed below as part of the revised proposal.

Strategic Plan Option.

The revised proposal provides more details concerning the strategic plan option. The revision clarifies the role of community involvement in the development of the plan and requires the institution to solicit public comment formally on the plan for at least 30 days through publication in a local newspaper. Only after the public comment period has expired is the plan eligible for submission to the agencies for consideration.

A submitted plan would be deemed approved if the agency failed to act within 60 days of submission. The agency would consider the public's involvement in formulating the plan and any response the submitting institution made to public comments received. Unanimity of public opinion is not required. Rather, the agencies would evaluate whether the institution adequately researched the needs of its community and whether, considering the information that the institution received in the comments, the plan goals are appropriate.

The formal publication requirement raises concerns over the disclosure of confidential, business plan information. The revised proposal would allow institutions to submit additional information to the relevant agency on a confidential basis; however, the publicly available plan would have to be sufficiently specific to enable the public and the agency to fairly judge the merits of the plan's goals.

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SCBA urges the agencies to delete the requirement for formal public comment. The strategic plan is fundamentally a business plan that an institution must formulate after considering all of the relevant factors, including CRA obligations. It is not a process that the board of directors can delegate to the public. Directors have fiduciary duties that require the exercise of informed business judgement. The results of this deliberation are proprietary business strategies that meet the many goals of the institution, including the provision for profit. Exposure of strategic plans in a "mini-rulemaking" exposes institutions to their competition, including those not subject to CRA, notwithstanding the ability to "edit" certain types of information from publication, and improperly changes the role of the institution from a business involved in its community into a public utility. SCBA urges the agencies to delete the 30-day publication requirement.

In addition, this requirement lessens the desirability of the strategic plan option. This is an unfortunate consequence as the strategic plan offered the most flexibility to institutions to meet the credit needs of their communities. SCBA agrees that the strategic plan could have provided "more certainty and flexibility for those institutions that wish to meet their obligation in a fashion that they believe may not be appropriately assessed by the standard performance tests." For that reason SCBA originally supported the strategic plan as a viable option for CRA compliance; however, the publication requirement substantially diminishes this result.

On a positive note, SCBA supports the extension of the life of the proposal from two to five years. Again, this reflects the business plan nature of the strategic plan and reinforces the need to provide a strategic plan option that reflects the business plan process. Formal public comment periods are not a part of business plan preparation.

SCBA suggests that, to the extent that comment is solicited on strategic plans, commenters be required to provide their name, address, and to indicate whether they are commenting on behalf of any group or organization. Groups, businesses or organizations should be asked to indicate where they are headquartered; the nature of their business or activities; whether they are for-profit or non-profit; how long they have been in existence; the number of members or employees; and to provide a brief discussion of their mission or strategy. This type of information would better enable the agencies to evaluate the strategic plan and its impact on the particular community.

Further, SCBA suggests that the strategic plan contain a range of goals for each level of performance. This would grant additional flexibility to allow institutions to adjust to changing environments without the need for formal modification.

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Wholesale Institutions.

SCBA supports the inclusion of wholesale or limited purpose institutions by all of the agencies, including the Office of Thrift Supervision. Inclusion of this option recognizes the variety of types of financial institutions and that CRA obligations can be met by a variety of methods. Notwithstanding this recognition of limited purpose institutions, many of the items suggested by the community development test may be outside the powers of such institutions. SCBA urges more flexibility in determining how limited purpose institutions meet the credit needs of their communities.

Data Collection Requirements.

The revised proposed rule expands the data collection process by including a provision which mandates that race and gender data be obtained and reported to the regulatory agencies. The data must also be reported, in aggregate form, to the public for small business and small farm loans that were actually made and for denied applications when a written application is taken. More specifically, the proposal would require that banks request small business and farm loan applicants (both successful and unsuccessful applicants who had provided a written application) to specify the percentage of the businesses and farms that are owned by minorities or women.

All institutions with assets of $250 million or more would be required to obtain this information from all borrowers and applicants, except publicly traded companies, with loans in the original amount of $1 million or less, or loans that are reported on the small business and small farm portion of the Report of Condition. Unlike HMDA, however, the revised proposal would require the institutions themselves, rather than the agencies, to provide aggregate reports for dissemination to the general public.

SCBA opposes this new expansion of the CRA reporting requirements. SCBA has a number of concerns including a borrower's expectation of financial privacy, the tremendous increase in reporting burden, and the resulting incomplete and inclusive data. It is possible for a small business loan applicant located in a specific census track to be identified through the use of the information collected, notwithstanding any attempts to aggregate the data. The information is specific enough to provide business competitors with sufficient data to reveal a borrower's business strategies. This is not the type of result any of the agencies truly desire.

SCBA suggests that the data collected will be of little statistical use. HMDA data are already misinterpreted by the public with rejection ratios inappropriately equating in the public mind with illegal discrimination. Nothing could be further from the truth; however, this public perception is not easily changed. Because of the public's current misinterpretation of HMDA data, it is surprising that the agencies would consider adding to the public's confusion with limited, if not misleading, additional data. Data collection becomes an end in

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itself, with no defined purpose or use. Further, given the data requested, no matter the type of institution collecting, the data will produce no reliable conclusions due to any number of reasons including increased specialization by reporting lenders.

SCBA believes that further data collection will actually divert CRA compliance resources away from lending to low- and moderate-income borrowers. Each dollar spent on compliance and the collection of data for which there is no stated purpose is a dollar diverted from use in lending. Recordkeeping requirements should be kept at a minimum in order to minimize the costs.

Further, as noted above, Title III of the recently enacted Riegle Community Development and Regulatory Improvement Act of 1994, requires the agencies to consider the regulatory burden imposed on financial institutions. Clearly, the new data collection requirements run contrary to this statutory mandate.

Perhaps the most troubling and burdensome portion of the revised proposal's data collection requirements is the need to code loans for race and gender. The statutory basis for this type of classification is unclear and SCBA urges the agencies to delete this requirement. The problems with race and gender classification have been widely expressed by the agencies themselves (See, Governor Lindsey's remarks before the Board of Governors of the Federal Reserve System, September 26, 1994).

Indeed, the volumes of interpretation necessary to address every possible variation would be substantial. How are Mom & Pop businesses to be categorized with their 50/50 split? Does it matter who actually operates the business? For example, what if the family-owned and operated business is primarily owned by the mother, but operated by the children? Lenders in community property states will have even more complications as they attempt to determine which portion of the business is property of the marriage or the individuals prior to marriage. Even the simplest case of the sole proprietorship is complicated because of the potential division of ownership under community property laws. The complications are limited only by the imagination. This is simply an area inappropriate for regulation.

Accordingly, SCBA urges the agencies to reconsider and eliminate the data collection requirements.

Public File Requirements.

The revised proposal would change the requirements for maintenance of CRA public files. Unlike the existing rule, the revised proposal would require a copy of an institution's CRA

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public file at each branch.[23] This is an expansion not reflected in the current demand for the CRA public file. Generally, most institutions report little, if any, interest in the CRA public file. In addition, the revised proposal would increase the contents of the public file. The public file under the revised proposal would include, in addition to the items currently found:

- List of geographies (census tracts) that the institution considers to be in its service area(s);
- List of branches and remote service facilities ("RSF"), their addresses (currently only required for branches), and a listing of those opened or closed by the institution during the current and past two calendar years including addresses and geographies;
- Number and amount of community development loans outstanding for the current and prior two years;
- Number and amount of consumer loans if the institution chooses to report by geography and income;
- Alternative systems for delivering retail banking services (optional); and
- HMDA statement.

While the above would increase tremendously the burden on institutions to maintain accurate and up-to-date materials, SCBA members have not experienced a demand for the CRA materials. One SCBA member with 250 branches had received only 6 requests in a twelve month period. Yet under the revised proposal, the institution would have to maintain an extensive CRA public file at each of the 250 branches.

Rather than require each branch to contain a CRA public file, SCBA suggests that the agencies allow an institution to maintain its file at its home office and supply it as requested at the preferred branch within five to ten days of the request. In this manner, the most up-to-date materials are supplied in a timely manner without the need for the institution to coordinate distribution of the document to numerous branches.

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[23] The rule requires the file maintained at a minimum at one branch in a service area (proposed 12 C.F.R. §§ 345.43(i)(2), 563e.43(i)(2)). As the delineation of a service depends on the location of each branch, it is possible that each branch would represent a separate service area that may overlap with other branch service areas.

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Enforcement.

SCBA continues to oppose the expansion of the full use of enforcement remedies and tools to the CRA evaluation. As noted in our prior comment letter, the CRA statute provides the agencies with the regulatory authority to "encourage" community reinvestment. An institution's record of serving its community's credit needs is one of the many items taken into account when the agencies evaluate an institution's application to expand its deposit-taking facilities. The application process was viewed as an excellent opportunity to "encourage" behavior.[24] The CRA as enacted was intended to have a very limited scope and to provide in the words of Sen. Proxmire, "a relatively weak sanction."[25] For the agencies to disregard the legislative history and the specific enforcement mechanism provided, is to ignore the underpinnings of CRA, contrary to the intent and language of the statute, and subject the agencies to legal challenge.

Rather than seek to add punitive remedies, SCBA urges the agencies to provide incentives for CRA compliance. This would be consistent with the deposit reinvestment mandate in CRA that sought to remedy the concern that deposits were not used for loans in the communities from which they were drawn. Incentives, such as streamlined data collection or fewer examinations "encourage" institutions to strive for improved CRA performance.

Appeals Process.

Because of the complexity of the revised proposal, and the continuing dialogue likely over a number of the provisions such as the designation of service areas, SCBA urges the agencies to provide an appeals process at each step of the CRA evaluation. In this manner, disputes over service area designations or the inclusion of particular investments can be addressed in advance of the final CRA evaluation in a timely and effective manner. The conclusion of the examination is too late in the process for an institution to change its business strategy.

Compliance is furthered by an appeals process that gives institutions a timely opportunity to address differences between examiners and institutions. This is consistent with the new requirement for an "ombudsman" in the Riegle Community Development and Regulatory Improvement Act of 1994. An appeals process furthers the agencies' compliance with the ombudsman provision and provides institutions with a mechanism to address issues before they result in supervisory or enforcement action.

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[24] Senate Committee on Banking, Housing and Urban Affairs, Hearings on S. 406, Community Credit Needs, 95th Cong., 1st Sess. 132, 222 (1977).

[25] Id. at 154 (statement of Sen. Proxmire).

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Examiner Training.

The revised proposal would rely heavily on examiner training and discretion. SCBA has supported the need for examiner discretion, yet suggests that, without the details of such training, the revised proposal reveals a limited understanding of what is expected of institutions. What will constitute "innovative?" Under what criteria do lending programs demonstrate "excellent responsiveness" as opposed to "good responsiveness?" When does an investment program achieve an "excellent level of qualified investments" rather than a "significant level?" What does "adequate" mean?

These are questions that will have to be addressed in a short time frame to permit both lenders and examiners to understand what is expected of them. It is difficult to comment adequately on a complex regulatory scheme if the "details" are that in the process of being drafted. SCBA urges the agencies to provide an opportunity for comment on the examiner guidance used to implement the revised proposal.

Incentives.

It is troubling that notwithstanding the statutory goal of "encouraging" reinvestment in communities, the revised proposal continues to lack incentives for achieving "Outstanding" ratings. As urged in our previous comment letter, an "Outstanding" rating should provide additional benefits such as CRA examinations every 18 or 24 months as opposed to annually, or provide a defense to frivolous complaints filed in the application process. Given the time and care required for a "Satisfactory" and higher rating, institutions should be rewarded for achieving these ratings.

Transition.

The agencies anticipate having in place the new recordkeeping requirements by July 1995 with full implementation of the revised rule in January of 1996. SCBA suggests that this is too short a time to implement all of the changes that this proposal would mandate. A longer transition period would benefit the industry, regulators and communities. In addition, a more reasonable transition period would comply with section 302 of the Riegle Community Development and Regulatory Improvement Act of 1994.[26]

In summary, SCBA urges the agencies to consider a number of clarifying changes to the revised proposal. Modification of the service area definition and deletion of the data collection requirements would aid substantially in focusing institutions on actual lending

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[26] Riegle Community Development & Regulatory Improvement Act of 1994, Pub. L. No. 103-325, 108 Stat. 2160, 2214-2215, §302 (Sept. 23, 1994).

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rather than creating a preoccupation with form and paperwork over performance. SCBA members want to be in the business of devoting their full energies to investing in their communities not to be in paperwork purgatory, and we urge the agencies to modify the revised proposal to encourage, rather than discourage, meeting the credit needs of all segments of their communities.

Thank you for considering SCBA's views on this matter. If you have any questions concerning the above, contact Jay Harris at (202) 857-3123 or Dawn Causey at (202) 857-3106.

Sincerely,

Paul A. Schosberg

Attachment -- Statement of Principles on Housing Opportunities

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Statement of Principles

◆ Savings & Community Bankers of America members are community-based lenders and are well positioned to enhance the goal of equal credit opportunity and to assist in carrying forward government policies in a more coordinated and streamlined manner, efficiently meeting the goal of fair access to credit for all people. In working toward these goals, Savings & Community Bankers of America members will be assisting our communities with fair housing credit, affordable housing and job creation.

◆ Savings & Community Bankers of America member institutions—their managements and employees—strongly endorse the goals of laws and regulations aimed at combatting discrimination of any form in home mortgage lending or in the delivery of other financial services or products.

◆ Savings & Community Bankers of America member institutions—their managements and employees—are committed to ensuring that credit is available to all segments of American society on a fair and equitable basis. Savings & Community Bankers of America members support consumer education that informs consumers and credit applicants of the availability and requirements of credit products and provides counselling where problems exist. Savings & Community Bankers of America members support active outreach to the community as a whole—government, others involved in the credit process and community organizations—in seeking to provide ongoing consumer education.

◆ Savings & Community Bankers of America member institutions are committed to education of employees through better training and information on how to work with applicants of all backgrounds and income levels. Savings & Community Bankers of America members are committed to ensuring that all applicants are treated fairly and receive the same degree of assistance and support in seeking credit, regardless of race, gender, religion or national origin.

◆ Savings & Community Bankers of America is committed to working with others in government, the private sector and community organizations to assist in efforts to promote affordable housing, available to all qualified persons.

Members of Savings & Community Bankers of America are called upon to endorse and adhere to these principles. SCBA will provide ongoing assistance to members in meeting their goals of effectively serving their communities.

—Adopted by SCBA Board of Directors
January 28, 1993

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Testimony of

John E. Taylor
President CEO
of the
National Community Reinvestment Coalition

before the
Subcommittee on Financial Institutions
and Consumer Credit
of the
Committee on Banking & Financial Services
of the
U.S. House of Representatives

March 9, 1995

Madame Chairwoman, Members of the Subcommittee, I welcome the opportunity to appear before you today to discuss the proposed pending inter-regulatory agency rule governing CRA examination and evaluation.

I am President & CEO of the National Community Reinvestment Coalition (NCRC), this country's largest trade association of community organizations involved in trying to increase access to credit and basic banking services to traditionally underserved people and communities - urban and rural.

Along with my testimony I have submitted additional information about NCRC.
My testimony is divided into five parts:

I. Recent History of CRA Regulatory Reform
II. Why Community Reinvestment activities are important to America
III. The Overall effectiveness of CRA
IV. Responses to the Subcommittee's specific questions
V. Summary Conclusions

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I. Recent History of CRA Regulatory Reform

The process to reform the Community Reinvestment Act (CRA) regulations began officially on July, 1993, when President Clinton invited bank leaders, community groups, bank regulators and Members of Congress to the White House South Lawn where he called upon the bank regulatory agencies to reform the CRA evaluation and reporting regulations and systems. Long before that meeting, lenders and community representatives alike had called for regulatory reform. In fact, this is one point in which all sides agreed on from the start - CRA regulations needed revision. To be sure there were some major differences motivating lenders and community leaders in their requests for reform. The lenders sought clearer guidelines and a reduction in the amount of time and paperwork necessary to comply with CRA examinations. Community leaders shared the notion of the need for clearer guidelines, but emphasized the need for greater lender accountability under CRA. They maintained that the current system stressed and rewarded process (marketing, outreach and public relations efforts) over actual performance (lending, branching, investments).

To the credit of the Federal Reserve Bank System, the Office of the Comptroller of the Currency, the Office of Thrift Supervision, and the Federal Depository Insurance Corporation, they took to heart the President's request to revise the system of CRA evaluation and set to work with all relevant parties in developing new rules and regulations.

The bank regulatory agencies (hereinafter the regulators) held hearings, from August to September of 1993, in Washington, DC , San Antonio, TX, Los Angeles, CA, Albuquerque, NM, New York, NY, Henderson, NC, and Chicago, IL. Hundreds of lenders and community representatives provided testimony at these hearings. What was unique and valuable about these hearings is that by expanding the hearing process beyond the Washington, DC geographic boundaries, a more representative sampling of testimony was gathered.

Acting collaboratively, the regulators released the initial version of the proposed regulatory reform rule in December, 1993. The response was historic. More written comments were received from lenders and community leaders than for any other request for comment from the regulators in the history of soliciting public comment. Over 6000 written comments were received, primarily from the lending community and their trade associations. As a result of this input the regulators redrafted the

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rule, and proposed a second revised rule on October, 1994. In that new rule they responded substantially to the several of the criticisms leveled by the lending community to the initial rule. In particular, the Market Capture Ratio was eliminated and the presumptive 'screen' (a loan-to-deposit ratio) for small banks was dropped.

The second rule produced a second round of additional comments, totaling nearly 2000. Again a majority of comments were received from the lending community, however general community and public input nearly equaled lender input. Comments to the first rule ran at a ration of 4 to 1, with lenders out numbering the community comments. The second round was nearly a 1-1 ratio, with the community comments equaling the lender comments.

Overall, the majority of both sides of the issue agreed that the regulators were on the right track and the proposed rule was an improvement over the current evaluation and reporting system. Americas Community Bankers (then Savings and Community Bankers of America) endorsed the main proposition of the rule that emphasized performance over process. The majority of comments from lenders and obviously community leaders endorsed this aspect of the rule.

The most contentious and divisive issues contained in the latest proposed rule were twofold; lenders were unanimous in their opposition to increasing enforcement powers of the regulators. Community groups were equally adamant in their desire to have the rule include a provision that required lenders to report small business lending by race, income, and gender.

It now appears, as a result of a Justice Department legal opinion given to the regulators, that the issue of increased enforcement powers is mute. Attorney General Reno's staff has opined that such enforcement powers are beyond the statutory authority granted the regulators in the act.

Small business reporting, by race, income, and gender is not resolved. NCRC believes that the regulators should include such a provision in the final rule. As the new evaluation system will be based on the actual lending performance of the bank, it appears that the American public will have in actuality only a partial perspective on what a lender is doing in a given community. The Home Mortgage Disclosure Act (HMDA) data has been immensely valuable to elected officials, and other community leaders in assessing a particular lender's commitment to a

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given neighborhood or population. Local governments when choosing where to deposit their own local tax revenue will often consider a lender's given performance in serving its neighborhoods. This process has become known as the 'linked deposit' program or policy. Many of our major cities, including Boston, Washington, DC, Chicago, Los Angeles and other communities have such policies. Because HMDA data only gives a partial picture of a lenders activities in a given community, it makes ultimate sense that including small business data as well would better serve local interests.

II. Why Community Reinvestment is important to America

The notion of insisting that all Americans be given a fair & equal chance to procure a home, start a business, send a child to college, etc., is a fundamental truth in our American system of governance and policy. Our expectation is that in order to procure such items we must work hard, save money, pay our taxes and be law-abiding. A decent job, housing and children indeed have become synonymous with the so-called 'American Dream'.

Indeed, immigrants from Ireland, Italy, England, Germany, Poland, Spain, and from countries all around the world came to America with the hope that in America you could have economic and political freedom. As Marvin Olasky noted in his The Tragedy of American Compassion, this shouldn't have meant freedom to get government support, but "rather the opportunity to work and move up the economic ladder."

This is precisely the basis and the strength of the Community Reinvestment Act and of community reinvestment lending in particular. Potential borrowers may be poor, but they are working poor. In fact most folks that benefit from community reinvestment type lending are actually moderate income and from the lower-middle class of our economic structure. We know this from an analysis of the HMDA data over the past ten years, and we also know that most folks who benefit from community reinvestment lending are Caucasian.

Indeed, it was only 1 and 2 generations ago for most Americans that our ancestors elevated their families from working poor to middle class through the acquisition of a home. The value of that home grew with the American economy. The increased equity in a home allowed our

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ancestors to borrow money to send a child to college, often the first in their lineage to do so..

It was the acquisition of the home and the growth of equity in it that allowed our ancestors to borrow money and begin "the family business." Hard work, self-reliance, frugality, law-abiding - these qualities would give you entree into the American Dream. Unless you were different.

Different was usually translated into race or gender. Hard working and the other qualities did not allow you to realize the American Dream. Centuries of discrimination, in particular economic discrimination, against minorities and women have prevented too many able Americans from getting a home or starting a small business.

Marvin Olasky makes note of how the Jim Crow laws thwarted black entrepreneurs. The practice of "redlining" (where bank officers used a red pen to outline neighborhoods on a map and instruct loan officers to not make loans in that area) was outlawed in 1977 for the express purpose of ending discriminatory lending purposes. McMicheal Appraiser's Manual - the bible of all appraisal courses up until 1975 - ranked the value of a home according to the ethnicity of the families living in the surrounding neighborhood. If your neighbors were of English heritage your house was worth more. Northern Italian neighborhoods were worth less than English, but more than Southern Italians. African-American neighbors devalued your home more than Southern Italians, but not as much as Mexican-Americans. And so it went.

Today, the Jim Crow laws are gone. McMicheal's book is out of favor and more minorities and women are getting access to homes and small businesses than ever before.

Without exception the single greatest reason for this is a growing shared, opinion, something that crosses partisan political boundaries, was that people believe it is in the best interest of America to have as many of its citizens as possible contributing to our nation's health and well-being. A homeowner pays more taxes, contributes to local school systems and an overall more stable community, regardless of race or gender. A small business represents the typical American employer and is providing new job growth faster than the large corporate sector in our economy. This is true whether the business is owned by an African-American or a woman.

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No single law has done more to reinforce this shared opinion than the Community Reinvestment Act of 1977.

III. The Effectiveness of CRA

For most of its history CRA was ignored by the banking industry and the regulators charged with enforcing the law. Most lenders and regulators will admit as much.

However, the application of CRA changed dramatically in the late 1980's when the press, the Federal Reserve Bank and others began to examine the disparate lending treatment between minorities and whites. When Congress passed the Financial Institutions Reform, Recovery & Enforcement Act (FIRREA) it included an important amendment to CRA; it required and made public for the first time the written CRA evaluations of lenders. Another critical step occurred at this time. President George Bush, instructed his Justice Department to investigate unfair lending practices and subsequently it filled the first fair lending case by the Justice Department in American history. Subsequently, fair lending filings by Attorney General Reno also served as a wake up call to the industry.

While debate continues as to what actually proves 'discrimination' in lending, the dialog is shifting to a more constructive one, where lenders and community folk focus on how to narrow the documented disparate lending treatment between minorities and whites.

The Federal Financial Institutions Examination's Council (FFIEC) in analyzing the 1993 HMDA data noted that African-American loan applications were rejected 38% of the time, whereas their white counterparts were rejected at a rate of 15%.

In an effort to narrow the gap, more lenders are experimenting with lower down payment programs, alternative ways of viewing credit quality and worthiness, taking advantage of Government Sponsored Enterprises (Fannie Mae & Freddie Mac), FHA & VA lending programs, the Federal Home Loan Bank System's programs and other efforts.

Lenders have also had great success in working with local nonprofit housing and economic development organizations in order to better serve the home ownership needs of workingclass families and individuals.

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Today, banking leaders like Richard Rosenberg (Bank of America) and Hugh McColl (NationsBank) boast about the profitability of community reinvestment lending and of the new market opportunities in serving traditionally underserved populations.

Studies by the Chicago-based Woodstock Institute, the Washington, DC-based Mortgage Insurance Companies of America, and GSE's like Freddie Mac have all given record to the profitability and strong performance of low- and moderate-income homebuyers, regardless of race. The leading credit scoring company in America, Fair Issac & Co.., has studied the actual default performance of a spectrum of incomes and has concluded that income should be negatively correlated when considering loan quality and borrower credibility. The higher the income, they found, the higher the probability of default.

Myths about loaning to working poor people are being exploded daily. Lenders with the greatest experience in community reinvestment lending are singing the praises of strong CRA efforts. These lenders are looking for new markets and opportunities, rather than running away from low- and moderate-income and minority lending opportunities. Witness the President of American Savings Bank, Mario Antoci who opened a branch in riot torn South Central Los Angeles. While other lenders avoided doing business in that area (it has one of the smallest percentages of branches of any major city neighborhood) Mr. Antoci opened a branch and it is now the most profitable of the 160 branches in Mr. Antoci's branch network.

Yet lenders with the least amount of CRA experience fear the law. Ignorance does indeed breed contempt. Their common lament is that they fear community reinvestment lending will force them to make riskier loans. In spite of studies to the contrary, in spite of the success of many lenders in serving this underserved market, such myths perpetuate. History has recorded no Congressional or other bailout for community reinvestment lending. The same can not be said for the deep pocket, market rate borrowers who necessitated a $300 billion savings and loan bailout.

Lenders, and others, who lack direct experience in community reinvestment lending are not privy to the knowledge that community advocates, lenders, and regulators all agree on one thing; that such lending must always be done in a safe and sound manner. To not include this aspect as part of your community reinvestment efforts is to undermine true community reinvestment efforts.

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Finally, on the issue of the effectiveness of CRA, there is very recent proof attesting to its effectiveness. In January, 1995, NCRC completed a four year study of lending performance in America's top twenty metropolitan environments. This study provided an answer to the question; what would happen if there was no CRA? Because we looked at the lending records of both CRA-regulated financial institutions and non-CRA regulated institutions (Private Mortgage Companies), we were able to look at how each performed in meeting the credit needs of low-income, moderate-income and minorities (in the case of our study African-Americans and Hispanics). The results of this comprehensive study were startling. Off the worst lenders, 65% were private mortgage companies, and another 2% credit unions. CRA regulated institutions did a far better job in meeting the credit needs of all Americans, regardless of race and income. Would lenders serve these underserved populations if CRA did not exist? Absolutely not. While there may be a few lenders who have recognized the profit opportunities and new markets, most would go the route of the mortgage companies and seek out only high-income borrowers. Congress and the American public has the benefit of seeing how a parallel mortgage market, without a CRA obligation would operate. The private mortgage companies have made clear their performance in this area. Absent an obligation they were three times more likely to not serve a low- or moderate-income or minority borrower than were other institutions.

They had a response to our study. The Chase Home Mortgage Corporation stated in their marketing materials that they were targeting high-income, jumbo mortgage borrowers. Absent an obligation, they decided to serve only the wealthy. The response from the mortgage bankers trade association was that they were under no obligation to serve those communities so they hadn't violated any law. Precisely, and therefore these mortgage brokers can 'cherry pick' communities in suburban areas and consciously, and legally, avoid serving other credit worthy and able-bodied borrowers in near-by communities.

Such a practice is antithetical to our national notions of fairness and equal access to credit. Further, all American's suffer when other credit-worthy working Americans are denied the ability to contribute more to the economic pie. Congress should act immediately to correct this unlevel playing field by extending CRA to cover private mortgage companies and credit unions, both of which benefit from their ability to sell their loans to the government sponsored secondary market.

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IV. Responses to the Subcommittee specific questions

1. Is the CRA fulfilling its original purpose of ensuring that banks and thrifts are meeting the credit needs of their communities, including low- and moderate-income neighborhoods? If not, what steps need to be taken to improve compliance?

Looking from the perspective of nearly twenty years ago when the "redlining" of minority and low- and moderate -income was a routine and open business practice, the CRA has clearly contributed to a slow but steady reversal of that trend. Across America we can point to examples where lenders, as a result of the CRA and community advocacy, have instituted programs to extend homeownership to low- and moderate-income and minority borrowers, increase the stock of affordable housing through support of non-profit housing developers, finance small business development, and provide credit for social services vitally needed in distressed communities. Without the CRA, many lenders simply would not have had the impetus to launch these programs, preferring to stick to old habits and established ways of doing business.

While research is scarce on the total benefits of CRA, Federal Reserve Governor Lawrence Lindsey recently estimated that nearly $60 billion has been profitably invested in low- and moderate income communities. Further, Governor Lindsey estimates that some $4-$6 Billion is now annually invested in low-income communities as a result of CRA, without a huge bureaucracy. NCRC, in an analysis of 300 CRA agreements negotiated between lenders and community organizations, estimates that nearly $45 billion has been pledged by lenders to target unmet credit needs in low- and moderate-income and minority communities. In addition, scores of case studies exist which extensively document successful reinvestment programs that have produced substantial benefits to the public <u>and</u> profits for bankers.

Many lenders have discovered through CRA, often to their surprise, that communities traditionally underserved by lenders represent an important and profitable untapped market. As Richard M. Rosenberg, CEO of Bank of America said at a CRA conference in Dallas in 1993, "A substantive CRA program, which targets affordable housing, small business

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and consumer credit, is fundamentally a way to add business to the portfolio. In fact, CRA should be approached as a business tool, not a social program." Enlightened lenders across the country have realized this as well, seeing the CRA as an opportunity, not a burden.

Yet, unfortunately, these examples of forward-thinking bankers are the exception, not the rule. The problem of lending discrimination and redlining is still a persistent and serious problem in our country. Regrettably, we continue to see that minority individuals are denied loans at disparate rates, lenders continue to avoid doing business in neighborhoods because of the racial or housing characteristics, and creditworthy low- and moderate-income borrowers are shut out of the home mortgage market because of restrictive credit and underwriting standards. Weekly we receive studies at our office that document these practices. Included in the appendix is a list of some of the recent studies.

Home mortgage lending is not the only area where we continue to see the credit needs of communities ignored. Small businesses, especially those owned by women and minorities, continue to experience severe problems in accessing credit. Although data is scarce on this issue (which we address in question 3), recent studies suggest a disturbing trend:

- A July 1992 study by Arthur Anderson and National Small Business United found that nearly half of all small business owners tried to get banks loans in the past year, and nearly one in every four applicants was turned down.

- According to a 1993 study by the California Reinvestment Committee, African-American and Latinos received only 7.7% of all Small Business Administration (SBA) guaranteed loans despite making up more than 20% of the U.S. population.

- A 1992 study of 7,000 new firms in the Journal of Urban Affairs found that, after controlling for management experience, age and other characteristics, white males received more than $2 in bank credit for every dollar of equity they put in their business, while African-American males received less then $.70 for every dollar of equity.

- Statistics compiled by the National Association of Women Business Owners show that over two-thirds of women-owned businesses surveyed indicate barriers to working with banks. As a result, over two-thirds report using business earnings or private sources for short-term and long-term capital needs, and 76 percent financed their start-up with personal capital.

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As members of this committee are well aware, small business are the key to economic growth and economic development of any country. Approximately five years ago commercial lenders in America loaned roughly $800 billion to businesses and individuals. At that same time they purchased nearly $500 billion in government securities. In 1992 that figure nearly reversed itself, with commercial lenders loaning only $500 billion and buying some $800 billion in government bonds and other securities. While the necessity for that occurrence can be debated, the accompanying credit crunch and recession can not be ignored. When lenders turn off the spigots, the entire economy suffers. When lenders disproportionately deny commercial credit to people of different races or gender, their communities, and all Americans, suffer. We all should be deeply concerned with these indications that small businesses are not receiving the credit they need to prosper and grow.

Finally, while small businesses and low- and moderate-income and minority home mortgage borrowers continue to face unequal access credit, community-based organizations in distressed communities also have severe difficulties accessing credit. In many impoverished communities, often the only signs of hope are local community organizations like churches and community development corporations that are rehabilitating abandoned properties, constructing affordable housing, promoting economic development, an providing critical social services. Yet these organizations, many with a proven track record, are unable to obtain credit from lenders.

In sum, it is clear that while CRA has moved us closer to the goal of fair and equal access to credit for all communities, we are still a long way from that goal. Significant improvements could be made in CRA compliance to address the problem. Specifically, we believe there are four steps that could substantially improve the CRA system.

Enforce the CRA: No matter how comprehensive or well-designed a CRA regulation , if the bank regulatory agencies refuse to enforce the law and punish poor performers, we will continue to be plagued by the same problems. The historical record of the agencies is dismal in this area. Corporate applications of lenders with poor records are routinely given rubber stamp approvals, despite substantive and serious issues raised in public comments. In 1993, only two applications were denied by the Federal Reserve Board.

Train Examiners: Every regulation will require a degree of interpretation by individual bank examiners. The CRA rating system will

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continue to be unpredictable and inconsistent if examiners are not trained with the same seriousness and effort that safety and soundness examiners are trained. In addition, examiners need to understand the complexities of community development lending if banks are to be fairly and competently examined. Without comprehensive examiner training, CRA ratings will continue to border on the threshold of meaninglessness.

Promote Public Participation: Community and consumer organizations have played an essential role in the CRA system as watchdogs and as critical sources of information. Yet the regulatory agencies in the past have consistently been hostile to the inclusion of the public in the CRA process. The public needs to be included in the process through more public hearings on corporate applications, extensions of comment periods, and increased formal comment opportunities.

Provide Essential Public Information: If data is lacking on a bank's actual performance, CRA ratings will continue to be inadequate. In addition, if the public is to continue its essential role as watchdog, Congress and the regulatory agencies must make more public data available on small business and other community lending by race, gender, and census tract.

2. Does the CRA overlap or conflict with other existing equal credit and fair housing laws?

CRA requires lenders to affirmatively meet the credit needs of the community, rather than simply refrain from discriminating against protected individuals and groups, which are the basis for the Fair Housing Act (FHA) and the Equal Credit Opportunity Act (ECOA). In addition, unlike the FHA and ECOA, CRA lacks the enforcement powers and remedies that the fair lending statutes grant the enforcement agencies.

The example given earlier in this testimony of how the private mortgage companies avoid central cities and rural areas, because of the lack of a CRA law that requires them to affirmatively meet the credit needs of all credit-worthy borrowers in a given geographic area, is demonstrative of how vital is CRA. Mortgage companies could, and do, decide to exclusively serve high income people and as long as they didn't discriminate against a high income minority they would be immune from meeting the credit needs of other less wealthy borrowers.

Further, the cases brought by President Bush & Clinton would have been ineffective if only CRA was the basis of the complaint as it has no statutory language allowing for punitive or other court ordered damages.

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Each of these laws serves a distinct purpose and compliment each other.

3. Would the revised proposal address the problems lenders see with the current system, which they believe is vague and subjective and impose undue paperwork? Specifically, how would the proposed race and gender reporting requirements on small business and agriculture loans affect depository institutions?

Both community and consumer organizations and lenders agree that some aspects of the current regulations place undue emphasis on the specific process a lender goes through to comply with CRA, rather than the actual loans and investments a lender made to meet the credit needs of the community. In addition, because the existing regulations provide no clear standards or criteria to assess performance, a substantial degree of subjective interpretation is required of individual examiners. With lenders unsure how their performance will be judged, there is a tendency to document more than is necessary, creating the perception of the alleged "paperwork burden." However it should be stressed that under the existing regulations banks are only required to maintain documentation that "is useful to the institution's own management needs" (1992 Interagency Documentation Guidelines)

In response to the widespread dissatisfaction with the existing regulations, the agencies have been working for two years to create a more performance-oriented and objective assessment CRA system. In December of 1994, the agencies released a rule that would have subjected banks to a clear standard of performance under CRA, basing a lender's performance on a comparison of their market share of loans in low and moderate-income census tracts versus upper income areas. The virtue of the proposal was that it provided an objective benchmark, but also provided examiners with the flexibility to take account of the specific factors and context unique to each institution. NCRC strongly supported the proposal. It would have gone a long way to reduce the uncertainty and lack of consistency endemic to the current system.

Nevertheless, the banking industry -- which had been clamoring for more objective assessment criteria throughout the process -- strongly opposed the market share proposal. This is in no doubt due to the fact that many institutions would have failed the test, rather than the more technical objections that were raised against the proposal. For example, a recent

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study of Washington D.C. lenders by Community First -- an NCRC member -- indicated that seven out of fifteen banks would have failed the test. Similar internal tests conducted by lenders no doubt convinced the banking industry to mount a full scale lobbying effort against the proposal.

In response, the agency released a second proposal that moved farther away from an objective, performance-based system, increasing the range of judgments required by individual examiners and abandoning the notion of ratios or benchmarks of performance. Still, in comparison with the existing system, the proposal provides clearer criteria for assessing performance. Examiners will closely examine the lending performance of banks in low- and moderate-income census tracts and to low- and moderate-income borrowers. In this regard, it is clear what banks must do to comply with CRA: lend in a safe and sound manner to low- and moderate-income communities and individuals. No paperwork is required, just loans.

Equally important, however, is the fact that the proposed regulation calls for the reporting by aggregate of small business lending by race and gender. This is critical information to determine whether the credit needs of small businesses are being met, as I have indicated earlier in my testimony. Nevertheless, the regulation could be substantially improved in this area by requiring the public disclosure of small business and farm loans by census tract.

Census level reporting of small business lending is absolutely essential to determine if lenders are truly meeting the credit needs of small businesses and farms located in low-income and minority communities. Reporting small business lending on an aggregate level under the revised regulation, rather than by specific census tract, does not allow neighborhoods and communities to determine how well their particular community is being served by lenders. Imagine a small neighborhood in Los Angeles, California trying to assess a large statewide bank's small business lending record in their community based on the aggregate data disclosed under the revised regulation. It is simply not possible.

The central focus of CRA has always been on place, neighborhood, and community. Small business and farm data must reflect this founding tenet of CRA. Accordingly, we believe that any meaningful CRA reform must include HMDA-like small business and small farm reporting by race, ethnicity, gender, and by census tract. Anything less is an abrogation of the regulatory agencies obligation

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to assess bank's record in meeting the credit needs of the entire community.

The banking industry has responded in comments to the regulatory agencies that reporting small business data would be burdensome. We believe that this claim is groundless. Disclosure of small business loans by census tract, race/ethnicity, and gender amounts to little more than adding spaces to a loan form. In fact, as a result of CRA agreements with community organizations, *many banks are already collecting small business data by race, gender, and income*. Chase Manhattan Corporation, Suntrust, Bank of America, and Barnett Banks currently collect this data.

In addition, a recent survey of banks by the Bank Insurance Market Research Group indicates that 49% of banks surveyed currently collect data on applications, denials, and approvals on small business loans in low- and moderate-income areas and 54% already geocode their small business loans.

4. Since the original intent of the CRA was to meet community credit needs, and not result in credit allocation, would the revised rules meet that original goal?

The proposed regulations stipulate that lenders are not required to "make loans or investments, or to provide services that are inconsistent with safe and sound operations" (Section 25.21 d.). In addition, no level of lending to low- and moderate-income geographies or borrowers is mandated in the proposal nor are banks required to offer loan terms that are below market rate. Given these parameters, it would be a stretch to argue that the proposal amounts to credit allocation.

5. What are your views on recently introduced legislation that would give qualified small institutions and those with ratings of at least "satisfactory" a "safe harbor" protecting them from having an application denied on CRA grounds?

NCRC strongly opposes H.R. 317. The legislation would fundamentally change CRA in three ways, all of which would amount to the de-facto repeal of the CRA. First, the legislation would establish a "safe harbor" for applications covered by CRA for lenders that have received a "satisfactory" or "outstanding" rating in the last two years. This provision would exempt 94% of all banks from challenge by community groups and local governments, eliminating public

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participation and review in the CRA process. As the regulatory agencies have acknowledged, CRA ratings under the existing regulation bear little relationship to actual performance in meeting the credit needs of low- and moderate-income communities. Providing regulatory benefits to banks based on CRA ratings that have little integrity would therefore be a grave mistake.

Second, the legislation would exempt from CRA banks under $100 million in assets and located in towns under 25,000 in population. Covering roughly 70% of all lenders, the 57 million people residing in rural communities would be especially impacted by this exemption. Small lenders have not shown better fair lending performance than the rest of the industry to merit this exemption, nor do their substantial profits indicate that small lenders face a substantial regulatory burden. In the first three quarters of 1994, small commercial banks under $100 million in assets earned nearly $1 billion in profits, and 95% were profitable. In addition, small lenders will be evaluated under the new CRA regulations according to a streamlined assessment procedure, relieving any regulatory burden small banks face under the existing system.

Third, the legislation would subject banks under $500 million in assets and a CRA rating satisfactory or better to a weaker form of CRA evaluation. Under this provision, approximately 94% of all lenders would no longer be assessed on their actual performance in meeting the credit needs of their community. Lenders would only need to show that they have "internal policies" to lend fairly. This effectively allows institutions to self-certify their performance under CRA, roughly equivalent to allowing pharmaceutical companies to promise that their drugs are safe or letting manufacturers pledge that their industrial waste does not harm the environment.

In sum, these amendments would so weaken the CRA that it would be effectively eliminate the law. We urge Congress to continue support the principle of fair and equal access to credit and oppose the legislation.

V. Summary and Conclusions

The American Public has struck a deal with our banking industry. We have said to lenders; we're going to give you an advantage not afforded any other industry, we will guarantee your business. We will promise

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anyone who walks in your banks doors that regardless of how well or how poorly your bank business performs, regardless at how inept a certain loan officer may be, regardless of downright poor business decisions on the part of the banker, we, the American taxpayer, will guarantee that you will not lose your investment, or your deposit in this bank. In exchange, the American taxpayer wants something in return. We want you to serve the credit needs of the communities from which you take deposits. We want you to extend credit and services to the people in this community regardless of what they look like or whether or not they are wealthy. We expect you to make loans only that are safe and sound and to creditworthy borrowers.

This is the American public's deal with American Bankers. And its worked out well for them, bank stocks are way up. In fact, 1992, 1993 and 1994 were the three most profitable years in the history of American Banking.

Recently, the American taxpayer was asked to hold up its end of this deal. Congress allocated over $300 billion of our money to bailout this industry. It is now time for Congress to look out for the interests of the American taxpayer and do everything in its power to insure that the lenders now live up to their end of the deal.

Our urban and rural communities are in dire need of credit and capital. More lenders must be brought into the equation as the needs are great. The new regulations which call for measuring the actual lending performance of this industry in these areas must be strengthened and released immediately. These regulations will let community people, Congresspeople, Mayors, Governors and just plain citizens know the real story of who is lending to our neighborhoods and who is not. As Congress looks for ways to reduce the deficit, it should be very mindful of looking for ways to revitalize and capitalize our neighborhoods. America's urban and rural communities are asset poor, but rich with entrepreneurs, credit-worthy potential home-buyers and communities looking to pull their neighborhoods out of destitution. They seek to do this the old fashion way, hard work, commitment and borrowing money. They need your help in this endeavor.

CRA is not an unfunded regulatory mandate. There is no Congressional line item to pay for the bank regulatory agencies. No taxpayers funds go to regulating and overseeing this industry.

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The Contract with America calls for helping families reach the American Dream. While we could debate whether you help families reach this dream by cutting school lunch programs, housing development funds, oversight of campaign contributions, education and other items, one thing is crystal clear. You don't have enough money to help families realize the American Dream. But you do have the power to do so.

If you believe nothing else that is said today, believe this. CRA has a proven track record. It is not about credit allocation, nor is it about affirmative action, but it is about spreading capitalism fairly to all Americans. Access to credit under CRA is about self-reliance and responsibility. CRA is this country's best hope for reversing dire economic conditions in our urban and rural communities. It is time to put partisan politics aside, recognize that the interests of the American public is served by developing stable communities, with more home-owners and business owners. You have served the banking industry well, they're in good shape, America's neighborhoods and working class people now need a similar commitment. Get these regulations out now, include small business lending reporting, expand CRA coverage to mortgage companies and credit unions , and help NCRC and others applaud those lenders who have made a real commitment.

Thank you for listening to my comments. I respectfully request that the full amount of my written testimony be entered into the official record.

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AMERICA'S WORST LENDERS!

A Comprehensive Analysis of Mortgage Lending in the Nation's Top 20 Cities

National Community Reinvestment Coalition

Washington, DC January, 1995

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CORRECTION

Rural American Bank -- Braham of Braham is erroneously listed in the Riverside MSA as one of the worst lenders in the 1990 through 1993 period. The correct name of the lender is the California Federal Bank. For pages 14 through 40, substitute California Federal Bank for Rural American Bank -- Braham of Braham in the data tables. The error was due to the fact that the two lenders share the same identification numbers provided by the FFIEC.

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AMERICA'S WORST LENDERS

John Taylor
President & CEO

The National Community Reinvestment Coalition (NCRC) has worked for years to increase fair and equal access to credit for traditionally underserved people. Toward that end, NCRC and its 440 plus member organizations, have forged strong working partnerships with lenders, elected officials, regulators, secondary market leaders, academics and others. A lot of good has resulted from those efforts. Families who may never have owned a home are now proud homeowners, minority and/or women owned small businesses have become a reality, lenders have opened branches in poor neighborhoods giving economic hope and stimulus where none existed.

Such successes offer promise for many minority and low- and moderate-income people and communities. NCRC will continue to expand its efforts to promote these positive and cooperative partnerships with lenders.

However, as in any industry, not all folks are willing to pull together or in the same direction. There continues to be an obvious lack of commitment on the part of too many lenders toward the effort to end lending discrimination. Because of this, NCRC has undertaken an effort to identify the most egregious lenders, those who have continuously performed poorly over a four year period (1990-1993). We have taken great pains to create as fair a methodology and standards as possible. We hope that lenders that make our Worst Lenders List will immediately take action to reverse their poor performance histories. We hope that lenders that narrowly missed the list will take heed and avoid being identified as one of America's Worst Lenders. Finally, we hope that those lenders who perform well and outstanding will continue to do so and to make profit and open new markets as a result of their commitments.

Like any study of this nature, there are individuals who without their commitment, would have not allowed this work to reach fruition. In particular, I wish to highlight NCRC staffer Chris Bohner and Hunter College's Bill Milczarski for their tireless effort in researching and analyzing the data used in this study. NCRC volunteer Annie Kurz was also invaluable in her assistance on this project. Finally, a work of this magnitude always involves more than a few people. In this case NCRC staff; Woody Widrow, Sharon Pegues, and Charles Powell provided additional support to make this project happen. NCRC is indebted to all these folks for their dedication and hard work.

We hope this study advances the cause of economic justice. Fair and equal access to credit is good for the American economy and gives more people a stake in our future. We all look forward to the time that such studies are unnecessary.

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EXECUTIVE SUMMARY

This report *America's Worst Lenders A Comprehensive Analysis of Mortgage Lending in the Nation's Top 20 Cities*, analyzes the performance of lenders in serving the credit needs of minority and low- and moderate-income individuals. Produced by the National Community Reinvestment Coalition (NCRC) -- this country's largest CRA coalition, comprised of over 440 community-based organizations dedicated to increasing fair and equal access to credit for all Americans -- the study examines over 2000 institutions over a four year period using Home Mortgage Disclosure Act (HMDA) data. HMDA is a 1975 law requiring detailed disclosure of home mortgage lending by location, race, and income.

Utilizing a unique methodology for measuring fair lending performance, the study examines whether mortgage lenders are actively marketing home loan products to minorities, rejecting minority applicants at a higher rate than white applicants, and lending to blacks and Hispanics at a reasonable level. In addition, the study evaluates the performance of lenders in marketing and lending to low- and moderate-income individuals. To ensure that the methodology fairly evaluates lenders, the performance of lenders is judged in the context of local market conditions and in relation to the performance of other lenders.

The most significant findings on mortgage lending that are detailed in the report are:

- Fifty two large mortgage lenders are identified in the study as consistently underserving low- and moderate-income and minority individuals over a four year period (1990-1993).

- Four institutions performed poorly in three or more metropolitan areas. These lenders are The Prudential Home Mortgage Company, Chase Home Mortgage Corp, G.N. Mortgage, and Margaretten & Company.

- For the year of 1993, 126 lenders are identified in the study for their inadequate performance in meeting the credit needs of minorities and low- and moderate income individuals. Five of the lenders have poor records in five or more metropolitan areas, including The Prudential Home Mortgage Company, G.E. Capital Mortgage Services, Countrywide Funding Corporation, Chase Home Mortgage Corp, and American Residential Mortgage.

- Mortgage companies dominate the list of America's Worst Lenders. Of the 52 lenders identified in the 1990 -- 1993 period, 34 are mortgage companies (65%), 17 are commercial or savings banks (33%), and 1 is a credit union (2%). Similar patterns exist for the worst lenders in 1993. Eighty eight of the 126 lenders are mortgage companies (70%), 37 are commercial banks or savings banks (30%), and less than 1% are credit unions. Mortgage banks are not covered by the Community Reinvestment Act, a 1977 law prohibiting "redlining".

- In every metropolitan area in 1993, minority approval and application rates increased. However, when examined over a four year period, sixteen out of the twenty MSAs in 1993 saw substantial decreases in minority application and approval rates when compared to 1990 data.

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- In 17 out of the 20 MSAs, application and approval rates for low- and moderate-income individuals increased from 1992 to 1993. However, over a four year period, 13 out of the 20 MSAs saw a significant decline in low- and moderate-income application rates and 12 out of the 20 saw reductions in approval rates.

In light of the findings of this study, NCRC recommends that the bank regulatory agencies, the Department of Housing and Urban Development (HUD), the Justice Department, Congress, and other government agencies charged with enforcing fair lending laws, undertake a number of steps to ensure lenders are held accountable for their performance. Among the recommendations outlined in the report, NCRC urges lenders named in the report to be investigated for possible violations of fair lending laws, calls for the immediate extension of CRA coverage to mortgage banks, and urges the bank regulatory agencies to issue an effective CRA rule.

The full report contains a detailed description of the methodology used in the study, a discussion of the findings, a list of the worst banks with detailed data tables, and aggregate data on each of the metropolitan areas.

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SECTION I:

INTRODUCTION

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I. INTRODUCTION

The American dream is based on the promise that through hard work and enterprise all Americans can achieve economic self-sufficiency and success, including the ability to purchase and own a home. Homeownership, apart from the benefits of tenure that it provides, also can serve as a path out of poverty, providing an asset that can be leveraged to start a business, send a family member to school, or even serve as an economic backup in times of financial emergencies.

Unfortunately, for many working people the goal of homeownership is unattainable. People of color, and other working Americans with moderate incomes, disproportionately find the door to homeownership shut closed by lenders who fail to do business in low- and moderate-income and minority neighborhoods. Similarly, many existing homeowners in distressed communities are unable to get loans for needed improvements to their homes (contributing to further decline of a neighborhood), or to refinance their high interest mortgage loans obtained during the tight monetary policies of the eighties. Denied access to the full benefits of the mortgage credit markets, working Americans lose faith in the fairness and justice of our economic and political system, contributing to the cynicism and despair that is so prevalent today.

Past research of the mortgage lending industry indicates that lending discrimination and "redlining" is indeed a serious and persistent obstacle to homeownership. Since passage of the Home Mortgage Disclosure Act (HMDA) nearly twenty years ago -- a 1975 law requiring detailed disclosure of home mortgage lending by location, race, and income -- analysis of HMDA data by community-based organizations, academic and research organizations, and government bodies shows year after year that minority and low- and moderate-income communities and individuals face unequal access to housing credit.[1] These studies suggest that the color of an individual's skin, and the income and racial/ethnic characteristics of neighborhoods, play a large role in determining the allocation of housing credit in our nation.

In response to this research, and years of advocacy by community and civil rights groups, some public officials have acknowledged that lending discrimination and redlining is a serious problem and have taken affirmative steps to address it. Unfortunately, this reflects only a portion of the governing and regulatory community. For decades the federal regulatory agencies -- the Department of Justice, the Department of Housing and Urban Development (HUD), and the bank regulatory agencies -- have routinely neglected fair lending laws like the Community Reinvestment Act (CRA), the Fair Housing Act (FH Act), and Equal Credit Opportunity Act (ECOA). Similarly, on many occasions Congress has threatened to repeal existing fair lending laws.

1 Recent studies include: ACORN, *Treading Water: Racial Disparities in Home Mortgage Lending in 23 Cities*, Washington D.C.,1993.; Jonathan Brown, *Racial Redlining: A Study of Racial Discrimination by Banks and Mortgage Companies in the United States*, Essential Information, Washington, D.C., 1993.; Federal Reserve Bank of Boston, *Mortgage Lending in Boston: Interpreting HMDA Data*, Boston, 1992.

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Recently, however, the Clinton administration has taken important steps to address the issue of lending discrimination. HUD and the Justice Department have begun to enforce some of the fair lending laws, and the bank regulatory agencies have made efforts to create a more objective and consistent CRA regulation. Yet the industry, with some exceptions, has opposed these efforts, arguing that lending to minority and low- and moderate-income communities and individuals has substantially improved. In a familiar refrain, banks and mortgage lenders admit that there may be some problems, but that the data will improve "next year".

In light of these claims by the mortgage lending industry that their performance is improving, the National Community Reinvestment Coalition (NCRC) -- this country's largest CRA coalition, comprised of over 440 community-based organizations dedicated to increasing fair and equal access to credit for all Americans -- has undertaken a comprehensive study of the performance of lenders in serving the credit needs of minority and low- and moderate-income individuals. Examining over 2000 institutions over a four year period, the study concludes that 52 large mortgage lenders with a significant market presence have consistently underserved low- and moderate-income and minority individuals. In addition, 126 lenders with poor records were identified for the year of 1993 (the most up-to-date data). The study also shows that the performance of the lending industry as a whole is performing poorly when examined over a four year period and compared to demographic data.

Contrary to the claims of the mortgage lending industry, the results of the study indicate clearly that many lenders are not fairly serving the credit needs of low- and moderate-income and minority individuals. This may be due to overt and conscious discrimination by individual lenders, but it also may be the effect of institutional policies and practices that have the unintended effect of underserving these groups. Nevertheless, the results clearly underscore the need for more effective enforcement of CRA and fair lending laws. Additionally, these results should aid elected representatives in shaping policies and legislation that requires lenders, including mortgage companies, to be more accountable and responsive to the needs of the American public.

While the study focuses on poorly performing lenders, it should also be stressed that some lenders are doing a good job in meeting the credit needs of minority and low- and moderate-income individuals. In addition, many institutions have aggressively instituted policies to rectify past discriminatory practices and -- often to their surprise -- have found that underserved markets represent an untapped and profitable opportunity to expand business and market share. These are positive developments, but as the NCRC study shows, there still is an unacceptably high number of large mortgage lenders that have yet to embrace the principle of fair and equal access to credit.

The next three subsections provide detail on the methodology used to determine the worst mortgage lenders in the study, discuss some of the highlights and findings in the study, and offer recommendations to Congress, the Justice Department, HUD, and the bank regulatory agencies that would advance the goal of equal access to credit. Following these sections, detailed data is provided on the performance of lenders examined in the study. Section II provides data on lenders that exhibited poor lending records over the last four years, Section III provides data on the 1993 worst lenders, Section IV focuses on lenders in each of the metropolitan areas examined, and Section V presents aggregate data on the industry.

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A. Scope of Study

This analysis of fair lending performance of mortgage lenders is based on four years (1990 through 1993) of Home Mortgage Disclosure Act (HMDA) data for the twenty largest Metropolitan Statistical Areas (MSAs), as measured by 1990 Census population data (see Table V. B). Data was provided by the Federal Financial Institution Examination Council (FFIEC).

Mortgage lenders examined in the study are evaluated in each MSA according to their performance in five categories: marketing to minorities, minority-to-white rejection ratios, lending to minorities, marketing to low- and moderate-income individuals, and lending to low- and moderate-income individuals.[2] Lenders are awarded a rank score based on performance in each of the categories, which are then averaged to provide an overall rank and grade. The performance of lenders are judged in relation to industry averages for minority application and approval rates, and industry averages for low- and moderate-income application and approval rates.

The criteria developed in this study offer a fair and straightforward method for evaluating a lender's performance in meeting the housing credit needs of low- and moderate-income and minority individuals. Under the NCRC methodology, an institution selected for the worst lender list has the following characteristics: a small percentage of applications from minorities compared to the rest of the industry, a relatively high minority-to-white denial rate, a low approval rate for minority applications compared to the rest of the industry, and a low percentage of low- and moderate-income applications and approvals compared to the industry. Clearly such institutions with these characteristics are not meeting the housing credit needs of the entire community.

More importantly, the methodology is fair because it judges lenders in the *context of local market conditions and in relation to the performance of other lenders*. In many respects this may be too generous to lenders because the industry itself (in a given MSA) may be performing poorly in meeting minority and low- and moderate-income credit needs. In every MSA but two (Los Angeles and Riverside), the percentage of minority applications received by the entire mortgage lending industry was substantially below the minority population. For example, in Atlanta blacks and Hispanics made up more than 27 percent of the population, yet the industry received less than half that rate in minority applications (12.47%). This result holds true for most of the MSAs examined in the study. Consequently, many lenders that are identified in this study are lenders whose performance is poor in relation to an industry that is already underperforming.

[2] The methodology for this study was influenced in part by: John Lind, *Expanded Method for Analyzing HMDA for the Evaluation of a Lender's Community Reinvestment*, CANICCOR, San Francisco, 1993.; Peter Skillern and Margrit Bergholz, *An Analysis of 1992 Mortgage Lending Activity to African-American and Low Income Households in North Carolina's Metropolitan Statistical Areas*, Community Reinvestment Association of North Carolina, Durham, 1994.

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The study is also fair because it effectively addresses criticisms voiced by the lending industry against previous HMDA studies that focused solely on minority-to-white denial ratios to judge performance. High denial ratios may not indicate disparate treatment, but may in fact be the result of aggressive outreach and marketing in minority communities. These efforts may increase the number of applications, and the number of approvals, but also attract a larger number of applications that cannot be approved because of very poor credit. This would increase the denial ratio, but may not be a meaningful indicator of a lender's treatment of black and Hispanic applications. Conversely, a lender may have a low denial ratio, but make relatively few loans or solicit applications from minorities. A low denial ratio in this situation also may not be meaningful.

Nevertheless, high denial ratios, without a significant increase in minority applications and approvals, could suggest that minorities are subject to disparate treatment by lenders and should raise a red flag for regulators and the public. In addition, even if a lender has a high number of minority applications and high denial ratio, there still may be problems with the lender. Ultimately, a close examination of loan files is required to fully determine if a lender is discriminating. The strength of the NCRC methodology is that minority-to-white denial ratios are evaluated in the context of minority applications and approvals..

Another strength of the methodology is that lenders are assessed on their performance in meeting the credit needs of both minority and low- and moderate-income individuals. While minorities have traditionally faced the most severe forms of discrimination in the housing credit market (and the methodology reflects this fact by making three out of the five indicators race-based), low- and moderate-income individuals of all races and ethnicities also experience forms of lending discrimination and "redlining." Income is legitimately a factor in the credit decision, but many creditworthy lower-income Americans are denied loans because of unfair judgements about the "quality" of their neighborhoods, inflexible credit and underwriting policies, and other lender practices.

Finally, the methodology is valuable because it not only looks at lenders at one moment in time, but also evaluates performance over a four year period. This provides a more comprehensive picture of how a particular mortgage lender is performing.

While the study is an effective method for judging the fair lending performance of lenders, it nevertheless has a number of limitations. Rural areas, which are significantly underserved by the lending industry, are not examined in the study. Community development lending, small business, and consumer lending are not assessed in the study, other forms of lending for affordable rental housing are not addressed, and the study lacks a geographic analysis of lending. Additionally, some lenders may be receiving credit under the methodology for forms of housing development which are detrimental to community reinvestment (such as financing rapid suburban expansion).

Below is a description and explanation of each of the fair lending indicators, the method for ranking banks and determining the worst lenders, and a description of the parameters of the study.

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1. Fair Lending Performance Indicators

Marketing to minorities shows how each institution compares to the overall market in the MSA in terms of the total number of applications received from minorities. It is referred to as a marketing score because it is intended to show the degree to which an institution strives to get applications from minority individuals and communities. For example, under this test, if Lender A only received 5 minority applications out of 100 (5 percent), yet the industry as a whole averaged 15 percent minority applications, Lender A would receive a low score on this test. Conversely, if Lender B received 25 minority applications out of 100 (25 percent) it would receive a high score because it would be significantly above the industry average.

The **minority to white denial ratio** is a direct comparison of the percentage of minority applications denied compared to the percentage of white applications denied. Under this test, for example, if lender A rejects minority applicants 50 percent of the time, but only rejects 10 percent of white applications, the denial ratio would by 5 (i.e. 5 to 1). The lender would receive a low score. A high minority-to-white denial ratio may indicate that a lender is treating minority applicants unfairly compared to white applicants. However, a high denial ratio may be justified if a lender is aggressively marketing to minority individuals and communities. Additionally, the denial ratio may not be meaningful if a lender receives few applications (see above in the Scope of Study for more explanation).

Lending to minorities is analogous to the marketing indicator. The difference is that only applications that are approved go into computing the score. Under this test if Lender A approved only 3 minority applications out of 100 (3 percent), yet the industry as a whole averaged a 13 percent minority approval rate, Lender A would receive a low score on this test. Conversely, if Lender B approved 20 minority applications out of 100 (20 percent) it would receive a high score because it would be significantly above the industry average.

Marketing to low- and moderate-income applicants and lending to low- and moderate-income applicants are calculated and interpreted in the same way as the scores for minority applicants. The difference is that they intend to detect an institution's level of effort with respect to low- and moderate-income applicants.

For each of the five fair lending indicators, lender's are awarded a score. For every indicator except the minority-to-white denial ratio, a score higher than 1.00 indicates that a lender is above the industry average, while a score below 1.00 indicates a lender is below the industry average. Conversely, a high denial ratio indicates poor performance because a lender is rejecting minority applicants at a rate higher than white applicants.

2. Scores, Ranks, and Grades

For each MSA, a lender's score on each of the five indicators is averaged into an overall rank score which is used to assign a letter grade from A+ to F-. Grades are developed by dividing banks into quintiles based on their average score and the quintiles are then divided into thirds to assign pluses and minuses. If lenders with identical scores fall on the threshold between grades, the lender is given the benefit of the doubt and moved into the higher grade.

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Lenders that average an F grade over three to four years in an MSA are selected for inclusion on the list of the worst banks from 1990 through 1993 (Section II). Lenders that received an F in 1993 are included on the 1993 poor performer list (Section III). Section IV includes the scores and grades of all banks in 1993, and the grades for past years. It is important to realize that a significant number of institutions consistently averaged a grade of D over the four year period. Although these lenders are clearly performing poorly, only F averaging lenders were selected to ensure unambiguous results.

Only institutions that had at least one-half of one percent (0.5%) of the total applications in the MSA were analyzed in the study and received a grade. For example, in New York in 1993 there were 107,102 applications included in the analysis. Therefore, only institutions with at least 536 applications were scored and ranked. Setting the threshold at one-half of one percent (0.5%) of the total applications in the MSA ensures that only large institutions with significant market presence were included in the study. While figures vary according to each market, on average the selected institutions captured 78 percent of all applications in each MSA in 1993 (see Table V. C).

In order to appear on the list of the worst banks from 1990 through 1993, a bank had to meet the .5 percent threshold in 1993. Consequently, lenders that were in the market in previous years but were acquired, merged, or closed by 1993, or did not have enough applications, were not included on the list. In each MSA, lenders that meet the .5 percent threshold in 1993 may not appear in the analysis in one or more of the previous years. This may be due to the fact that the lender is new in the market or the lender did not receive enough applications in the earlier years.

3. Parameters of the Study

Only completed applications are included in the database analyzed in the study. Incomplete or withdrawn applications were deleted. All conventional and Federally insured applications for a new mortgage, refinancing, or home improvement for one to four family, owner-occupied properties are included, while loans purchased by an institution are not part of the database.

Only applications where the applicant is identified as black, Hispanic, or white are retained for analysis. Applicants from other racial groups identified in HMDA data (American Indian or Alaskan Native, Asian or Pacific Islander) are not analyzed in the study. There are two reasons for this selection. First, most of the twenty MSAs have large black and Hispanic populations. Although there are substantial numbers of the other racial groups in some of the MSAs, there are not large numbers in all of the MSAs. Second, blacks and Hispanics are the minority groups that have historically suffered serious discrimination in the housing credit markets. This is not to deny that other racial and ethnic groups experience lending discrimination and redlining.

Low and moderate income is defined as having an income less than 80% of the MSA median family income. Table V. B shows the median family income for each of the MSAs from 1990 to 1993. These figures were obtained from the FFIEC.

All HMDA reporters were analyzed in the study, including mortgage banks, credit unions, savings banks, and commercial banks. For depository institutions, which are legally

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required to delineate a service area, the MSA is assumed to be a bank's de facto service. This is based on the fact that a bank with .5% of all the applications in a MSA is a very large lender with significant presence in the market. Problem of service area delineation do not arise for mortgage banks which are not required to define a service are

B. Highlights and Findings of the Study

1. Worst lenders 1990 -- 1993

Fifty two institutions are identified in the study as consistently underserving low- and moderate-income and minority individuals over a three to four year period. Four institutions, two of which are bank-related mortgage companies and two of which are independent mortgage companies, have consistently failing grades in three or more MSAs. Topping the list is The Prudential Home Mortgage Company (10 MSAs), followed by Chase Home Mortgage Corp (5 MSAs), G.N. Mortgage (3 MSAs), and Margaretten & Company (3 MSAs). Four institutions have failing in grades in two MSAs. These include G.E. Capital Mortgage Services, GMAC Mortgage Corporation, Source One Mortgage, and Weyerhauser Mortgage Co.

2. Worst lenders in 1993

For the year of 1993, 126 lenders received failing grades for their fair lending performance. Five of the lenders have failing grades in five or more MSAs, including The Prudential Home Mortgage Company (18 MSAs), G.E. Capital Mortgage Services (8 MSAs), Countrywide Funding Corporation (7 MSAs), Chase Home Mortgage Corp (6 MSAs), and American Residential Mortgage (5 MSAs).

Six institutions have failing grades in three or more MSAs: First Franklin (4 MSAs), BancBoston Mortgage Company (3 MSAs), Colonial Mortgage (3 MSAs), Franklin Mortgage Corporation (3 MSAs), Loan America Finance Corporation (3 MSAs), and Source One Mortgage (3 MSAs).

3. Mortgage companies dominate the worst lender lists

Of the 52 worst lenders identified in the 1990 -- 1993 period, 34 are mortgage companies (65%), 17 are commercial or savings banks (33%), and 1 is a credit union (2%). Nineteen of the thirty four (56%) mortgage companies are independent, while the remaining fifteen (44%) are affiliated with commercial banks, savings banks, or bank holding companies.

Similar patterns exist for the worst lenders in 1993. Eighty eight of the 126 lenders are mortgage companies (70%), 37 are commercial banks or savings banks (30%), and less than 1% are credit unions. Of the 88 mortgage companies, 62 are independent (70%) and the remaining 26 are affiliated with commercial banks, savings banks, or bank holding companies (30%).

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4. Office of Thrift Supervision leads bank agencies with the worst lenders

Of the four banking regulatory agencies -- the Office of Thrift Supervision (OTS), the Federal Reserve System (FRS), the Office of the Comptroller of the Currency (OCC), and Federal Deposit Insurance Corporation (FDIC) -- saving banks and thrifts regulated by the OTS represented the largest share of depository institutions named on the worst lender lists. For years 1990 through 1993, 11 of the 17 institutions were regulated by the OTS, 5 were regulated by the FDIC, and 1 by the FRS. No OCC regulated banks appeared on NCRC's worst lender list.

For 1993 alone, OTS regulated institutions also made up a sizable share of the depository institutions named in the study. Of the 37 depository institutions, 22 are OTS regulated institutions, 11 are banks regulated by the FDIC, 2 are FRS institutions, and 2 are regulated by the OCC.

5. 1993 minority application and approval rates lag significantly compared to the minority population in MSAs

In 18 of the 20 MSAs the minority share of the population (based on 1990 Census data) significantly exceeds the percentage of minority approvals and applications for the MSA in 1993, indicating that minorities are substantially underserved in those markets (see Table V G./H.). In Detroit, black and Hispanics constituted nearly 23% of the population, yet only made up roughly 7% of all home mortgage, home improvement, and refinancing applications and 6% of all approvals. Boston, Minneapolis--St. Paul, Philadelphia, and Baltimore also had very high disparities between minority population levels and application and approval rates.

On the positive side, two MSAs actually had minority approval and application rates *higher* than the minority share of the population. In Los Angeles, blacks and Hispanics make up over 27% of the population, but constituted over 33% of all applications and 30% of all approvals. In the Riverside--San Bernardino MSA, minorities captured 27% of all applications and 26% of all approvals, yet made up only 19% of the population.

6. Minority share of applications and approvals increased from 1992 to 1993, but most MSAs are still below 1990 levels.

In every MSA in 1993, minority approval and application rates increased from 1992 to 1993 (see Table V. G./H.). The most substantial increases occurred in Phoenix (a 82% increase in minority applications and a 96% increase in approvals), Detroit (30% and 35% increase in minority applications and approvals), St. Louis (22% and 29%) and Riverside--San Bernardino (20% and 28%). Tampa and New York saw the slowest rate of increases in minority application and approval rates.

While the increase in application and approval rates for minorities from 1992 is encouraging, metropolitan areas do not perform well when examined over a four year period. **Sixteen out of the twenty MSAs in 1993 saw substantial decreases in minority application and approval rates when compared to 1990 data** (see Table V. G./H.). Boston was the worst MSA showing a 45% decrease in minority applications and 39% decrease in minority approvals over the four year period. New York (-29% and -29%), Nassau--Suffolk (-37% and -35%), Philadelphia (-29% and -28%), and Baltimore (-27% and

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-30%) also showed significant declines.

However four MSAs did see increases in their minority application and approval rates. Phoenix led all MSAs with a 19% increase in black and Hispanic applications and 23% increase in approvals. Riverside--San Bernardino followed with an 8% increase in minority applications and a 7% increase in approvals. San Diego (+5% and +4%) and Houston (+1% and +10%) also showed improvement.

7. Low- and moderate-income share of applications and approvals increased from 1992 to 1993, but saw declines over a four year period.

In 17 out of the 20 MSAs, application and approval rates for low- and moderate-income individuals increased from 1992 to 1993 (see Table V. E./F.). Phoenix led all MSAs with a 49% increase in low- and moderate-income applications and a 59% increase in approval rates. Riverside-San Bernardino followed with a 50% increase in applications and 58% increase in low- and moderate-income approvals. Minneapolis--St. Paul (+42% and +47%), Oakland (+34% and +32%) and Philadelphia (+31% and +36%) also showed strong increases. Three MSAs decreased their share of low- and moderate-income applications and approvals from 1992 to 1993. Washington D.C. saw a 3% reduction in low- and moderate-income applications and 4% reduction in approvals. Boston (-3% and -4%) and Chicago (less than one percent) also saw reductions.

Over a four year period, 13 out of the 20 MSAs saw a significant decline in low- and moderate-income application rates and 12 out of the 20 saw reductions in approval rates (see Table V. E./F.). New York experienced the sharpest reduction, declining 40% in application rates and 43% in low- and moderate-income approval rates. Nassau-Suffolk (-33% and -34%), St. Louis (-26% and -27%), and Minneapolis--St. Paul (-21% and -21%) also had strong declines in low- and moderate-income application and approval rates.

More encouraging, four MSAs had a significant increase in low- and moderate-income applications and approval rates from 1990. Anaheim--Santa Ana had a 65% increase in low- and moderate-income application rates and a 80% increase in approval rates. Los Angeles (+57% and +73%), Riverside (+50% and +66%), San Diego (+37% and +64%) and Tampa (+31% and +17%) also showed marked improvement.

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C. Recommendations

In light of the findings of this study, NCRC believes that it is imperative that Congress, the Administration, the Department of Justice (DOJ), HUD, the bank regulatory agencies, and state and local governments take serious steps to ensure that the lenders named in this report are held accountable for their performance and that other systematic improvements be made. Specifically we recommend the following actions:

- The bank regulatory agencies should issue a revised CRA regulation that ties CRA ratings to an institution's actual performance in lending to low- and moderate-income and minority communities and individuals;

- The Justice Department, HUD, and state attorney generals should aggressively investigate all lenders named in this report for possible violations of the Fair Housing Act and Equal Credit Opportunity Act;

- Federal and state bank regulatory agencies should deny all corporate applications for merger and expansion by lenders named in the study pending affirmative lending agreements with community and civil rights groups;

- Congress, and state legislatures, should immediately extend CRA coverage to all mortgage banks and credit unions;

- HUD should require all mortgage banks to enter "best practice" agreements;

- Federal and state bank regulatory agencies should review the lending records of mortgage affiliates of depository institutions in CRA examinations;

- The Federal Home Loan Bank System should deny access to long-term advances to all institutions named in the report;

- Federal bank regulatory agencies should require lenders to disclose small business lending by race, income, and census tract in the revised CRA rule;

- Federal bank regulatory agencies should use cease and desist orders and levy civil money penalties against poor performers under CRA;

- HUD should continue to assess and ensure that reinvestment lending targets for Fannie Mae and Freddie Mac are being met.

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SECTION II:

THE WORST LENDERS IN AMERICA 1990 -- 1993

DATA TABLES

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SECTION II

EXPLANATION OF DATA TABLES FOR 1990-- 1993

This section contains tables of data on the lenders selected as the worst performers for the years 1990 through 1993. The data is presented in two different ways: by the name of the lender and by the MSA. Each table presents data on each of the five indicators used to measure lending performance for each of the four years (marketing to minorities, denial ratios, minority approvals, low- and moderate-income applications, and low- and moderate-income approvals). Below is a short description of each of the tables:

Table II. A.1: This table presents a list of the worst lenders alphabetically for the years 1990 through 1993. The third column AGENCY indicates which regulatory agency that the institution reports its HMDA data to. 1 is the Office of the Comptroller of the Currency (OCC), 2 is the Federal Reserve System (FRS), 3 is the Federal Deposit Insurance Corporation (FDIC), 4 is the Office of Thrift Supervision (OTS), 5 is the National Credit Union Administration (NCUA), and 7 is the Department of Housing and Urban Development (HUD).

The next column TYPE OF INSTITUTION is a classification of the lender. A lender is either an independent mortgage company (regulated by HUD, not subject to CRA, and not affiliated with a bank or bank holding company), a commercial bank or savings bank (subject to CRA and regulated by one of the four bank regulatory agencies), a credit union (not subject to CRA and regulated by the NCUA), or a bank related mortgage company (affiliated with a bank or bank holding company and not subject to CRA)

Table II. A.2: This table presents data on minority applications to a lender. For each year, the first column indicates the total applications received by a lender, the next column shows the number of minority applications, followed by the percentage of minority applications by a lender, and then the MSA industry average. The MSA industry average is what the industry did as a whole, and is used as the standard against which individual lenders are judged.

Table II. A.3: Denial rates between white and minority applicants are displayed in this table. For each year, the first column indicates the percentage of white applications denied, the second column shows the minority rejection rate, and the third column displays the ratio of minority to white rejections.

Table II. A.4.: Minority approval rates for each lender are shown in this table. It displays the total approvals by a lender, minority approvals, the percentage of minority approvals by a lender, and then the MSA industry average. The MSA industry average represents what the industry did as a whole.

Table II. A.5: and **Table A.6**: These tables show low-and moderate-income applications and approvals and follow the same format as the minority application and approval tables.

Table II. B 1-6 These tables are exactly same as the Tables A. 1-6, but lenders are organized by MSA rather than alphabetically.

*** Asterisks mean that the lender did not have .5% of applications that year.

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SECTION II:

THE WORST LENDERS IN AMERICA 1990 -- 1993

DATA TABLES BY LENDER

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TABLE II. A.1 WORST LENDERS: 1990-1993

MSA	LENDER	AGENCY	TYPE OF INSTITUTION
Oakland	ALL PACIFIC MORTGAGE COMPANY	7	Independent Mortgage Company
Atlanta	ALLATOONA FEDERAL SAVINGS BANK	4	Commercial/Savings Bank
San Diego	AMERICAN RESIDENTIAL MORTGAGE	7	Independent Mortgage Company
Houston	BARCLAYS AMERICAN MORTGAGE COR	2	Bank Related Mortgage Company
Baltimore	B.F.SAUL MORTGAGE COMPANY	4	Bank Related Mortgage Company
Nassau-Suffolk	CHASE HOME MORTGAGE CORP.	1	Bank Related Mortgage Company
Los Angeles	CHASE HOME MORTGAGE CORP.	1	Bank Related Mortgage Company
New York	CHASE HOME MORTGAGE CORP.	1	Bank Related Mortgage Company
Washington	CHASE HOME MORTGAGE CORP.	1	Bank Related Mortgage Company
Chicago	CHASE HOME MORTGAGE CORP.	1	Bank Related Mortgage Company
Dallas	CHASE U.S. CONSUMER SERVICES	2	Bank Related Mortgage Company
Baltimore	CITIBANK F.S.B.	4	Commercial/Savings Bank
Philadelphia	COUNTRYWIDE FUNDING CORPORATIO	7	Independent Mortgage Company
Atlanta	EAGLE SERVICE CORP D/B/A ATLAN	4	Bank Related Mortgage Company
Atlanta	ENTRUST FINANCIAL CORPORATION	7	Independent Mortgage Company
Minnesota	FIRST FEDERAL CAPITAL CORP	4	Bank Related Mortgage Company
Detroit	FIRST NATIONWIDE BANK	4	Commercial/Savings Bank
Tampa	FIRST UNION MORT. CORP.	2	Bank Related Mortgage Company
Philadelphia	GE CAPITAL MORTGAGE SERVICES	7	Independent Mortgage Company
Boston	GE CAPITAL MORTGAGE SERVICES	7	Independent Mortgage Company
Riverside	GMAC MORTGAGE CORPORATION OF P	7	Independent Mortgage Company
St. Louis	GMAC MORTGAGE CORPORATION OF P	7	Independent Mortgage Company
Los Angeles	GN MORTGAGE	3	Bank Related Mortgage Company
Oakland	GN MORTGAGE	4	Bank Related Mortgage Company
Anaheim	GN MORTGAGE	3	Bank Related Mortgage Company
Tampa	GREENTREE MORTGAGE COMPANY LP	7	Independent Mortgage Company
Dallas	GUARDIAN MORTGAGE COMPANY	7	Independent Mortgage Company
Minnesota	HEIGL MORT. & FINANCIAL CORP.	7	Independent Mortgage Company
St. Louis	HOME FEDERAL SAVINGS BANK OF M	4	Commercial/Savings Bank
New York	INDEPENDENCE SAVINGS BANK	3	Commercial/Savings Bank
St. Louis	JAMES B. NUTTER & COMPANY	7	Independent Mortgage Company
St. Louis	KNUTSON MORTGAGE CORPORATION	7	Independent Mortgage Company
Tampa	LINCOLN SERVICE CORPORATION	4	Bank Related Mortgage Company
Anaheim	LOAN AMERICA FINANCE CORP	7	Independent Mortgage Company
Philadelphia	MAIN LINE FEDERAL SAVINGS BANK	4	Commercial/Savings Bank
Minnesota	MARGARETTEN & COMPANY	7	Independent Mortgage Company
Tampa	MARGARETTEN & COMPANY	7	Independent Mortgage Company
New York	MARGARETTEN & COMPANY	7	Independent Mortgage Company
Phoenix	MELLON MORTGAGE COMPANY	2	Bank Related Mortgage Company
Dallas	MERCANTILE BANK & TRUST	4	Commercial/Savings Bank
Houston	MITCHELL MORTGAGE COMPANY	7	Independent Mortgage Company
Washington	NAVY FEDERAL CREDIT UNION	5	Credit Union
Chicago	NBD MORTGAGE COMPANY	2	Bank Related Mortgage Company
Oakland	NVR MORTAGE	7	Independent Mortgage Company
Oakland	PIB MORTGAGE COMPANY	2	Bank Related Mortgage Company
Chicago	PRINCIPAL MUTUAL LIFE INS CO	7	Independent Mortgage Company
New York	PROVIDENT SAVINGS BANK	4	Commercial/Savings Bank
Baltimore	REISTERSTOWN FEDERAL SAVINGS B	4	Commercial/Savings Bank
Detroit	REPUBLIC BANK	3	Commercial/Savings Bank
New York	ROOSEVELT SAVINGS BANK	3	Commercial/Savings Bank
Anaheim	RSL MORTGAGE CORPORATION	4	Bank Related Mortgage Company
Riverside	RURAL AMERICAN BANK - BRAHAM	4	Commercial/Savings Bank
Chicago	SHELTER MORTGAGE CORPORATION	3	Bank Related Mortgage Company

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TABLE II. A.1 WORST LENDERS: 1990-1993

MSA	LENDER	AGENCY	TYPE OF INSTITUTION
Detroit	SOURCE ONE MORTGAGE	7	Independent Mortgage Company
Tampa	SOURCE ONE MORTGAGE	7	Independent Mortgage Company
Anaheim	SOUTHERN CALIFORNIA FEDERAL SA	4	Commercial/Savings Bank
Phoenix	STATE SAVINGS BANK	4	Commercial/Savings Bank
Oakland	SUNBELT NATIONAL MORTGAGE CORP	4	Bank Related Mortgage Company
Philadelphia	THE BRYN MAWR TRUST CO.	3	Commercial/Savings Bank
St. Louis	THE COLONIAL BANK	3	Commercial/Savings Bank
Chicago	THE NORTHERN TRUST COMPANY	2	Commercial/Savings Bank
Atlanta	THE PRUDENTIAL HOME MORTGAGE C	7	Independent Mortgage Company
Anaheim	THE PRUDENTIAL HOME MORTGAGE C	7	Independent Mortgage Company
New York	THE PRUDENTIAL HOME MORTGAGE C	7	Independent Mortgage Company
Boston	THE PRUDENTIAL HOME MORTGAGE C	7	Independent Mortgage Company
Phoenix	THE PRUDENTIAL HOME MORTGAGE C	7	Independent Mortgage Company
Dallas	THE PRUDENTIAL HOME MORTGAGE C	7	Independent Mortgage Company
Philadelphia	THE PRUDENTIAL HOME MORTGAGE C	7	Independent Mortgage Company
Houston	THE PRUDENTIAL HOME MORTGAGE C	7	Independent Mortgage Company
Oakland	THE PRUDENTIAL HOME MORTGAGE C	7	Independent Mortgage Company
Nassau-Suffolk	THE PRUDENTIAL HOME MORTGAGE C	7	Independent Mortgage Company
Riverside	WEYERHAEUSER MORTGAGE CO.	7	Independent Mortgage Company
Anaheim	WEYERHAEUSER MORTGAGE CO.	7	Independent Mortgage Company

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TABLE II. A.2 WORST LENDERS 1990--1993: MARKETING TO MINORITIES

NAME	MSA	1993 Total Apps	1993 Black/ Hisp. Apps	1993 Black/ Hisp. % of Apps	1993 MSA Industry Average	1992 Total Apps	1992 Black/ Hisp. Apps	1992 Black/ Hisp. % of Apps	1992 MSA Industry Average	1991 Total Apps	1991 Black/ Hisp. Apps	1991 Black/ Hisp. % of Apps	1991 MSA Industry Average	1990 Total Apps	1990 Black/ Hisp. Apps	1990 Black/ Hisp. % of Apps	1990 MSA Industry Average
ALL PACIFIC MORTGAGE COMPANY	Oakland	1178	78	6.62%	15.21%	1190	77	6.47%	14.27%	555	41	7.39%	17.04%	242	19	7.85%	17.79%
ALLATOONA FEDERAL SAVINGS BANK	Atlanta	1561	100	6.41%	12.46%	1056	58	5.49%	11.03%	519	21	4.05%	16.04%	468	38	8.12%	17.31%
AMERICAN RESIDENTIAL MORTGAGE	San Diego	3174	245	7.72%	13.35%	2324	139	5.98%	12.13%	2576	125	4.85%	12.80%	*	*	*	12.76%
BARCLAYS AMERICAN MORTGAGE COR	Houston	608	29	4.77%	16.42%	853	33	3.87%	15.03%	266	8	3.01%	17.42%	*	*	*	16.24%
B.F.SAUL MORTGAGE COMPANY	Baltimore	1677	116	6.92%	11.79%	1487	81	5.45%	10.59%	908	42	4.63%	14.69%	*	*	*	16.24%
CHASE HOME MORTGAGE CORP.	Nassau-Suffolk	973	30	3.08%	6.86%	1561	46	2.95%	6.51%	579	16	2.76%	8.91%	462	19	4.11%	10.81%
CHASE HOME MORTGAGE CORP.	Los Angeles	1928	65	3.37%	33.10%	1414	35	2.48%	30.99%	1085	16	1.47%	33.42%	*	*	*	35.61%
CHASE HOME MORTGAGE CORP.	New York	2431	148	6.09%	20.81%	3841	270	7.03%	20.20%	2104	181	8.60%	26.75%	1970	159	8.07%	29.47%
CHASE HOME MORTGAGE CORP.	Washington	1937	184	9.50%	16.80%	1240	47	3.79%	14.87%	689	50	7.26%	19.24%	489	39	7.98%	20.09%
CHASE HOME MORTGAGE CORP.	Chicago	2901	124	4.27%	16.37%	1740	45	2.59%	13.97%	990	40	4.04%	18.32%	827	28	3.39%	20.55%
CHASE U.S. CONSUMER SERVICES	Dallas	520	7	1.35%	12.35%	639	5	0.78%	11.30%	279	11	3.94%	15.13%	175	0	0.00%	12.72%
CITIBANK F.S.B.	Baltimore	670	51	7.61%	11.79%	576	41	7.12%	10.59%	478	51	10.67%	14.69%	267	34	12.73%	16.24%
COUNTRYWIDE FUNDING CORPORATIO	Philadelphia	5534	147	2.66%	8.86%	1487	33	2.22%	7.84%	414	13	3.14%	10.67%	*	*	*	12.50%
EAGLE SERVICE CORP D/B/A ATLAN	Atlanta	912	58	6.36%	12.46%	1235	95	7.69%	11.03%	*	*	*	16.04%	322	20	6.21%	17.31%
ENTRUST FINANCIAL CORPORATION	Atlanta	1235	56	4.53%	12.46%	2133	104	4.88%	11.03%	1567	132	8.42%	16.04%	942	63	6.69%	17.31%
FIRST FEDERAL CAPITAL CORP	Minneapolis	1413	5	0.35%	1.69%	1099	0	0.00%	1.48%	558	1	0.18%	1.87%	286	1	0.35%	2.05%
FIRST NATIONWIDE BANK	Detroit	2518	162	6.43%	7.38%	3718	196	5.27%	5.69%	1812	87	4.80%	11.73%	1133	42	3.71%	8.77%
FIRST UNION MORT. CORP.	Tampa	738	35	4.74%	8.68%	496	22	4.44%	8.40%	311	13	4.18%	10.95%	244	10	4.10%	11.28%
GE CAPITAL MORTGAGE SERVICES	Philadelphia	6755	230	3.40%	8.86%	4328	120	2.77%	7.84%	2364	166	7.02%	10.67%	4075	353	8.66%	12.50%
GE CAPITAL MORTGAGE SERVICES	Boston	985	18	1.83%	3.50%	440	21	4.77%	3.22%	217	3	1.38%	4.75%	671	32	4.77%	6.39%
GMAC MORTGAGE CORPORATION OF P	St. Louis	1891	69	3.65%	8.29%	1543	54	3.50%	6.82%	1084	49	4.52%	9.49%	1096	68	6.20%	11.19%
GMAC MORTGAGE CORPORATION OF P	Riverside	1279	241	18.84%	27.15%	1051	160	15.22%	22.64%	796	139	17.46%	24.50%	848	213	25.12%	25.20%
GN MORTGAGE	Oakland	950	45	4.74%	15.21%	718	35	4.87%	14.27%	422	17	4.03%	17.04%	*	*	*	17.79%
GN MORTGAGE	Anaheim	1052	39	3.71%	12.50%	1557	72	4.62%	11.74%	1056	61	5.78%	12.99%	568	46	8.10%	14.33%
GN MORTGAGE	Los Angeles	3429	545	15.89%	33.10%	4304	663	15.40%	30.99%	2002	341	17.03%	33.42%	*	*	*	35.61%
GREENTREE MORTGAGE COMPANY LP	Tampa	770	29	3.77%	8.68%	*	*	*	8.40%	468	21	4.49%	10.95%	295	16	5.42%	11.28%
GUARDIAN MORTGAGE COMPANY	Dallas	2111	57	2.70%	12.35%	1373	37	2.69%	11.30%	752	27	3.59%	15.13%	520	15	2.88%	12.72%
HEIGL MORT. & FINANCIAL CORP.	Minneapolis	3174	34	1.07%	1.69%	2101	15	0.71%	1.48%	430	3	0.70%	1.87%	*	*	*	2.05%
HOME FEDERAL SAVINGS BANK OF M	St. Louis	3051	34	1.11%	8.29%	2983	47	1.58%	6.82%	1733	22	1.27%	9.49%	844	16	1.90%	11.19%
INDEPENDENCE SAVINGS BANK	New York	1456	118	8.10%	20.81%	926	81	8.75%	20.20%	800	51	6.38%	26.75%	459	19	4.14%	29.47%
JAMES B. NUTTER & COMPANY	St. Louis	1006	15	1.49%	8.29%	468	3	0.64%	6.82%	532	24	4.51%	9.49%	*	*	*	11.19%
KNUTSON MORTGAGE CORPORATION	St. Louis	925	33	3.57%	8.29%	753	9	1.20%	6.82%	351	9	2.56%	9.49%	*	*	*	11.19%
LINCOLN SERVICE CORPORATION	Tampa	450	18	4.00%	8.68%	509	12	2.36%	8.40%	364	16	4.40%	10.95%	*	*	*	11.28%
LOAN AMERICA FINANCE CORP	Anaheim	1266	101	7.98%	12.50%	816	54	6.62%	11.74%	*	*	*	12.99%	383	34	8.88%	14.33%
MAIN LINE FEDERAL SAVINGS BANK	Philadelphia	3078	38	1.23%	8.86%	2417	14	0.58%	7.84%	1084	6	0.55%	10.67%	390	9	2.31%	12.50%
MARGARETTEN & COMPANY	Minneapolis	3835	32	0.83%	1.69%	3390	26	0.77%	1.48%	2096	29	1.38%	1.87%	1874	26	1.39%	2.05%
MARGARETTEN & COMPANY	Tampa	1665	76	4.56%	8.68%	1219	68	5.58%	8.40%	566	32	5.65%	10.95%	242	16	6.61%	11.28%
MARGARETTEN & COMPANY	New York	650	60	9.23%	20.81%	524	35	6.68%	20.20%	347	30	8.65%	26.75%	*	*	*	29.47%
MELLON MORTGAGE COMPANY	Phoenix	2066	72	3.48%	9.33%	1863	42	2.25%	5.14%	740	43	5.81%	9.23%	177	1	0.56%	7.84%
MERCANTILE BANK & TRUST	Dallas	1294	21	1.62%	12.35%	859	11	1.28%	11.30%	334	7	2.10%	15.13%	258	30	11.63%	12.72%

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TABLE II. A.2 WORST LENDERS 1990--1993: MARKETING TO MINORITIES

NAME	MSA	1993 Total Apps	1993 Black/ Hisp. Apps	1993 Black/ Hisp. % of Apps	1993 MSA Industry Average	1992 Total Apps	1992 Black/ Hisp. Apps	1992 Black/ Hisp. % of Apps	1992 MSA Industry Average	1991 Total Apps	1991 Black/ Hisp. Apps	1991 Black/ Hisp. % of Apps	1991 MSA Industry Average	1990 Total Apps	1990 Black/ Hisp. Apps	1990 Black/ Hisp. % of Apps	1990 MSA Industry Average
MITCHELL MORTGAGE COMPANY	Houston	552	26	4.71%	16.42%	577	15	2.60%	15.03%	240	3	1.25%	17.42%	•	•	•	16.24%
NAVY FEDERAL CREDIT UNION	Washington	5511	649	11.78%	16.80%	4544	423	9.31%	14.87%	2131	248	11.64%	19.24%	1194	183	15.33%	20.09%
NBD MORTGAGE COMPANY	Chicago	4832	132	2.73%	16.37%	3692	83	2.25%	13.97%	1981	43	2.17%	18.32%	979	21	2.15%	20.55%
NVR MORTAGE	Oakland	649	46	7.09%	15.21%	1258	59	4.69%	14.27%	901	50	5.55%	17.04%	500	41	8.20%	17.79%
PIB MORTGAGE COMPANY	Oakland	932	91	9.76%	15.21%	1298	113	8.71%	14.27%	765	85	11.11%	17.04%	351	46	13.11%	17.79%
PRINCIPAL MUTUAL LIFE INS CO	Chicago	3263	206	6.31%	16.37%	2314	67	2.90%	13.97%	1008	50	4.96%	18.32%	•	•	•	20.55%
PROVIDENT SAVINGS BANK	New York	750	44	5.87%	20.81%	887	49	5.52%	20.20%	408	30	7.35%	26.75%	•	•	•	29.47%
REISTERSTOWN FEDERAL SAVINGS B	Baltimore	1469	42	2.86%	11.79%	1114	32	2.87%	10.59%	551	12	2.18%	14.69%	207	4	1.93%	16.24%
REPUBLIC BANK	Detroit	9380	151	1.61%	7.38%	1769	29	1.64%	5.69%	1309	31	2.37%	11.73%	•	•	•	8.77%
ROOSEVELT SAVINGS BANK	New York	695	53	7.63%	20.81%	536	35	6.53%	20.20%	433	34	7.85%	26.75%	459	17	3.70%	29.47%
RSL MORTGAGE CORPORATION	Anaheim	1054	64	6.07%	12.50%	1632	121	7.41%	11.74%	1483	109	7.35%	12.99%	508	44	8.66%	14.33%
RURAL AMERICAN BANK - BRAHAM	Riverside	716	130	18.16%	27.15%	•	•	•	22.64%	937	154	16.44%	24.50%	869	141	16.23%	25.20%
SHELTER MORTGAGE CORPORATION	Chicago	1597	75	4.70%	16.37%	1541	64	4.15%	13.97%	918	28	3.05%	18.32%	626	29	4.63%	20.55%
SOURCE ONE MORTGAGE	Detroit	2226	64	2.88%	7.38%	1939	44	2.27%	5.69%	969	43	4.44%	11.73%	•	•	•	8.77%
SOURCE ONE MORTGAGE	Tampa	1683	88	5.23%	8.68%	1052	93	8.84%	8.40%	675	54	8.00%	10.95%	•	•	•	11.28%
SOUTHERN CALIFORNIA FEDERAL SA	Anaheim	719	31	4.31%	12.50%	608	44	7.24%	11.74%	•	•	•	12.99%	374	26	6.95%	14.33%
STATE SAVINGS BANK	Phoenix	2978	164	5.51%	9.33%	576	6	1.04%	5.14%	1055	77	7.30%	9.23%	•	•	•	7.84%
SUNBELT NATIONAL MORTGAGE CORP	Oakland	860	62	7.21%	15.21%	818	57	6.97%	14.27%	582	44	7.56%	17.04%	•	•	•	17.79%
THE BRYN MAWR TRUST CO.	Philadelphia	1324	38	2.87%	8.86%	967	28	2.90%	7.84%	509	16	3.14%	10.67%	369	27	7.32%	12.50%
THE COLONIAL BANK	St. Louis	1255	15	1.20%	8.29%	952	11	1.16%	6.82%	297	2	0.67%	9.49%	•	•	•	11.19%
THE NORTHERN TRUST COMPANY	Chicago	2348	410	17.46%	16.37%	2025	289	14.27%	13.97%	729	148	20.30%	18.32%	596	104	17.45%	20.55%
THE PRUDENTIAL HOME MORTGAGE C	Atlanta	3328	207	6.22%	12.46%	1186	78	6.58%	11.03%	759	50	6.59%	16.04%	339	33	9.73%	17.31%
THE PRUDENTIAL HOME MORTGAGE C	Anaheim	7317	294	4.02%	12.50%	833	27	3.24%	11.74%	440	7	1.59%	12.99%	•	•	•	14.33%
THE PRUDENTIAL HOME MORTGAGE C	Dallas	2156	58	2.69%	12.35%	546	18	3.30%	11.30%	251	12	4.78%	15.13%	258	11	4.26%	12.72%
THE PRUDENTIAL HOME MORTGAGE C	New York	5508	347	6.30%	20.81%	2956	176	5.95%	20.20%	1331	122	9.17%	26.75%	1174	132	11.24%	29.47%
THE PRUDENTIAL HOME MORTGAGE C	Boston	2434	31	1.27%	3.50%	681	7	1.03%	3.22%	269	4	1.49%	4.75%	204	6	2.94%	6.39%
THE PRUDENTIAL HOME MORTGAGE C	Phoenix	985	22	2.23%	9.33%	654	11	1.68%	5.14%	•	•	•	9.23%	181	1	0.55%	7.84%
THE PRUDENTIAL HOME MORTGAGE C	Philadelphia	3569	131	3.67%	8.86%	2309	69	2.99%	7.84%	656	20	3.05%	10.67%	417	25	6.00%	12.50%
THE PRUDENTIAL HOME MORTGAGE C	Houston	2127	92	4.33%	16.42%	970	56	5.77%	15.03%	458	19	4.15%	17.42%	314	14	4.46%	16.24%
THE PRUDENTIAL HOME MORTGAGE C	Oakland	6770	308	4.55%	15.21%	889	20	2.25%	14.27%	428	9	2.10%	17.04%	•	•	•	17.79%
THE PRUDENTIAL HOME MORTGAGE C	Nassau-Suffolk	5128	122	2.38%	6.86%	2457	64	2.60%	6.51%	•	•	•	8.91%	613	28	4.57%	10.81%
WEYERHAEUSER MORTGAGE CO.	Riverside	1070	243	22.71%	27.15%	664	111	16.72%	22.64%	736	168	22.83%	24.50%	771	176	22.83%	25.20%
WEYERHAEUSER MORTGAGE CO.	Anaheim	742	57	7.68%	12.50%	•	•	•	11.74%	794	30	3.78%	12.99%	762	49	6.43%	14.33%

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TABLE II. A.3 WORST LENDERS 1990 -- 1993: DENIAL RATIOS

NAME	MSA	1993 White Denial Rate	1993 Black/ Hisp. Denial Rate	1993 Black/ Hisp. to White Denials	1992 White Denial Rate	1992 Black/ Hisp. Denial Rate	1992 Black/ Hisp. to White Denials	1991 White Denial Rate	1991 Black/ Hisp. Denial Rate	1991 Black/ Hisp. to White Denials	1990 White Denial Rate	1990 Black/ Hisp. Denial Rate	1990 Black/ Hisp. to White Denials
ALL PACIFIC MORTGAGE COMPANY	Oakland	4.36	5.13	1.18	4.85	14.29	2.94	6.23	12.20	1.96	7.62	10.53	1.38
ALLATOONA FEDERAL SAVINGS BANK	Atlanta	2.74	18.00	6.57	6.21	15.52	2.50	7.83	19.05	2.43	11.16	26.32	2.36
AMERICAN RESIDENTIAL MORTGAGE	San Diego	8.74	13.06	1.49	9.66	20.86	2.16	21.13	28.80	1.36	*	*	*
BARCLAYS AMERICAN MORTGAGE COR	Houston	13.79	7.43	0.54	7.93	3.03	0.38	9.30	12.50	1.34	*	*	*
B.F.SAUL MORTGAGE COMPANY	Baltimore	4.48	12.93	2.89	2.77	17.28	6.23	6.00	14.29	2.38	*	*	*
CHASE HOME MORTGAGE CORP.	Nassau-Suffolk	12.83	20.00	1.56	15.97	28.26	1.77	12.43	50.00	4.02	16.48	26.32	1.60
CHASE HOME MORTGAGE CORP.	Los Angeles	18.46	41.54	2.25	21.97	40.00	1.82	16.18	18.75	1.16	*	*	*
CHASE HOME MORTGAGE CORP.	New York	10.42	26.35	2.53	19.07	39.63	2.08	9.98	29.28	2.93	12.15	30.82	2.54
CHASE HOME MORTGAGE CORP.	Washington	9.93	20.11	2.03	17.69	44.68	2.53	25.35	36.00	1.42	26.00	38.46	1.48
CHASE HOME MORTGAGE CORP.	Chicago	3.49	4.84	1.39	6.84	24.44	3.57	9.16	30.00	3.28	8.26	21.43	2.59
CHASE U.S. CONSUMER SERVICES	Dallas	0.00	10.14	ERR	15.46	20.00	1.29	12.69	9.09	0.72	18.29	0.00	0.00
CITIBANK F.S.B.	Baltimore	12.44	27.45	2.21	39.25	60.98	1.55	29.04	64.71	2.23	11.16	29.41	2.64
COUNTRYWIDE FUNDING CORPORATIO	Philadelphia	5.09	8.84	1.74	7.22	15.15	2.10	0.00	0.00	0.00	*	*	*
EAGLE SERVICE CORP D/B/A ATLAN	Atlanta	2.11	10.34	4.90	2.11	18.95	9.00	*	*	*	2.65	35.00	13.21
ENTRUST FINANCIAL CORPORATION	Atlanta	2.46	10.71	4.35	4.44	20.19	4.55	13.38	35.61	2.66	19.00	44.44	2.34
FIRST FEDERAL CAPITAL CORP	Minnesota	2.77	0.00	0.00	5.10	0.00	0.00	2.69	0.00	0.00	0.00	0.00	0.00
FIRST NATIONWIDE BANK	Detroit	4.20	22.22	5.29	8.33	33.67	4.04	8.93	27.59	3.09	4.33	26.19	6.05
FIRST UNION MORT. CORP.	Tampa	4.41	8.57	1.94	9.07	0.00	0.00	8.39	38.46	4.59	10.26	40.00	3.90
GE CAPITAL MORTGAGE SERVICES	Philadelphia	5.66	16.96	3.00	24.76	45.00	1.82	7.92	12.65	1.60	6.61	20.68	3.13
GE CAPITAL MORTGAGE SERVICES	Boston	6.83	16.67	2.44	32.22	61.90	1.92	11.21	33.33	2.97	7.51	21.88	2.91
GMAC MORTGAGE CORPORATION OF P	Riverside	9.44	20.33	2.15	9.43	20.63	2.19	9.28	22.30	2.40	9.61	12.21	1.27
GMAC MORTGAGE CORPORATION OF P	St. Louis	2.31	5.80	2.51	4.23	20.37	4.82	2.90	16.33	5.63	2.82	8.82	3.13
GN MORTGAGE	Los Angeles	23.47	31.38	1.34	28.26	37.86	1.34	23.18	37.24	1.61	*	*	*
GN MORTGAGE	Oakland	12.38	15.56	1.26	17.86	34.29	1.92	20.00	29.41	1.47	*	*	*
GREENTREE MORTGAGE COMPANY LP	Tampa	18.49	34.48	1.86	*	*	*	19.02	19.05	1.00	11.47	25.00	2.18
GUARDIAN MORTGAGE COMPANY	Dallas	0.00	2.14	ERR	1.87	10.81	5.78	4.00	7.41	1.85	2.97	33.33	11.22
HEIGL MORT. & FINANCIAL CORP.	Minnesota	2.04	0.00	0.00	0.00	0.00	0.00	7.49	0.00	0.00	*	*	*
HOME FEDERAL SAVINGS BANK OF M	St. Louis	4.54	11.76	2.59	7.97	23.40	2.94	12.68	31.82	2.51	8.57	18.75	2.19
INDEPENDENCE SAVINGS BANK	New York	24.81	44.92	1.81	28.17	53.09	1.89	27.37	27.45	1.00	35.45	42.11	1.19
JAMES B. NUTTER & COMPANY	St. Louis	8.17	33.33	4.08	0.00	0.00	0.00	0.00	0.00	0.00	*	*	*
KNUTSON MORTGAGE CORPORATION	St. Louis	3.81	12.12	3.18	6.45	11.11	1.72	8.77	33.33	3.80	*	*	*
LINCOLN SERVICE CORPORATION	Tampa	27.78	18.30	0.66	22.33	58.33	2.61	16.38	43.75	2.67	*	*	*
LOAN AMERICA FINANCE CORP	Anaheim	9.44	15.84	1.68	24.28	29.63	1.22	*	*	*	41.26	52.94	1.28
MAIN LINE FEDERAL SAVINGS BANK	Philadelphia	4.84	18.42	3.81	6.33	0.00	0.00	5.75	0.00	0.00	11.81	22.22	1.88
MARGARETTEN & COMPANY	Tampa	18.42	7.40	0.40	9.30	13.24	1.42	0.56	3.13	5.56	10.18	25.00	2.46
MARGARETTEN & COMPANY	Minnesota	3.97	12.50	3.15	3.86	23.08	5.97	1.16	6.90	5.94	8.23	30.77	3.74
MARGARETTEN & COMPANY	New York	5.76	6.67	1.16	3.68	14.29	3.88	2.52	23.33	9.25	*	*	*
MELLON MORTGAGE COMPANY	Phoenix	1.86	11.11	5.97	4.64	11.90	2.57	11.19	18.60	1.66	19.64	0.00	0.00
MERCANTILE BANK & TRUST	Dallas	0.00	1.57	ERR	1.77	0.00	0.00	1.83	0.00	0.00	11.84	30.00	2.53

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TABLE II. A.3 WORST LENDERS 1990 -- 1993: DENIAL RATIOS

NAME	MSA	1993 White Denial Rate	1993 Black/ Hisp. Denial Rate	1993 Black/ Hisp. to White Denials	1992 White Denial Rate	1992 Black/ Hisp. Denial Rate	1992 Black/ Hisp. to White Denials	1991 White Denial Rate	1991 Black/ Hisp. Denial Rate	1991 Black/ Hisp. to White Denials	1990 White Denial Rate	1990 Black/ Hisp. Denial Rate	1990 Black/ Hisp. to White Denials
MITCHELL MORTGAGE COMPANY	Houston	38.46	14.45	0.38	1.60	6.67	4.16	3.80	66.67	17.56	*	*	*
NAVY FEDERAL CREDIT UNION	Washington	0.68	7.40	10.88	1.33	9.46	7.09	1.38	10.08	7.30	2.57	14.75	5.74
NBD MORTGAGE COMPANY	Chicago	3.98	11.36	2.85	6.15	8.43	1.37	7.12	27.91	3.92	8.14	14.29	1.76
NVR MORTAGE	Oakland	7.46	23.91	3.21	6.92	18.64	2.69	7.76	16.00	2.06	0.00	0.00	0.00
PIB MORTGAGE COMPANY	Oakland	10.46	24.18	2.31	11.31	20.35	1.80	7.79	11.76	1.51	21.64	34.78	1.61
PRINCIPAL MUTUAL LIFE INS CO	Chicago	4.02	12.14	3.02	2.49	5.97	2.40	4.18	14.00	3.35	*	*	*
PROVIDENT SAVINGS BANK	New York	6.23	11.36	1.82	8.59	14.29	1.66	7.94	16.67	2.10	*	*	*
REISTERSTOWN FEDERAL SAVINGS B	Baltimore	2.52	4.76	1.89	2.13	12.50	5.88	6.12	16.67	2.72	8.37	25.00	2.99
REPUBLIC BANK	Detroit	3.80	11.92	3.14	2.32	3.45	1.49	1.72	9.68	5.62	*	*	*
ROOSEVELT SAVINGS BANK	New York	11.21	28.30	2.52	16.37	25.71	1.57	17.29	44.12	2.55	11.54	41.18	3.57
RSL MORTGAGE CORPORATION	Anaheim	20.51	28.13	1.37	18.66	38.84	2.08	14.77	24.77	1.68	30.39	34.09	1.12
RURAL AMERICAN BANK - BRAHAM	Riverside	25.43	37.69	1.48	*	*	*	28.48	48.70	1.71	21.02	45.39	2.16
SHELTER MORTGAGE CORPORATION	Chicago	2.43	10.67	4.39	0.68	4.69	6.92	3.82	14.29	3.74	3.85	31.03	8.06
SOURCE ONE MORTGAGE	Detroit	1.53	6.25	4.08	1.71	4.55	2.65	3.02	6.98	2.31	*	*	*
SOURCE ONE MORTGAGE	Tampa	13.64	3.60	0.26	6.15	21.51	3.50	7.41	37.04	5.00	*	*	*
SOUTHERN CALIFORNIA FEDERAL SA	Anaheim	14.97	35.48	2.37	17.20	20.45	1.19	*	*	*	14.37	19.23	1.34
STATE SAVINGS BANK	Phoenix	4.37	4.88	1.12	7.48	33.33	4.46	8.90	33.77	3.80	*	*	*
SUNBELT NATIONAL MORTGAGE CORP	Oakland	8.90	9.68	1.09	10.38	28.07	2.70	10.04	31.82	3.17	*	*	*
THE BRYN MAWR TRUST CO.	Philadelphia	2.41	10.53	4.37	3.30	28.57	8.65	5.68	43.75	7.70	6.43	18.52	2.88
THE COLONIAL BANK	St. Louis	3.95	6.67	1.69	7.65	27.27	3.56	11.19	50.00	4.47	*	*	*
THE NORTHERN TRUST COMPANY	Chicago	3.87	20.98	5.42	4.78	36.68	7.67	3.79	35.14	9.28	13.41	66.35	4.95
THE PRUDENTIAL HOME MORTGAGE C	Atlanta	9.32	16.43	1.76	9.75	12.82	1.32	11.71	42.00	3.59	13.07	36.36	2.78
THE PRUDENTIAL HOME MORTGAGE C	Anaheim	15.81	21.43	1.36	17.74	22.22	1.25	14.32	0.00	0.00	*	*	*
THE PRUDENTIAL HOME MORTGAGE C	Dallas	24.14	10.72	0.44	14.77	27.78	1.88	15.06	50.00	3.32	12.15	36.36	2.99
THE PRUDENTIAL HOME MORTGAGE C	New York	15.54	25.94	1.67	16.80	32.95	1.96	28.54	45.08	1.58	22.36	53.03	2.37
THE PRUDENTIAL HOME MORTGAGE C	Boston	11.32	16.13	1.42	17.06	42.86	2.51	26.79	100.00	3.73	22.22	33.33	1.50
THE PRUDENTIAL HOME MORTGAGE C	Phoenix	19.21	31.82	1.66	21.91	9.09	0.42	*	*	*	23.23	0.00	0.00
THE PRUDENTIAL HOME MORTGAGE C	Philadelphia	11.37	22.90	2.01	12.14	36.23	2.98	15.88	55.00	3.46	17.35	52.00	3.00
THE PRUDENTIAL HOME MORTGAGE C	Houston	27.17	8.50	0.31	7.99	17.86	2.24	15.95	31.58	1.98	18.00	57.14	3.18
THE PRUDENTIAL HOME MORTGAGE C	Oakland	9.66	12.66	1.31	10.13	25.00	2.47	12.17	22.22	1.83	*	*	*
THE PRUDENTIAL HOME MORTGAGE C	Nassau-Suffolk	12.66	15.57	1.23	13.46	31.25	2.32	*	*	*	19.15	35.71	1.87
WEYERHAEUSER MORTGAGE CO.	Riverside	6.41	11.93	1.86	3.98	7.21	1.81	7.92	18.45	2.33	10.08	26.70	2.65
WEYERHAEUSER MORTGAGE CO.	Anaheim	5.40	12.28	2.27	*	*	*	4.19	13.33	3.18	4.07	6.12	1.51

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TABLE II. A.4 **WORST LENDERS 1990 -- 1993: MINORITY APPROVAL RATES**

Name	MSA	1993				1992				1991				1990			
		Total Aprvs	Black/ Hisp. Aprvs	Black/ Hisp. % of Aprvs	MSA Industry Average	Total Aprvs	Black/ Hisp. Aprvs	Black/ Hisp. % of Aprvs	MSA Industry Average	Total Aprvs	Black/ Hisp. Aprvs	Black/ Hisp. % of Aprvs	MSA Industry Average	Total Aprvs	Black/ Hisp. Aprvs	Black/ Hisp. % of Aprvs	MSA Industry Average
ALL PACIFIC MORTGAGE COMPANY	Oakland	1126	74	6.57%	13.48%	1125	66	5.87%	12.48%	518	36	6.95%	15.19%	223	17	7.62%	16.34%
ALLATOONA FEDERAL SAVINGS BANK	Atlanta	1503	82	5.46%	10.82%	985	49	4.97%	9.48%	476	17	3.57%	13.16%	410	28	6.83%	14.01%
AMERICAN RESIDENTIAL MORTGAGE	San Diego	2886	213	7.38%	12.23%	2084	110	5.28%	10.76%	2022	89	4.40%	11.34%	*	*	*	11.74%
BARCLAYS AMERICAN MORTGAGE COR	Houston	561	25	4.46%	13.51%	787	32	4.07%	11.93%	241	7	2.90%	13.64%	*	*	*	12.34%
B.F.SAUL MORTGAGE COMPANY	Baltimore	1592	101	6.34%	9.53%	1434	67	4.67%	9.00%	850	36	4.24%	11.87%	*	*	*	13.66%
CHASE HOME MORTGAGE CORP.	Nassau-Suffolk	846	24	2.84%	5.91%	1306	33	2.53%	5.35%	501	8	1.60%	7.57%	384	14	3.65%	9.07%
CHASE HOME MORTGAGE CORP.	Los Angeles	1557	38	2.44%	30.40%	1097	21	1.91%	27.80%	909	13	1.43%	30.68%	*	*	*	34.05%
CHASE HOME MORTGAGE CORP.	New York	2154	109	5.06%	18.31%	3053	163	5.34%	17.47%	1859	128	6.89%	23.30%	1701	110	6.47%	25.87%
CHASE HOME MORTGAGE CORP.	Washington	1726	147	8.52%	15.31%	1008	26	2.58%	13.17%	509	32	6.29%	16.79%	357	24	6.72%	18.01%
CHASE HOME MORTGAGE CORP.	Chicago	2798	118	4.22%	14.81%	1613	34	2.11%	12.32%	891	28	3.14%	15.00%	755	22	2.91%	18.04%
CHASE U.S. CONSUMER SERVICES	Dallas	468	7	1.50%	10.23%	540	4	0.74%	9.09%	244	10	4.10%	12.22%	143	0	0.00%	10.46%
CITIBANK F.S.B.	Baltimore	579	37	6.39%	9.53%	341	16	4.69%	9.00%	321	18	5.61%	11.87%	231	24	10.39%	13.66%
COUNTRYWIDE FUNDING CORPORATIO	Philadelphia	5247	134	2.55%	7.12%	1377	28	2.03%	5.97%	414	13	3.14%	7.97%	*	*	*	9.91%
EAGLE SERVICE CORP D/B/A ATLAN	Atlanta	888	52	5.86%	10.82%	1193	77	6.45%	9.48%	*	*	*	13.16%	307	13	4.23%	14.01%
ENTRUST FINANCIAL CORPORATION	Atlanta	1200	50	4.17%	10.82%	2022	83	4.10%	9.48%	1328	85	6.40%	13.16%	747	35	4.69%	14.01%
FIRST FEDERAL CAPITAL CORP	Minneapolis	1374	5	0.36%	1.52%	1043	0	0.00%	1.22%	543	1	0.18%	1.67%	286	1	0.35%	1.76%
FIRST NATIONWIDE BANK	Detroit	2383	126	5.29%	6.15%	3358	130	3.87%	4.57%	1634	63	3.86%	8.43%	1071	31	2.89%	6.64%
FIRST UNION MORT. CORP.	Tampa	704	32	4.55%	7.69%	453	22	4.86%	7.24%	281	8	2.85%	9.43%	216	6	2.78%	9.72%
GE CAPITAL MORTGAGE SERVICES	Philadelphia	6347	191	3.01%	7.12%	3232	66	2.04%	5.97%	2169	145	6.69%	7.97%	3756	280	7.45%	9.91%
GE CAPITAL MORTGAGE SERVICES	Boston	916	15	1.64%	3.05%	292	8	2.74%	2.69%	192	2	1.04%	4.02%	616	25	4.06%	4.97%
GMAC MORTGAGE CORPORATION OF P	St. Louis	1845	65	3.52%	6.94%	1469	43	2.93%	5.38%	1046	41	3.92%	6.18%	1061	62	5.84%	8.39%
GMAC MORTGAGE CORPORATION OF P	Riverside	1132	192	16.96%	26.03%	934	127	13.60%	20.42%	704	108	15.34%	22.24%	761	187	24.57%	24.26%
GN MORTGAGE	Oakland	831	38	4.57%	13.48%	584	23	3.94%	12.48%	336	12	3.57%	15.19%	*	*	*	16.34%
GN MORTGAGE	Anaheim	773	27	3.49%	11.37%	1091	44	4.03%	10.29%	853	38	4.45%	11.44%	478	35	7.32%	13.55%
GN MORTGAGE	Los Angeles	2581	374	14.49%	30.40%	3024	412	13.62%	27.80%	1490	214	14.36%	30.68%	*	*	*	34.05%
GREENTREE MORTGAGE COMPANY LP	Tampa	623	19	3.05%	7.69%	*	*	*	7.24%	379	17	4.49%	9.43%	259	12	4.63%	9.72%
GUARDIAN MORTGAGE COMPANY	Dallas	2067	57	2.76%	10.23%	1344	33	2.46%	9.09%	721	25	3.47%	12.22%	500	10	2.00%	10.46%
HEIGL MORT. & FINANCIAL CORP.	Minneapolis	3110	34	1.09%	1.52%	2101	15	0.71%	1.22%	398	3	0.75%	1.67%	*	*	*	1.76%
HOME FEDERAL SAVINGS BANK OF M	St. Louis	2910	30	1.03%	6.94%	2738	36	1.31%	5.38%	1509	15	0.99%	6.18%	770	13	1.69%	8.39%
INDEPENDENCE SAVINGS BANK	New York	1071	65	6.07%	18.31%	645	38	5.89%	17.47%	581	37	6.37%	23.30%	295	11	3.73%	25.87%
JAMES B. NUTTER & COMPANY	St. Louis	920	10	1.09%	6.94%	468	3	0.64%	5.38%	532	24	4.51%	6.18%	*	*	*	8.39%
KNUTSON MORTGAGE CORPORATION	St. Louis	887	29	3.27%	6.94%	704	8	1.14%	5.38%	318	6	1.89%	6.18%	*	*	*	8.39%
LINCOLN SERVICE CORPORATION	Tampa	366	13	3.55%	7.69%	391	5	1.28%	7.24%	300	9	3.00%	9.43%	*	*	*	9.72%
LOAN AMERICA FINANCE CORP	Anaheim	1140	85	7.46%	11.37%	615	38	6.18%	10.29%	*	*	*	11.44%	221	16	7.24%	13.55%
MAIN LINE FEDERAL SAVINGS BANK	Philadelphia	2924	31	1.06%	7.12%	2265	14	0.62%	5.97%	1022	6	0.59%	7.97%	343	7	2.04%	9.91%

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TABLE II. A.4 WORST LENDERS 1990 -- 1993: MINORITY APPROVAL RATES

		1993				1992				1991				1990			
Name	MSA	Total Aprvs	Black/ Hisp. Aprvs	Black/ Hisp. % of Aprvs	MSA Industry Average	Total Aprvs	Black/ Hisp. Aprvs	Black/ Hisp. % of Aprvs	MSA Industry Average	Total Aprvs	Black/ Hisp. Aprvs	Black/ Hisp. % of Aprvs	MSA Industry Average	Total Aprvs	Black/ Hisp. Aprvs	Black/ Hisp. % of Aprvs	MSA Industry Average
MARGARETTEN & COMPANY	Minneapolis	3680	28	0.76%	1.52%	3254	20	0.61%	1.22%	2070	27	1.30%	1.67%	1714	18	1.05%	1.76%
MARGARETTEN & COMPANY	Tampa	1533	62	4.04%	7.69%	1103	59	5.35%	7.24%	562	31	5.52%	9.43%	215	12	5.58%	9.72%
MARGARETTEN & COMPANY	New York	612	56	9.15%	18.31%	501	30	5.99%	17.47%	332	23	6.93%	23.30%	*	*	*	25.87%
MELLON MORTGAGE COMPANY	Phoenix	2021	64	3.17%	7.97%	1764	37	2.10%	4.07%	654	35	5.35%	7.86%	142	1	0.70%	6.50%
MERCANTILE BANK & TRUST	Dallas	1274	21	1.65%	10.23%	844	11	1.30%	9.09%	328	7	2.13%	12.22%	222	21	9.46%	10.46%
MITCHELL MORTGAGE COMPANY	Houston	466	16	3.43%	13.51%	567	14	2.47%	11.93%	229	1	0.44%	13.64%	*	*	*	12.34%
NAVY FEDERAL CREDIT UNION	Washington	5430	601	11.07%	15.31%	4449	383	8.61%	13.17%	2080	223	10.72%	16.79%	1141	156	13.67%	18.01%
NBD MORTGAGE COMPANY	Chicago	4630	117	2.53%	14.81%	3463	76	2.19%	12.32%	1831	31	1.69%	15.00%	898	18	2.00%	18.04%
NVR MORTAGE	Oakland	593	35	5.90%	13.48%	1164	48	4.12%	12.48%	827	42	5.08%	15.19%	500	41	8.20%	16.34%
PIB MORTGAGE COMPANY	Oakland	822	69	8.39%	13.48%	1141	90	7.89%	12.48%	702	75	10.68%	15.19%	269	30	11.15%	16.34%
PRINCIPAL MUTUAL LIFE INS CO	Chicago	3115	181	5.81%	14.81%	2254	63	2.80%	12.32%	961	43	4.47%	15.00%	*	*	*	18.04%
PROVIDENT SAVINGS BANK	New York	701	39	5.56%	18.31%	808	42	5.20%	17.47%	373	25	6.70%	23.30%	*	*	*	25.87%
REISTERSTOWN FEDERAL SAVINGS B	Baltimore	1431	40	2.80%	9.53%	1087	28	2.58%	9.00%	516	10	1.94%	11.87%	189	3	1.59%	13.66%
REPUBLIC BANK	Detroit	9011	133	1.48%	6.15%	1722	28	1.63%	4.57%	1284	28	2.18%	8.43%	*	*	*	6.64%
ROOSEVELT SAVINGS BANK	New York	608	38	6.25%	18.31%	445	26	5.84%	17.47%	349	19	5.44%	23.30%	401	10	2.49%	25.87%
RSL MORTGAGE CORPORATION	Anaheim	833	46	5.52%	11.37%	1303	74	5.68%	10.29%	1253	82	6.54%	11.44%	352	29	8.24%	13.55%
RURAL AMERICAN BANK - BRAHAM	Riverside	518	81	15.64%	26.03%	*	*	*	20.42%	639	79	12.36%	22.24%	652	77	11.81%	24.26%
SHELTER MORTGAGE CORPORATION	Chicago	1552	67	4.32%	14.81%	1528	61	3.99%	12.32%	880	24	2.73%	15.00%	594	20	3.37%	18.04%
SOURCE ONE MORTGAGE	Detroit	2189	60	2.74%	6.15%	1899	42	2.21%	4.57%	938	40	4.26%	8.43%	*	*	*	6.64%
SOURCE ONE MORTGAGE	Tampa	1613	76	4.71%	7.69%	973	73	7.50%	7.24%	609	34	5.58%	9.43%	*	*	*	9.72%
SOUTHERN CALIFORNIA FEDERAL SA	Anaheim	605	20	3.31%	11.37%	502	35	6.97%	10.29%	*	*	*	11.44%	319	21	6.58%	13.55%
STATE SAVINGS BANK	Phoenix	2847	156	5.48%	7.97%	529	4	0.76%	4.07%	942	51	5.41%	7.86%	*	*	*	6.50%
SUNBELT NATIONAL MORTGAGE CORP	Oakland	783	56	7.15%	13.48%	723	41	5.67%	12.48%	514	30	5.84%	15.19%	*	*	*	16.34%
THE BRYN MAWR TRUST CO.	Philadelphia	1289	34	2.64%	7.12%	928	20	2.16%	5.97%	474	9	1.90%	7.97%	342	22	6.43%	9.91%
THE COLONIAL BANK	St. Louis	1205	14	1.16%	6.94%	877	8	0.91%	5.38%	263	1	0.38%	6.18%	*	*	*	8.39%
THE NORTHERN TRUST COMPANY	Chicago	2187	324	14.81%	14.81%	1836	183	9.97%	12.32%	655	96	14.66%	15.00%	461	35	7.59%	18.04%
THE PRUDENTIAL HOME MORTGAGE C	Atlanta	3003	173	5.76%	10.82%	1068	68	6.37%	9.48%	655	29	4.43%	13.16%	287	21	7.32%	14.01%
THE PRUDENTIAL HOME MORTGAGE C	Anaheim	6144	231	3.76%	11.37%	684	21	3.07%	10.29%	378	7	1.85%	11.44%	*	*	*	13.55%
THE PRUDENTIAL HOME MORTGAGE C	Dallas	1917	44	2.30%	10.23%	463	13	2.81%	9.09%	209	6	2.87%	12.22%	224	7	3.13%	10.46%
THE PRUDENTIAL HOME MORTGAGE C	New York	4616	257	5.57%	18.31%	2431	118	4.85%	17.47%	931	67	7.20%	23.30%	871	62	7.12%	25.87%
THE PRUDENTIAL HOME MORTGAGE C	Boston	2157	26	1.21%	3.05%	563	4	0.71%	2.69%	194	0	0.00%	4.02%	158	4	2.53%	4.97%
THE PRUDENTIAL HOME MORTGAGE C	Phoenix	793	15	1.89%	7.97%	465	10	2.15%	4.07%	*	*	*	7.86%	130	1	0.77%	6.50%
THE PRUDENTIAL HOME MORTGAGE C	Philadelphia	3148	101	3.21%	7.12%	2012	44	2.19%	5.97%	544	9	1.65%	7.97%	336	12	3.57%	9.91%
THE PRUDENTIAL HOME MORTGAGE C	Houston	1929	67	3.47%	13.51%	887	46	5.19%	11.93%	382	13	3.40%	13.64%	252	6	2.38%	12.34%
THE PRUDENTIAL HOME MORTGAGE C	Oakland	6107	269	4.40%	13.48%	796	15	1.88%	12.48%	375	7	1.87%	15.19%	*	*	*	16.34%
THE PRUDENTIAL HOME MORTGAGE C	Nassau-Suffolk	4475	103	2.30%	5.91%	2115	44	2.08%	5.35%	*	*	*	7.57%	491	18	3.67%	9.07%
WEYERHAEUSER MORTGAGE CO.	Riverside	988	214	21.66%	26.03%	634	103	16.25%	20.42%	660	137	20.76%	22.24%	664	129	19.43%	24.26%
WEYERHAEUSER MORTGAGE CO.	Anaheim	698	50	7.16%	11.37%	*	*	*	10.29%	758	26	3.43%	11.44%	730	46	6.30%	13.55%

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TABLE II. A.5 WORST LENDERS 1990--1993: LOW- AND MODERATE-INCOME APPLICATIONS

NAME	MSA	1993 Total Apps	1993 Low/ Mod. Apps	1993 Low/ Mod % of Apps	1993 MSA Industry Average	1992 Total Apps	1992 Low/ Mod. Apps	1992 Low/ Mod % of Apps	1992 MSA Industry Average	1991 Total Apps	1991 Low/ Mod. Apps	1991 Low/ Mod % of Apps	1991 MSA Industry Average	1990 Total Apps	1990 Low/ Mod. Apps	1990 Low/ Mod % of Apps	1990 MSA Industry Average
ALL PACIFIC MORTGAGE COMPANY	Oakland	1178	146	12.39%	16.79	1190	121	10.17%	12.69	555	65	11.71%	12.89	242	25	10.33%	15.7
ALLATOONA FEDERAL SAVINGS BANK	Atlanta	1561	294	18.83%	22.62	1056	170	16.10%	20.69	519	105	20.23%	28.83	468	98	20.94%	26.73
AMERICAN RESIDENTIAL MORTGAGE	San Diego	3174	257	8.10%	15.17	2324	169	7.27%	13.22	2576	223	8.66%	11.81	*	*	*	11.04
BARCLAYS AMERICAN MORTGAGE COR	Houston	608	4	0.66%	18.32	853	19	2.23%	16.6	266	5	1.88%	20.2	*	*	*	17.27
B.F.SAUL MORTGAGE COMPANY	Baltimore	1677	260	15.50%	22.96	1487	218	14.66%	18.77	908	77	8.48%	25.42	*	*	*	27.11
CHASE HOME MORTGAGE CORP.	Nassau-Suffolk	973	68	6.99%	16.13	1561	110	7.05%	12.94	579	43	7.43%	15.68	462	39	8.44%	24.08
CHASE HOME MORTGAGE CORP.	New York	2431	32	1.32%	7.24	3841	51	1.33%	6.57	2104	39	1.85%	9.07	1970	28	1.42%	12.02
CHASE HOME MORTGAGE CORP.	Los Angeles	1928	21	1.09%	13.59	1414	1	0.07%	11.41	1085	0	0.00%	9.88	*	*	*	8.63
CHASE HOME MORTGAGE CORP.	Chicago	2901	299	10.31%	22.74	1740	211	12.13%	22.79	990	150	15.15%	24.67	827	84	10.16%	22.98
CHASE HOME MORTGAGE CORP.	Washington	1937	222	11.46%	25.31	1240	131	10.56%	26.02	689	74	10.74%	27.4	489	58	11.86%	26.72
CHASE U.S. CONSUMER SERVICES	Dallas	520	3	0.58%	21.48	639	1	0.16%	18.91	279	0	0.00%	25.26	175	0	0.00%	21.72
CITIBANK F.S.B.	Baltimore	670	96	14.33%	22.96	576	59	10.24%	18.77	478	33	6.90%	25.42	267	17	6.37%	27.11
COUNTRYWIDE FUNDING CORPORATIO	Philadelphia	5534	710	12.83%	24.69	1487	85	5.72%	18.88	414	29	7.00%	22.69	*	*	*	26.42
EAGLE SERVICE CORP D/B/A ATLAN	Atlanta	912	112	12.28%	22.62	1235	156	12.63%	20.69	*	*	*	28.83	322	34	10.56%	26.73
ENTRUST FINANCIAL CORPORATION	Atlanta	1235	212	17.17%	22.62	2133	257	12.05%	20.69	1567	281	17.93%	28.83	942	125	13.27%	26.73
FIRST FEDERAL CAPITAL CORP	Minneapolis	1413	258	18.26%	24.22	1099	129	11.74%	17.1	558	104	18.64%	29.5	286	56	19.58%	30.56
FIRST NATIONWIDE BANK	Detroit	2518	327	12.99%	26.79	3718	453	12.18%	25.26	1812	194	10.71%	32.07	1133	97	8.56%	30.73
FIRST UNION MORT. CORP.	Tampa	738	92	12.47%	30.39	496	61	12.30%	25.12	311	46	14.79%	27.85	244	27	11.07%	23.27
GE CAPITAL MORTGAGE SERVICES	Philadelphia	6755	963	14.26%	24.69	4328	400	9.24%	18.88	2364	224	9.48%	22.69	4075	336	8.25%	26.42
GE CAPITAL MORTGAGE SERVICES	Boston	985	53	5.38%	17.82	440	41	9.32%	18.45	217	8	3.69%	21.28	671	53	7.90%	19.95
GMAC MORTGAGE CORPORATION OF P	St. Louis	1891	295	15.60%	23.86	1543	192	12.44%	22.95	1084	138	12.73%	29.05	1096	203	18.52%	32.28
GMAC MORTGAGE CORPORATION OF P	Riverside	1279	111	8.68%	16.4	1051	50	4.76%	10.91	796	21	2.64%	10.65	848	75	8.84%	10.94
GN MORTGAGE	Oakland	950	73	7.68%	16.79	718	47	6.55%	12.69	422	15	3.55%	12.89	*	*	*	15.7
GN MORTGAGE	Anaheim	1052	120	11.41%	18.73	1557	139	8.93%	15.67	1056	67	6.34%	13.04	568	29	5.11%	11.38
GN MORTGAGE	Los Angeles	3429	224	6.53%	13.59	4304	191	4.44%	11.41	2002	90	4.50%	9.88	*	*	*	8.63
GREENTREE MORTGAGE COMPANY LP	Tampa	770	43	5.58%	30.39	*	*	*	25.12	468	37	7.91%	27.85	295	14	4.75%	23.27
GUARDIAN MORTGAGE COMPANY	Dallas	2111	120	5.68%	21.48	1373	81	5.90%	18.91	752	56	7.45%	25.26	520	20	3.85%	21.72
HEIGL MORT. & FINANCIAL CORP.	Minneapolis	3174	273	8.60%	24.22	2101	147	7.00%	17.1	430	44	10.23%	29.5	*	*	*	30.56
HOME FEDERAL SAVINGS BANK OF M	St. Louis	3051	474	15.54%	23.86	2983	408	13.68%	22.95	1733	277	15.98%	29.05	844	154	18.25%	32.28
INDEPENDENCE SAVINGS BANK	New York	1456	53	3.64%	7.24	926	35	3.78%	6.57	800	27	3.38%	9.07	459	15	3.27%	12.02
JAMES B. NUTTER & COMPANY	St. Louis	1006	146	14.51%	23.86	468	28	5.98%	22.95	532	91	17.11%	29.05	*	*	*	32.28
KNUTSON MORTGAGE CORPORATION	St. Louis	925	129	13.95%	23.86	753	111	14.74%	22.95	351	59	16.81%	29.05	*	*	*	32.28
LINCOLN SERVICE CORPORATION	Tampa	450	68	15.11%	30.39	509	80	15.72%	25.12	364	73	20.05%	27.85	*	*	*	23.27
LOAN AMERICA FINANCE CORP	Anaheim	1266	151	11.93%	18.73	816	49	6.00%	15.67	*	*	*	13.04	383	25	6.53%	11.38
MAIN LINE FEDERAL SAVINGS BANK	Philadelphia	3078	296	9.62%	24.69	2417	103	4.26%	18.88	1084	61	5.63%	22.69	390	32	8.21%	26.42
MARGARETTEN & COMPANY	New York	650	14	2.15%	7.24	524	14	2.67%	6.57	347	13	3.75%	9.07	*	*	*	12.02
MARGARETTEN & COMPANY	Tampa	1665	197	11.83%	30.39	1219	97	7.96%	25.12	566	14	2.47%	27.85	242	9	3.72%	23.27
MARGARETTEN & COMPANY	Minneapolis	3835	1127	29.39%	24.22	3390	339	10.00%	17.1	2096	61	2.91%	29.5	1874	431	23.00%	30.56
MELLON MORTGAGE COMPANY	Phoenix	2066	149	7.21%	23.11	1863	63	3.38%	15.49	740	64	8.65%	21.93	177	6	3.39%	26.87
MERCANTILE BANK & TRUST	Dallas	1294	63	4.87%	21.48	859	30	3.49%	18.91	334	7	2.10%	25.26	258	36	13.95%	21.72
MITCHELL MORTGAGE COMPANY	Houston	552	40	7.25%	18.32	577	32	5.55%	16.6	240	10	4.17%	20.2				17.27

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TABLE II. A.5 WORST LENDERS 1990--1993: LOW- AND MODERATE-INCOME APPLICATIONS

NAME	MSA	1993 Total Apps	1993 Low/ Mod. Apps	1993 Low/ Mod % of Apps	1993 MSA Industry Average	1992 Total Apps	1992 Low/ Mod. Apps	1992 Low/ Mod % of Apps	1992 MSA Industry Average	1991 Total Apps	1991 Low/ Mod. Apps	1991 Low/ Mod % of Apps	1991 MSA Industry Average	1990 Total Apps	1990 Low/ Mod. Apps	1990 Low/ Mod % of Apps	1990 MSA Industry Average
NAVY FEDERAL CREDIT UNION	Washington	5511	1029	18.67%	25.31	4544	704	15.49%	26.02	2131	337	15.81%	27.4	1194	250	20.94%	26.72
NBD MORTGAGE COMPANY	Chicago	4832	616	12.75%	22.74	3692	398	10.78%	22.79	1981	192	9.69%	24.67	979	83	8.48%	22.98
NVR MORTAGE	Oakland	649	103	15.87%	16.79	1258	78	6.20%	12.69	901	69	7.66%	12.89	500	42	8.40%	15.7
PIB MORTGAGE COMPANY	Oakland	932	62	6.65%	16.79	1298	98	7.55%	12.69	765	54	7.06%	12.89	351	43	12.25%	15.7
PRINCIPAL MUTUAL LIFE INS CO	Chicago	3263	490	15.02%	22.74	2314	270	11.67%	22.79	1008	135	13.39%	24.67				22.98
PROVIDENT SAVINGS BANK	New York	750	19	2.53%	7.24	887	24	2.71%	6.57	408	12	2.94%	9.07	*	*	*	12.02
REISTERSTOWN FEDERAL SAVINGS B	Baltimore	1469	184	12.53%	22.96	1114	92	8.26%	18.77	551	46	8.35%	25.42	207	23	11.11%	27.11
REPUBLIC BANK	Detroit	9380	1273	13.57%	26.79	1769	217	12.27%	25.26	1309	224	17.11%	32.07	*	*	*	30.73
ROOSEVELT SAVINGS BANK	New York	695	40	5.76%	7.24	536	29	5.41%	6.57	433	41	9.47%	9.07	459	20	4.36%	12.02
RSL MORTGAGE CORPORATION	Anaheim	1054	108	10.25%	18.73	1632	154	9.44%	15.67	1483	84	5.66%	13.04	508	30	5.91%	11.38
RURAL AMERICAN BANK - BRAHAM	Riverside	716	132	18.44%	16.4	*	*	*	10.91	937	48	5.12%	10.65	869	67	7.71%	10.94
SHELTER MORTGAGE CORPORATION	Chicago	1597	343	21.48%	22.74	1541	314	20.38%	22.79	918	190	20.70%	24.67	626	95	15.18%	22.98
SOURCE ONE MORTGAGE	Detroit	2226	341	15.32%	26.79	1939	252	13.00%	25.26	969	152	15.69%	32.07	*	*	*	30.73
SOURCE ONE MORTGAGE	Tampa	1683	268	15.92%	30.39	1052	174	16.54%	25.12	675	183	27.11%	27.85	*	*	*	23.27
SOUTHERN CALIFORNIA FEDERAL SA	Anaheim	719	84	11.68%	18.73	608	46	7.57%	15.67	*	*	*	13.04	374	11	2.94%	11.38
STATE SAVINGS BANK	Phoenix	2978	122	4.10%	23.11	576	17	2.95%	15.49	1055	139	13.18%	21.93	*	*	*	26.87
SUNBELT NATIONAL MORTGAGE CORP	Oakland	860	104	12.09%	16.79	818	73	8.92%	12.69	582	38	6.53%	12.89	*	*	*	15.7
THE BRYN MAWR TRUST CO.	Philadelphia	1324	189	14.27%	24.69	967	102	10.55%	18.88	509	74	14.54%	22.69	369	49	13.28%	26.42
THE COLONIAL BANK	St. Louis	1255	134	10.68%	23.86	952	81	8.51%	22.95	297	31	10.44%	29.05	*	*	*	32.28
THE NORTHERN TRUST COMPANY	Chicago	2348	324	13.80%	22.74	2025	274	13.53%	22.79	729	133	18.24%	24.67	596	85	14.26%	22.98
THE PRUDENTIAL HOME MORTGAGE C	New York	5508	119	2.16%	7.24	2956	42	1.42%	6.57	1331	23	1.73%	9.07	1174	24	2.04%	12.02
THE PRUDENTIAL HOME MORTGAGE C	Oakland	6770	141	2.08%	16.79	889	13	1.46%	12.69	428	3	0.70%	12.89	*	*	*	15.7
THE PRUDENTIAL HOME MORTGAGE C	Nassau-Suffolk	5128	312	6.08%	16.13	2457	143	5.82%	12.94	*	*	*	15.68	613	23	3.75%	24.08
THE PRUDENTIAL HOME MORTGAGE C	Boston	2434	124	5.09%	17.82	681	40	5.87%	18.45	269	11	4.09%	21.28	204	8	3.92%	19.95
THE PRUDENTIAL HOME MORTGAGE C	Anaheim	7317	237	3.24%	18.73	833	29	3.48%	15.67	440	5	1.14%	13.04	*	*	*	11.38
THE PRUDENTIAL HOME MORTGAGE C	Dallas	2156	76	3.53%	21.48	546	13	2.38%	18.91	251	10	3.98%	25.26	258	3	1.16%	21.72
THE PRUDENTIAL HOME MORTGAGE C	Atlanta	3328	187	5.62%	22.62	1186	39	3.29%	20.69	759	31	4.08%	28.83	339	10	2.95%	26.73
THE PRUDENTIAL HOME MORTGAGE C	Phoenix	985	98	9.95%	23.11	654	19	2.91%	15.49	*	*	*	21.93	181	4	2.21%	26.87
THE PRUDENTIAL HOME MORTGAGE C	Philadelphia	3569	266	7.45%	24.69	2309	100	4.33%	18.88	656	24	3.66%	22.69	417	16	3.84%	26.42
THE PRUDENTIAL HOME MORTGAGE C	Houston	2127	40	1.88%	18.32	970	17	1.75%	16.6	458	14	3.06%	20.2	314	8	2.55%	17.27
WEYERHAEUSER MORTGAGE CO.	Riverside	1070	98	9.16%	16.4	664	37	5.57%	10.91	736	18	2.45%	10.65	771	56	7.26%	10.94
WEYERHAEUSER MORTGAGE CO.	Anaheim	742	112	15.09%	18.73	*	*	*	15.67	794	64	8.06%	13.04	762	41	5.38%	11.38

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TABLE II. A.6 WORST LENDERS 1990-1993: LOW- AND MODERATE-INCOME APPROVALS

Name	MSA	1993 Total Aprvs	1993 Low/ Mod. Aprvs	1993 Low/ Mod % of Aprvs	1993 MSA Industry Average	1992 Total Aprvs	1992 Low/ Mod. Aprvs	1992 Low/ Mod % of Aprvs	1992 MSA Industry Average	1991 Total Aprvs	1991 Low/ Mod. Aprvs	1991 Low/ Mod % of Aprvs	1991 MSA Industry Average	1990 Total Aprvs	1990 Low/ Mod. Aprvs	1990 Low/ Mod % of Aprvs	1990 MSA Industry Average
ALL PACIFIC MORTGAGE COMPANY	Oakland	1126	132	11.72%	15.51	1125	104	9.24%	11.57	518	61	11.78%	11.72	223	23	10.31%	14.36
ALLATOONA FEDERAL SAVINGS BANK	Atlanta	1503	273	18.16%	20.73	985	150	15.23%	19.12	476	90	18.91%	26.15	410	81	19.76%	23.83
AMERICAN RESIDENTIAL MORTGAGE	San Diego	2886	216	7.48%	14.03	2084	127	6.09%	11.95	2022	110	5.44%	10.7	*	*	*	8.56
BARCLAYS AMERICAN MORTGAGE COR	Houston	561	3	0.53%	15.31	787	18	2.29%	13.4	241	3	1.24%	16.69	*	*	*	14.23
B.F.SAUL MORTGAGE COMPANY	Baltimore	1592	239	15.01%	21.32	1434	209	14.57%	17.4	850	67	7.88%	23.22	*	*	*	0.2415
CHASE HOME MORTGAGE CORP.	New York	2154	22	1.02%	5.76	3053	28	0.92%	4.79	1859	28	1.51%	7.09	1701	13	0.76%	10.13
CHASE HOME MORTGAGE CORP.	Nassau-Suffolk	846	55	6.50%	14.6	1306	88	6.74%	11.22	501	31	6.19%	14.21	384	28	7.29%	22.41
CHASE HOME MORTGAGE CORP.	Los Angeles	1557	12	0.77%	12.82	1097	0	0.00%	10.57	909	0	0.00%	8.99	*	*	*	7.42
CHASE HOME MORTGAGE CORP.	Washington	1726	175	10.14%	24.07	1008	87	8.63%	25.16	509	44	8.64%	25.98	357	46	12.89%	24.74
CHASE HOME MORTGAGE CORP.	Chicago	2798	285	10.19%	21.5	1613	187	11.59%	21.56	891	132	14.81%	22.21	755	78	10.33%	20.86
CHASE U.S. CONSUMER SERVICES	Dallas	468	1	0.21%	18.54	540	1	0.19%	16.11	244	0	0.00%	22.28	143	0	0.00%	18.93
CITIBANK F.S.B.	Baltimore	579	75	12.95%	21.32	341	28	8.21%	17.4	321	22	6.85%	23.22	231	13	5.63%	0.2415
COUNTRYWIDE FUNDING CORPORATIO	Philadelphia	5247	645	12.29%	22.63	1377	73	5.30%	16.67	414	29	7.00%	19.2	*	*	*	23.04
EAGLE SERVICE CORP D/B/A ATLAN	Atlanta	888	104	11.71%	20.73	1193	140	11.74%	19.12	*	*	*	26.15	307	30	9.77%	23.83
ENTRUST FINANCIAL CORPORATION	Atlanta	1200	204	17.00%	20.73	2022	226	11.18%	19.12	1328	213	16.04%	26.15	747	76	10.17%	23.83
FIRST FEDERAL CAPITAL CORP	Minneapolis	1374	246	17.90%	22.86	1043	119	11.41%	15.5	543	97	17.86%	27.28	286	56	19.58%	28.98
FIRST NATIONWIDE BANK	Detroit	2383	273	11.46%	24.06	3358	336	10.01%	22.14	1634	151	9.24%	28.07	1071	88	8.22%	25.8
FIRST UNION MORT. CORP.	Tampa	704	83	11.79%	24.63	453	49	10.82%	22.68	281	41	14.59%	25.4	216	25	11.57%	21.11
GE CAPITAL MORTGAGE SERVICES	Boston	916	42	4.59%	16.77	292	19	6.51%	17.39	192	5	2.60%	19.97	616	50	8.12%	19.03
GE CAPITAL MORTGAGE SERVICES	Philadelphia	6347	895	14.10%	22.63	3232	258	7.98%	16.67	2169	202	9.31%	19.2	3756	294	7.83%	23.04
GMAC MORTGAGE CORPORATION OF P	St. Louis	1845	287	15.56%	21.1	1469	183	12.46%	20.01	1046	129	12.33%	24.35	1061	191	18.00%	28.99
GMAC MORTGAGE CORPORATION OF P	Riverside	1132	99	8.75%	15.32	934	39	4.18%	9.71	704	20	2.84%	9.51	761	65	8.54%	9.23
GN MORTGAGE	Los Angeles	2581	171	6.63%	12.82	3024	131	4.33%	10.57	1490	76	5.10%	8.99	*	*	*	7.42
GN MORTGAGE	Oakland	831	64	7.70%	15.51	584	37	6.34%	11.57	336	12	3.57%	11.72	*	*	*	14.36
GN MORTGAGE	Anaheim	773	95	12.29%	18.05	1091	101	9.26%	14.93	853	51	5.98%	12.02	478	25	5.23%	9.99
GREENTREE MORTGAGE COMPANY LP	Tampa	623	32	5.14%	24.63	*	*	*	22.68	379	35	9.23%	25.4	259	14	5.41%	21.11
GUARDIAN MORTGAGE COMPANY	Dallas	2067	116	5.61%	18.54	1344	77	5.73%	16.11	721	48	6.66%	22.28	500	19	3.80%	18.93
HEIGL MORT. & FINANCIAL CORP.	Minneapolis	3110	257	8.26%	22.86	2101	147	7.00%	15.5	398	44	11.06%	27.28	*	*	*	28.98
HOME FEDERAL SAVINGS BANK OF M	St. Louis	2910	428	14.71%	21.1	2738	344	12.56%	20.01	1509	204	13.52%	24.35	770	130	16.88%	28.99
INDEPENDENCE SAVINGS BANK	New York	1071	30	2.80%	5.76	645	17	2.64%	4.79	581	16	2.75%	7.09	295	6	2.03%	10.13
JAMES B. NUTTER & COMPANY	St. Louis	920	125	13.59%	21.1	468	28	5.98%	20.01	532	91	17.11%	24.35	*	*	*	28.99
KNUTSON MORTGAGE CORPORATION	St. Louis	887	119	13.42%	21.1	704	98	13.92%	20.01	318	49	15.41%	24.35	*	*	*	28.99
LINCOLN SERVICE CORPORATION	Tampa	366	52	14.21%	24.63	391	58	14.83%	22.68	300	60	20.00%	25.4	*	*	*	21.11
LOAN AMERICA FINANCE CORP	Anaheim	1140	132	11.58%	18.05	615	33	5.37%	14.93	*	*	*	12.02	221	8	3.62%	9.99
MAIN LINE FEDERAL SAVINGS BANK	Philadelphia	2924	263	8.99%	22.63	2265	91	4.02%	16.67	1022	52	5.09%	19.2	343	23	6.71%	23.04
MARGARETTEN & COMPANY	Minneapolis	3680	1047	28.45%	22.86	3254	321	9.86%	15.5	2070	60	2.90%	27.28	1714	371	21.65%	28.98
MARGARETTEN & COMPANY	Tampa	1533	166	10.83%	24.63	1103	83	7.52%	22.68	562	14	2.49%	25.4	215	7	3.26%	21.11
MARGARETTEN & COMPANY	New York	612	14	2.29%	5.76	501	14	2.79%	4.79	332	12	3.61%	7.09	*	*	*	10.13
MELLON MORTGAGE COMPANY	Phoenix	2021	134	6.63%	20.79	1764	58	3.29%	13.05	654	57	8.72%	19.94	142	4	2.82%	21.89

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TABLE II. A.6 WORST LENDERS 1990-1993: LOW- AND MODERATE-INCOME APPROVALS

		1993				1992				1991				1990			
Name	MSA	Total Aprvs	Low/ Mod. Aprvs	Low/ Mod % of Aprvs	MSA Industry Average	Total Aprvs	Low/ Mod. Aprvs	Low/ Mod % of Aprvs	MSA Industry Average	Total Aprvs	Low/ Mod. Aprvs	Low/ Mod % of Aprvs	MSA Industry Average	Total Aprvs	Low/ Mod. Aprvs	Low/ Mod % of Aprvs	MSA Industry Average
MERCANTILE BANK & TRUST	Dallas	1274	60	4.71%	18.54	844	29	3.44%	16.11	328	6	1.83%	22.28	222	29	13.06%	18.93
MITCHELL MORTGAGE COMPANY	Houston	466	30	6.44%	15.31	567	31	5.47%	13.4	229	10	4.37%	16.69	•	•	•	14.23
NAVY FEDERAL CREDIT UNION	Washington	5430	969	17.85%	24.07	4449	657	14.77%	25.16	2080	316	15.19%	25.98	1141	224	19.63%	24.74
NBD MORTGAGE COMPANY	Chicago	4630	562	12.14%	21.5	3463	354	10.22%	21.56	1831	164	8.96%	22.21	898	66	7.35%	20.86
NVR MORTAGE	Oakland	593	92	15.51%	15.51	1164	69	5.93%	11.57	827	53	6.41%	11.72	500	42	8.40%	14.36
PIB MORTGAGE COMPANY	Oakland	822	46	5.60%	15.51	1141	85	7.45%	11.57	702	50	7.12%	11.72	269	32	11.90%	14.36
PRINCIPAL MUTUAL LIFE INS CO	Chicago	3115	454	14.57%	21.5	2254	253	11.22%	21.56	961	128	13.32%	22.21	•	•	•	20.86
PROVIDENT SAVINGS BANK	New York	701	18	2.57%	5.76	808	18	2.23%	4.79	373	10	2.68%	7.09	•	•	•	10.13
REISTERSTOWN FEDERAL SAVINGS B	Baltimore	1431	176	12.30%	21.32	1087	88	8.10%	17.4	516	40	7.75%	23.22	189	22	11.64%	0.2415
REPUBLIC BANK	Detroit	9011	1186	13.16%	24.06	1722	202	11.73%	22.14	1284	215	16.74%	28.07	•	•	•	25.8
ROOSEVELT SAVINGS BANK	New York	608	25	4.11%	5.76	445	19	4.27%	4.79	349	24	6.88%	7.09	401	11	2.74%	10.13
RSL MORTGAGE CORPORATION	Anaheim	833	83	9.96%	18.05	1303	110	8.44%	14.93	1253	66	5.27%	12.02	352	24	6.82%	9.99
RURAL AMERICAN BANK - BRAHAM	Riverside	518	101	19.50%	15.32	•	•	•	9.71	639	31	4.85%	9.51	652	45	6.90%	9.23
SHELTER MORTGAGE CORPORATION	Chicago	1552	327	21.07%	21.5	1528	310	20.29%	21.56	880	184	20.91%	22.21	594	89	14.98%	20.86
SOURCE ONE MORTGAGE	Detroit	2189	331	15.12%	24.06	1899	240	12.64%	22.14	938	145	15.46%	28.07	•	•	•	25.8
SOURCE ONE MORTGAGE	Tampa	1613	249	15.44%	24.63	973	146	15.01%	22.68	609	156	25.62%	25.4	•	•	•	21.11
SOUTHERN CALIFORNIA FEDERAL SA	Anaheim	605	68	11.24%	18.05	502	38	7.57%	14.93	•	•	•	12.02	319	8	2.51%	9.99
STATE SAVINGS BANK	Phoenix	2847	113	3.97%	20.79	529	12	2.27%	13.05	942	115	12.21%	19.94	•	•	•	21.89
SUNBELT NATIONAL MORTGAGE CORP	Oakland	783	89	11.37%	15.51	723	63	8.71%	11.57	514	27	5.25%	11.72	•	•	•	14.36
THE BRYN MAWR TRUST CO.	Philadelphia	1289	179	13.89%	22.63	928	91	9.81%	16.67	474	61	12.87%	19.2	342	41	11.99%	23.04
THE COLONIAL BANK	St. Louis	1205	127	10.54%	21.1	877	66	7.53%	20.01	263	28	10.65%	24.35				28.99
THE NORTHERN TRUST COMPANY	Chicago	2187	282	12.89%	21.5	1836	170	9.26%	21.56	655	89	13.59%	22.21	461	32	6.94%	20.86
THE PRUDENTIAL HOME MORTGAGE C	Nassau-Suffolk	4475	275	6.15%	14.6	2115	104	4.92%	11.22	•	•	•	14.21	491	20	4.07%	22.41
THE PRUDENTIAL HOME MORTGAGE C	Atlanta	3003	146	4.86%	20.73	1068	34	3.18%	19.12	655	21	3.21%	26.15	287	8	2.79%	23.83
THE PRUDENTIAL HOME MORTGAGE C	New York	4616	80	1.73%	5.76	2431	25	1.03%	4.79	931	11	1.18%	7.09	871	17	1.95%	10.13
THE PRUDENTIAL HOME MORTGAGE C	Boston	2157	104	4.82%	16.77	563	25	4.44%	17.39	194	4	2.06%	19.97	158	7	4.43%	19.03
THE PRUDENTIAL HOME MORTGAGE C	Dallas	1917	67	3.50%	18.54	463	10	2.16%	16.11	209	6	2.87%	22.28	224	3	1.34%	18.93
THE PRUDENTIAL HOME MORTGAGE C	Phoenix	793	73	9.21%	20.79	465	15	3.23%	13.05	•	•	•	19.94	130	4	3.08%	21.89
THE PRUDENTIAL HOME MORTGAGE C	Houston	1929	31	1.61%	15.31	887	14	1.58%	13.4	382	8	2.09%	16.69	252	3	1.19%	14.23
THE PRUDENTIAL HOME MORTGAGE C	Philadelphia	3148	212	6.73%	22.63	2012	70	3.48%	16.67	544	15	2.76%	19.2	336	6	1.79%	23.04
THE PRUDENTIAL HOME MORTGAGE C	Anaheim	6144	178	2.90%	18.05	684	19	2.78%	14.93	378	1	0.26%	12.02	•	•	•	9.99
THE PRUDENTIAL HOME MORTGAGE C	Oakland	6107	113	1.85%	15.51	796	8	1.01%	11.57	375	1	0.27%	11.72	•	•	•	14.36
WEYERHAEUSER MORTGAGE CO.	Anaheim	698	100	14.33%	18.05	•	•	•	14.93	758	59	7.78%	12.02	730	38	5.21%	9.99
WEYERHAEUSER MORTGAGE CO.	Riverside	988	87	8.81%	15.32	634	34	5.36%	9.71	660	17	2.58%	9.51	664	48	7.23%	9.23

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SECTION II:

THE WORST LENDERS IN AMERICA 1990 -- 1993

DATA TABLES BY MSA

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TABLE II. B.1 WORST LENDERS: 1990-1993

MSA	LENDER	AGENCY	TYPE OF INSTITUTION
Anaheim	GN MORTGAGE	3	Bank Related Mortgage Company
Anaheim	LOAN AMERICA FINANCE CORP	7	Independent Mortgage Company
Anaheim	RSL MORTGAGE CORPORATION	4	Bank Related Mortgage Company
Anaheim	SOUTHERN CALIFORNIA FEDERAL SA	4	Commercial/Savings Bank
Anaheim	THE PRUDENTIAL HOME MORTGAGE C	7	Independent Mortgage Company
Anaheim	WEYERHAEUSER MORTGAGE CO.	7	Independent Mortgage Company
Atlanta	ALLATOONA FEDERAL SAVINGS BANK	4	Commercial/Savings Bank
Atlanta	EAGLE SERVICE CORP D/B/A ATLAN	4	Bank Related Mortgage Company
Atlanta	ENTRUST FINANCIAL CORPORATION	7	Independent Mortgage Company
Atlanta	THE PRUDENTIAL HOME MORTGAGE C	7	Independent Mortgage Company
Baltimore	B.F.SAUL MORTGAGE COMPANY	4	Bank Related Mortgage Company
Baltimore	CITIBANK F.S.B.	4	Commercial/Savings Bank
Baltimore	REISTERSTOWN FEDERAL SAVINGS B	4	Commercial/Savings Bank
Boston	GE CAPITAL MORTGAGE SERVICES	7	Independent Mortgage Company
Boston	THE PRUDENTIAL HOME MORTGAGE C	7	Independent Mortgage Company
Chicago	CHASE HOME MORTGAGE CORP.	1	Bank Related Mortgage Company
Chicago	NBD MORTGAGE COMPANY	2	Bank Related Mortgage Company
Chicago	PRINCIPAL MUTUAL LIFE INS CO	7	Independent Mortgage Company
Chicago	SHELTER MORTGAGE CORPORATION	3	Bank Related Mortgage Company
Chicago	THE NORTHERN TRUST COMPANY	2	Commercial/Savings Bank
Dallas	CHASE U.S. CONSUMER SERVICES	2	Bank Related Mortgage Company
Dallas	GUARDIAN MORTGAGE COMPANY	7	Independent Mortgage Company
Dallas	MERCANTILE BANK & TRUST	4	Commercial/Savings Bank
Dallas	THE PRUDENTIAL HOME MORTGAGE C	7	Independent Mortgage Company
Detroit	FIRST NATIONWIDE BANK	4	Commercial/Savings Bank
Detroit	REPUBLIC BANK	3	Commercial/Savings Bank
Detroit	SOURCE ONE MORTGAGE	7	Independent Mortgage Company
Houston	BARCLAYS AMERICAN MORTGAGE COR	2	Bank Related Mortgage Company
Houston	MITCHELL MORTGAGE COMPANY	7	Independent Mortgage Company
Houston	THE PRUDENTIAL HOME MORTGAGE C	7	Independent Mortgage Company
Los Angeles	CHASE HOME MORTGAGE CORP.	1	Bank Related Mortgage Company
Los Angeles	GN MORTGAGE	3	Bank Related Mortgage Company
Minnesota	FIRST FEDERAL CAPITAL CORP	4	Bank Related Mortgage Company
Minnesota	HEIGL MORT. & FINANCIAL CORP.	7	Independent Mortgage Company
Minnesota	MARGARETTEN & COMPANY	7	Independent Mortgage Company
Nassau-Suffolk	CHASE HOME MORTGAGE CORP.	1	Bank Related Mortgage Company
Nassau-Suffolk	THE PRUDENTIAL HOME MORTGAGE C	7	Independent Mortgage Company
New York	CHASE HOME MORTGAGE CORP.	1	Bank Related Mortgage Company
New York	INDEPENDENCE SAVINGS BANK	3	Commercial/Savings Bank
New York	MARGARETTEN & COMPANY	7	Independent Mortgage Company
New York	PROVIDENT SAVINGS BANK	4	Commercial/Savings Bank
New York	ROOSEVELT SAVINGS BANK	3	Commercial/Savings Bank
New York	THE PRUDENTIAL HOME MORTGAGE C	7	Independent Mortgage Company
Oakland	ALL PACIFIC MORTGAGE COMPANY	7	Independent Mortgage Company
Oakland	GN MORTGAGE	4	Bank Related Mortgage Company
Oakland	NVR MORTAGE	7	Independent Mortgage Company
Oakland	PIB MORTGAGE COMPANY	2	Bank Related Mortgage Company
Oakland	SUNBELT NATIONAL MORTGAGE CORP	4	Bank Related Mortgage Company
Oakland	THE PRUDENTIAL HOME MORTGAGE C	7	Independent Mortgage Company
Philadelphia	COUNTRYWIDE FUNDING CORPORATIO	7	Independent Mortgage Company
Philadelphia	GE CAPITAL MORTGAGE SERVICES	7	Independent Mortgage Company
Philadelphia	MAIN LINE FEDERAL SAVINGS BANK	4	Commercial/Savings Bank
Philadelphia	THE BRYN MAWR TRUST CO.	3	Commercial/Savings Bank

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TABLE II. B.1 WORST LENDERS: 1990-1993

MSA	LENDER	AGENCY	TYPE OF INSTITUTION
Philadelphia	THE PRUDENTIAL HOME MORTGAGE C	7	Independent Mortgage Company
Phoenix	MELLON MORTGAGE COMPANY	2	Bank Related Mortgage Company
Phoenix	STATE SAVINGS BANK	4	Commercial/Savings Bank
Phoenix	THE PRUDENTIAL HOME MORTGAGE C	7	Independent Mortgage Company
Riverside	GMAC MORTGAGE CORPORATION OF P	7	Independent Mortgage Company
Riverside	RURAL AMERICAN BANK - BRAHAM	4	Commercial/Savings Bank
Riverside	WEYERHAEUSER MORTGAGE CO.	7	Independent Mortgage Company
San Diego	AMERICAN RESIDENTIAL MORTGAGE	7	Independent Mortgage Company
St. Louis	GMAC MORTGAGE CORPORATION OF P	7	Independent Mortgage Company
St. Louis	HOME FEDERAL SAVINGS BANK OF M	4	Commercial/Savings Bank
St. Louis	JAMES B. NUTTER & COMPANY	7	Independent Mortgage Company
St. Louis	KNUTSON MORTGAGE CORPORATION	7	Independent Mortgage Company
St. Louis	THE COLONIAL BANK	3	Commercial/Savings Bank
Tampa	FIRST UNION MORT. CORP.	2	Bank Related Mortgage Company
Tampa	GREENTREE MORTGAGE COMPANY LP	7	Independent Mortgage Company
Tampa	LINCOLN SERVICE CORPORATION	4	Bank Related Mortgage Company
Tampa	MARGARETTEN & COMPANY	7	Independent Mortgage Company
Tampa	SOURCE ONE MORTGAGE	7	Independent Mortgage Company
Washington	CHASE HOME MORTGAGE CORP.	1	Bank Related Mortgage Company
Washington	NAVY FEDERAL CREDIT UNION	5	Credit Union

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TABLE II. B.2

WORST LENDERS 1990--1993: MARKETING TO MINORITIES

NAME	MSA	1993 Total Apps	1993 Black/ Hisp. Apps	1993 Black/ Hisp. % of Apps	1993 MSA Industry Average	1992 Total Apps	1992 Black/ Hisp. Apps	1992 Black/ Hisp. % of Apps	1992 MSA Industry Average	1991 Total Apps	1991 Black/ Hisp. Apps	1991 Black/ Hisp. % of Apps	1991 MSA Industry Average	1990 Total Apps	1990 Black/ Hisp. Apps	1990 Black/ Hisp. % of Apps	1990 MSA Industry Average
LOAN AMERICA FINANCE CORP	Anaheim	1266	101	7.98%	12.50%	816	54	6.62%	11.74%	*	*	*	12.99%	383	34	8.88%	14.33%
SOUTHERN CALIFORNIA FEDERAL SA	Anaheim	719	31	4.31%	12.50%	608	44	7.24%	11.74%	*	*	*	12.99%	374	26	6.95%	14.33%
WEYERHAEUSER MORTGAGE CO.	Anaheim	742	57	7.68%	12.50%	*	*	*	11.74%	794	30	3.78%	12.99%	762	49	6.43%	14.33%
GN MORTGAGE	Anaheim	1052	39	3.71%	12.50%	1557	72	4.62%	11.74%	1056	61	5.78%	12.99%	568	46	8.10%	14.33%
RSL MORTGAGE CORPORATION	Anaheim	1054	64	6.07%	12.50%	1632	121	7.41%	11.74%	1483	109	7.35%	12.99%	508	44	8.66%	14.33%
THE PRUDENTIAL HOME MORTGAGE C	Anaheim	7317	294	4.02%	12.50%	833	27	3.24%	11.74%	440	7	1.59%	12.99%	*	*	*	14.33%
ALLATOONA FEDERAL SAVINGS BANK	Atlanta	1561	100	6.41%	12.46%	1056	58	5.49%	11.03%	519	21	4.05%	16.04%	468	38	8.12%	17.31%
ENTRUST FINANCIAL CORPORATION	Atlanta	1235	56	4.53%	12.46%	2133	104	4.88%	11.03%	1567	132	8.42%	16.04%	942	63	6.69%	17.31%
THE PRUDENTIAL HOME MORTGAGE C	Atlanta	3328	207	6.22%	12.46%	1186	78	6.58%	11.03%	759	50	6.59%	16.04%	339	33	9.73%	17.31%
EAGLE SERVICE CORP D/B/A ATLAN	Atlanta	912	58	6.36%	12.46%	1235	95	7.69%	11.03%	*	*	*	16.04%	322	20	6.21%	17.31%
REISTERSTOWN FEDERAL SAVINGS B	Baltimore	1469	42	2.86%	11.79%	1114	32	2.87%	10.59%	551	12	2.18%	14.69%	207	4	1.93%	16.24%
B.F.SAUL MORTGAGE COMPANY	Baltimore	1677	116	6.92%	11.79%	1487	81	5.45%	10.59%	908	42	4.63%	14.69%	*	*	*	16.24%
CITIBANK F.S.B.	Baltimore	670	51	7.61%	11.79%	576	41	7.12%	10.59%	478	51	10.67%	14.69%	267	34	12.73%	16.24%
GE CAPITAL MORTGAGE SERVICES	Boston	985	18	1.83%	3.50%	440	21	4.77%	3.22%	217	3	1.38%	4.75%	671	32	4.77%	6.39%
THE PRUDENTIAL HOME MORTGAGE C	Boston	2434	31	1.27%	3.50%	681	7	1.03%	3.22%	269	4	1.49%	4.75%	204	6	2.94%	6.39%
CHASE HOME MORTGAGE CORP.	Chicago	2901	124	4.27%	16.37%	1740	45	2.59%	13.97%	990	40	4.04%	18.32%	827	28	3.39%	20.55%
NBD MORTGAGE COMPANY	Chicago	4832	132	2.73%	16.37%	3692	83	2.25%	13.97%	1981	43	2.17%	18.32%	979	21	2.15%	20.55%
PRINCIPAL MUTUAL LIFE INS CO	Chicago	3263	206	6.31%	16.37%	2314	67	2.90%	13.97%	1008	50	4.96%	18.32%	*	*	*	20.55%
SHELTER MORTGAGE CORPORATION	Chicago	1597	75	4.70%	16.37%	1541	64	4.15%	13.97%	918	28	3.05%	18.32%	626	29	4.63%	20.55%
THE NORTHERN TRUST COMPANY	Chicago	2348	410	17.46%	16.37%	2025	289	14.27%	13.97%	729	148	20.30%	18.32%	596	104	17.45%	20.55%
CHASE U.S. CONSUMER SERVICES	Dallas	520	7	1.35%	12.35%	639	5	0.78%	11.30%	279	11	3.94%	15.13%	175	0	0.00%	12.72%
GUARDIAN MORTGAGE COMPANY	Dallas	2111	57	2.70%	12.35%	1373	37	2.69%	11.30%	752	27	3.59%	15.13%	520	15	2.88%	12.72%
MERCANTILE BANK & TRUST	Dallas	1294	21	1.62%	12.35%	859	11	1.28%	11.30%	334	7	2.10%	15.13%	258	30	11.63%	12.72%
THE PRUDENTIAL HOME MORTGAGE C	Dallas	2156	58	2.69%	12.35%	546	18	3.30%	11.30%	251	12	4.78%	15.13%	258	11	4.26%	12.72%
FIRST NATIONWIDE BANK	Detroit	2518	162	6.43%	7.38%	3718	196	5.27%	5.69%	1812	87	4.80%	11.73%	1133	42	3.71%	8.77%
REPUBLIC BANK	Detroit	9380	151	1.61%	7.38%	1769	29	1.64%	5.69%	1309	31	2.37%	11.73%	*	*	*	8.77%
SOURCE ONE MORTGAGE	Detroit	2226	64	2.88%	7.38%	1939	44	2.27%	5.69%	969	43	4.44%	11.73%	*	*	*	8.77%
BARCLAYS AMERICAN MORTGAGE COR	Houston	608	29	4.77%	16.42%	853	33	3.87%	15.03%	266	8	3.01%	17.42%	*	*	*	16.24%
MITCHELL MORTGAGE COMPANY	Houston	552	26	4.71%	16.42%	577	15	2.60%	15.03%	240	3	1.25%	17.42%	*	*	*	16.24%
THE PRUDENTIAL HOME MORTGAGE C	Houston	2127	92	4.33%	16.42%	970	56	5.77%	15.03%	458	19	4.15%	17.42%	314	14	4.46%	16.24%
CHASE HOME MORTGAGE CORP.	Los Angeles	1928	65	3.37%	33.10%	1414	35	2.48%	30.99%	1085	16	1.47%	33.42%	*	*	*	35.61%
GN MORTGAGE	Los Angeles	3429	545	15.89%	33.10%	4304	663	15.40%	30.99%	2002	341	17.03%	33.42%	*	*	*	35.61%
FIRST FEDERAL CAPITAL CORP	Minneapolis	1413	5	0.35%	1.69%	1099	0	0.00%	1.48%	558	1	0.18%	1.87%	286	1	0.35%	2.05%
HEIGL MORT. & FINANCIAL CORP.	Minneapolis	3174	34	1.07%	1.69%	2101	15	0.71%	1.48%	430	3	0.70%	1.87%	*	*	*	2.05%
MARGARETTEN & COMPANY	Minneapolis	3835	32	0.83%	1.69%	3390	26	0.77%	1.48%	2096	29	1.38%	1.87%	1874	26	1.39%	2.05%
CHASE HOME MORTGAGE CORP.	Nassau-Suffolk	973	30	3.08%	6.86%	1561	46	2.95%	6.51%	579	16	2.76%	8.91%	462	19	4.11%	10.81%
THE PRUDENTIAL HOME MORTGAGE C	Nassau-Suffolk	5128	122	2.38%	6.86%	2457	64	2.60%	6.51%	*	*	*	8.91%	613	28	4.57%	10.81%
CHASE HOME MORTGAGE CORP.	New York	2431	148	6.09%	20.81%	3841	270	7.03%	20.20%	2104	181	8.60%	26.75%	1970	159	8.07%	29.47%
INDEPENDENCE SAVINGS BANK	New York	1456	118	8.10%	20.81%	926	81	8.75%	20.20%	800	51	6.38%	26.75%	459	19	4.14%	29.47%
MARGARETTEN & COMPANY	New York	650	60	9.23%	20.81%	524	35	6.68%	20.20%	347	30	8.65%	26.75%	*	*	*	29.47%

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TABLE II. B.2 WORST LENDERS 1990--1993: MARKETING TO MINORITIES

		1993				1992				1991				1990			
NAME	MSA	Total Apps	Black/ Hisp. Apps	Black/ Hisp. % of Apps	MSA Industry Average	Total Apps	Black/ Hisp. Apps	Black/ Hisp. % of Apps	MSA Industry Average	Total Apps	Black/ Hisp. Apps	Black/ Hisp. % of Apps	MSA Industry Average	Total Apps	Black/ Hisp. Apps	Black/ Hisp. % of Apps	MSA Industry Average
PROVIDENT SAVINGS BANK	New York	750	44	5.87%	20.81%	887	49	5.52%	20.20%	408	30	7.35%	26.75%	*	*	*	29.47%
ROOSEVELT SAVINGS BANK	New York	695	53	7.63%	20.81%	536	35	6.53%	20.20%	433	34	7.85%	26.75%	459	17	3.70%	29.47%
THE PRUDENTIAL HOME MORTGAGE C	New York	5508	347	6.30%	20.81%	2956	176	5.95%	20.20%	1331	122	9.17%	26.75%	1174	132	11.24%	29.47%
ALL PACIFIC MORTGAGE COMPANY	Oakland	1178	78	6.62%	15.21%	1190	77	6.47%	14.27%	555	41	7.39%	17.04%	242	19	7.85%	17.79%
GN MORTGAGE	Oakland	950	45	4.74%	15.21%	718	35	4.87%	14.27%	422	17	4.03%	17.04%	*	*	*	17.79%
NVR MORTAGE	Oakland	649	46	7.09%	15.21%	1258	59	4.69%	14.27%	901	50	5.55%	17.04%	500	41	8.20%	17.79%
PIB MORTGAGE COMPANY	Oakland	932	91	9.76%	15.21%	1298	113	8.71%	14.27%	765	85	11.11%	17.04%	351	46	13.11%	17.79%
SUNBELT NATIONAL MORTGAGE CORP	Oakland	860	62	7.21%	15.21%	818	57	6.97%	14.27%	582	44	7.56%	17.04%	*	*	*	17.79%
THE PRUDENTIAL HOME MORTGAGE C	Oakland	6770	308	4.55%	15.21%	889	20	2.25%	14.27%	428	9	2.10%	17.04%	*	*	*	17.79%
COUNTRYWIDE FUNDING CORPORATIO	Philadelphia	5534	147	2.66%	8.86%	1487	33	2.22%	7.84%	414	13	3.14%	10.67%	*	*	*	12.50%
GE CAPITAL MORTGAGE SERVICES	Philadelphia	6755	230	3.40%	8.86%	4328	120	2.77%	7.84%	2364	166	7.02%	10.67%	4075	353	8.66%	12.50%
MAIN LINE FEDERAL SAVINGS BANK	Philadelphia	3078	38	1.23%	8.86%	2417	14	0.58%	7.84%	1084	6	0.55%	10.67%	390	9	2.31%	12.50%
THE BRYN MAWR TRUST CO.	Philadelphia	1324	38	2.87%	8.86%	967	28	2.90%	7.84%	509	16	3.14%	10.67%	369	27	7.32%	12.50%
THE PRUDENTIAL HOME MORTGAGE C	Philadelphia	3569	131	3.67%	8.86%	2309	69	2.99%	7.84%	656	20	3.05%	10.67%	417	25	6.00%	12.50%
MELLON MORTGAGE COMPANY	Phoenix	2066	72	3.48%	9.33%	1863	42	2.25%	5.14%	740	43	5.81%	9.23%	177	1	0.56%	7.84%
STATE SAVINGS BANK	Phoenix	2978	164	5.51%	9.33%	576	6	1.04%	5.14%	1055	77	7.30%	9.23%	*	*	*	7.84%
THE PRUDENTIAL HOME MORTGAGE C	Phoenix	985	22	2.23%	9.33%	654	11	1.68%	5.14%	*	*	*	9.23%	181	1	0.55%	7.84%
GMAC MORTGAGE CORPORATION OF P	Riverside	1279	241	18.84%	27.15%	1051	160	15.22%	22.64%	796	139	17.46%	24.50%	848	213	25.12%	25.20%
RURAL AMERICAN BANK - BRAHAM	Riverside	716	130	18.16%	27.15%	*	*	*	22.64%	937	154	16.44%	24.50%	869	141	16.23%	25.20%
WEYERHAEUSER MORTGAGE CO.	Riverside	1070	243	22.71%	27.15%	664	111	16.72%	22.64%	736	168	22.83%	24.50%	771	176	22.83%	25.20%
AMERICAN RESIDENTIAL MORTGAGE	San Diego	3174	245	7.72%	13.35%	2324	139	5.98%	12.13%	2576	125	4.85%	12.80%	*	*	*	12.76%
GMAC MORTGAGE CORPORATION OF P	St. Louis	1891	69	3.65%	8.29%	1543	54	3.50%	6.82%	1084	49	4.52%	9.49%	1096	68	6.20%	11.19%
HOME FEDERAL SAVINGS BANK OF M	St. Louis	3051	34	1.11%	8.29%	2983	47	1.58%	6.82%	1733	22	1.27%	9.49%	844	16	1.90%	11.19%
JAMES B. NUTTER & COMPANY	St. Louis	1006	15	1.49%	8.29%	468	3	0.64%	6.82%	532	24	4.51%	9.49%	*	*	*	11.19%
KNUTSON MORTGAGE CORPORATION	St. Louis	925	33	3.57%	8.29%	753	9	1.20%	6.82%	351	9	2.56%	9.49%	*	*	*	11.19%
THE COLONIAL BANK	St. Louis	1255	15	1.20%	8.29%	952	11	1.16%	6.82%	297	2	0.67%	9.49%	*	*	*	11.19%
GREENTREE MORTGAGE COMPANY LP	Tampa	770	29	3.77%	8.68%	*	*	*	8.40%	468	21	4.49%	10.95%	295	16	5.42%	11.28%
LINCOLN SERVICE CORPORATION	Tampa	450	18	4.00%	8.68%	509	12	2.36%	8.40%	364	16	4.40%	10.95%	*	*	*	11.28%
MARGARETTEN & COMPANY	Tampa	1665	76	4.56%	8.68%	1219	68	5.58%	8.40%	566	32	5.65%	10.95%	242	16	6.61%	11.28%
SOURCE ONE MORTGAGE	Tampa	1683	88	5.23%	8.68%	1052	93	8.84%	8.40%	675	54	8.00%	10.95%	*	*	*	11.28%
FIRST UNION MORT. CORP.	Tampa	738	35	4.74%	8.68%	496	22	4.44%	8.40%	311	13	4.18%	10.95%	244	10	4.10%	11.28%
CHASE HOME MORTGAGE CORP.	Washington	1937	184	9.50%	16.80%	1240	47	3.79%	14.87%	689	50	7.26%	19.24%	489	39	7.98%	20.09%
NAVY FEDERAL CREDIT UNION	Washington	5511	649	11.78%	16.80%	4544	423	9.31%	14.87%	2131	248	11.64%	19.24%	1194	183	15.33%	20.09%

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TABLE II. B.3 **WORST LENDERS 1990 -- 1993: DENIAL RATIOS**

NAME	MSA	1993 White Denial Rate	1993 Black/ Hisp. Denial Rate	1993 Black/ Hisp. to White Denials	1992 White Denial Rate	1992 Black/ Hisp. Denial Rate	1992 Black/ Hisp. to White Denials	1991 White Denial Rate	1991 Black/ Hisp. Denial Rate	1991 Black/ Hisp. to White Denials	1990 White Denial Rate	1990 Black/ Hisp. Denial Rate	1990 Black/ Hisp. to White Denials
LOAN AMERICA FINANCE CORP	Anaheim	9.44	15.84	1.68	24.28	29.63	1.22	*	*	*	41.26	52.94	1.28
SOUTHERN CALIFORNIA FEDERAL SA	Anaheim	14.97	35.48	2.37	17.20	20.45	1.19	*	*	*	14.37	19.23	1.34
WEYERHAEUSER MORTGAGE CO.	Anaheim	5.40	12.28	2.27	*	*	*	4.19	13.33	3.18	4.07	6.12	1.51
RSL MORTGAGE CORPORATION	Anaheim	20.51	28.13	1.37	18.66	38.84	2.08	14.77	24.77	1.68	30.39	34.09	1.12
THE PRUDENTIAL HOME MORTGAGE C	Anaheim	15.81	21.43	1.36	17.74	22.22	1.25	14.32	0.00	0.00	*	*	*
ALLATOONA FEDERAL SAVINGS BANK	Atlanta	2.74	18.00	6.57	6.21	15.52	2.50	7.83	19.05	2.43	11.16	26.32	2.36
ENTRUST FINANCIAL CORPORATION	Atlanta	2.46	10.71	4.35	4.44	20.19	4.55	13.38	35.61	2.66	19.00	44.44	2.34
THE PRUDENTIAL HOME MORTGAGE C	Atlanta	9.32	16.43	1.76	9.75	12.82	1.32	11.71	42.00	3.59	13.07	36.36	2.78
EAGLE SERVICE CORP D/B/A ATLAN	Atlanta	2.11	10.34	4.90	2.11	18.95	9.00	*	*	*	2.65	35.00	13.21
REISTERSTOWN FEDERAL SAVINGS B	Baltimore	2.52	4.76	1.89	2.13	12.50	5.88	6.12	16.67	2.72	8.37	25.00	2.99
B.F.SAUL MORTGAGE COMPANY	Baltimore	4.48	12.93	2.89	2.77	17.28	6.23	6.00	14.29	2.38	*	*	*
CITIBANK F.S.B.	Baltimore	12.44	27.45	2.21	39.25	60.98	1.55	29.04	64.71	2.23	11.16	29.41	2.64
GE CAPITAL MORTGAGE SERVICES	Boston	6.83	16.67	2.44	32.22	61.90	1.92	11.21	33.33	2.97	7.51	21.88	2.91
THE PRUDENTIAL HOME MORTGAGE C	Boston	11.32	16.13	1.42	17.06	42.86	2.51	26.79	100.00	3.73	22.22	33.33	1.50
CHASE HOME MORTGAGE CORP.	Chicago	3.49	4.84	1.39	6.84	24.44	3.57	9.16	30.00	3.28	8.26	21.43	2.59
NBD MORTGAGE COMPANY	Chicago	3.98	11.36	2.85	6.15	8.43	1.37	7.12	27.91	3.92	8.14	14.29	1.76
PRINCIPAL MUTUAL LIFE INS CO	Chicago	4.02	12.14	3.02	2.49	5.97	2.40	4.18	14.00	3.35	*	*	*
SHELTER MORTGAGE CORPORATION	Chicago	2.43	10.67	4.39	0.68	4.69	6.92	3.82	14.29	3.74	3.85	31.03	8.06
THE NORTHERN TRUST COMPANY	Chicago	3.87	20.98	5.42	4.78	36.68	7.67	3.79	35.14	9.28	13.41	66.35	4.95
CHASE U.S. CONSUMER SERVICES	Dallas	0.00	10.14	ERR	15.46	20.00	1.29	12.69	9.09	0.72	18.29	0.00	0.00
GUARDIAN MORTGAGE COMPANY	Dallas	0.00	2.14	ERR	1.87	10.81	5.78	4.00	7.41	1.85	2.97	33.33	11.22
MERCANTILE BANK & TRUST	Dallas	0.00	1.57	ERR	1.77	0.00	0.00	1.83	0.00	0.00	11.84	30.00	2.53
THE PRUDENTIAL HOME MORTGAGE C	Dallas	24.14	10.72	0.44	14.77	27.78	1.88	15.06	50.00	3.32	12.15	36.36	2.99
FIRST NATIONWIDE BANK	Detroit	4.20	22.22	5.29	8.33	33.67	4.04	8.93	27.59	3.09	4.33	26.19	6.05
REPUBLIC BANK	Detroit	3.80	11.92	3.14	2.32	3.45	1.49	1.72	9.68	5.62	*	*	*
SOURCE ONE MORTGAGE	Detroit	1.53	6.25	4.08	1.71	4.55	2.65	3.02	6.98	2.31	*	*	*
BARCLAYS AMERICAN MORTGAGE COR	Houston	13.79	7.43	0.54	7.93	3.03	0.38	9.30	12.50	1.34	*	*	*
MITCHELL MORTGAGE COMPANY	Houston	38.46	14.45	0.38	1.60	6.67	4.16	3.80	66.67	17.56	*	*	*
THE PRUDENTIAL HOME MORTGAGE C	Houston	27.17	8.50	0.31	7.99	17.86	2.24	15.95	31.58	1.98	18.00	57.14	3.18
CHASE HOME MORTGAGE CORP.	Los Angeles	18.46	41.54	2.25	21.97	40.00	1.82	16.18	18.75	1.16	*	*	*
GN MORTGAGE	Los Angeles	23.47	31.38	1.34	28.26	37.86	1.34	23.18	37.24	1.61	*	*	*
FIRST FEDERAL CAPITAL CORP	Minnesota	2.77	0.00	0.00	5.10	0.00	0.00	2.69	0.00	0.00	0.00	0.00	0.00
HEIGL MORT. & FINANCIAL CORP.	Minnesota	2.04	0.00	0.00	0.00	0.00	0.00	7.49	0.00	0.00	*	*	*
MARGARETTEN & COMPANY	Minnesota	3.97	12.50	3.15	3.86	23.08	5.97	1.16	6.90	5.94	8.23	30.77	3.74
CHASE HOME MORTGAGE CORP.	Nassau-Suffolk	12.83	20.00	1.56	15.97	28.26	1.77	12.43	50.00	4.02	16.48	26.32	1.60
THE PRUDENTIAL HOME MORTGAGE C	Nassau-Suffolk	12.66	15.57	1.23	13.46	31.25	2.32	*	*	*	19.15	35.71	1.87
CHASE HOME MORTGAGE CORP.	New York	10.42	26.35	2.53	19.07	39.63	2.08	9.98	29.28	2.93	12.15	30.82	2.54
INDEPENDENCE SAVINGS BANK	New York	24.81	44.92	1.81	28.17	53.09	1.89	27.37	27.45	1.00	35.45	42.11	1.19
MARGARETTEN & COMPANY	New York	5.76	6.67	1.16	3.68	14.29	3.88	2.52	23.33	9.25	*	*	*

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TABLE II. B.3 WORST LENDERS 1990 -- 1993: DENIAL RATIOS

NAME	MSA	1993			1992			1991			1990		
		White Denial Rate	Black/ Hisp. Denial Rate	Black/ Hisp. to White Denials	White Denial Rate	Black/ Hisp. Denial Rate	Black/ Hisp. to White Denials	White Denial Rate	Black/ Hisp. Denial Rate	Black/ Hisp. to White Denials	White Denial Rate	Black/ Hisp. Denial Rate	Black/ Hisp. to White Denials
PROVIDENT SAVINGS BANK	New York	6.23	11.36	1.82	8.59	14.29	1.66	7.94	16.67	2.10	*	*	*
ROOSEVELT SAVINGS BANK	New York	11.21	28.30	2.52	16.37	25.71	1.57	17.29	44.12	2.55	11.54	41.18	3.57
THE PRUDENTIAL HOME MORTGAGE C	New York	15.54	25.94	1.67	16.80	32.95	1.96	28.54	45.08	1.58	22.36	53.03	2.37
ALL PACIFIC MORTGAGE COMPANY	Oakland	4.36	5.13	1.18	4.85	14.29	2.94	6.23	12.20	1.96	7.62	10.53	1.38
GN MORTGAGE	Oakland	12.38	15.56	1.26	17.86	34.29	1.92	20.00	29.41	1.47	*	*	*
NVR MORTAGE	Oakland	7.46	23.91	3.21	6.92	18.64	2.69	7.76	16.00	2.06	0.00	0.00	0.00
PIB MORTGAGE COMPANY	Oakland	10.46	24.18	2.31	11.31	20.35	1.80	7.79	11.76	1.51	21.64	34.78	1.61
SUNBELT NATIONAL MORTGAGE CORP	Oakland	8.90	9.68	1.09	10.38	28.07	2.70	10.04	31.82	3.17	*	*	*
THE PRUDENTIAL HOME MORTGAGE C	Oakland	9.66	12.66	1.31	10.13	25.00	2.47	12.17	22.22	1.83	*	*	*
COUNTRYWIDE FUNDING CORPORATIO	Philadelphia	5.09	8.84	1.74	7.22	15.15	2.10	0.00	0.00	0.00	*	*	*
GE CAPITAL MORTGAGE SERVICES	Philadelphia	5.66	16.96	3.00	24.76	45.00	1.82	7.92	12.65	1.60	6.61	20.68	3.13
MAIN LINE FEDERAL SAVINGS BANK	Philadelphia	4.84	18.42	3.81	6.33	0.00	0.00	5.75	0.00	0.00	11.81	22.22	1.88
THE BRYN MAWR TRUST CO.	Philadelphia	2.41	10.53	4.37	3.30	28.57	8.65	5.68	43.75	7.70	6.43	18.52	2.88
THE PRUDENTIAL HOME MORTGAGE C	Philadelphia	11.37	22.90	2.01	12.14	36.23	2.98	15.88	55.00	3.46	17.35	52.00	3.00
MELLON MORTGAGE COMPANY	Phoenix	1.86	11.11	5.97	4.64	11.90	2.57	11.19	18.60	1.66	19.64	0.00	0.00
STATE SAVINGS BANK	Phoenix	4.37	4.88	1.12	7.48	33.33	4.46	8.90	33.77	3.80	*	*	*
THE PRUDENTIAL HOME MORTGAGE C	Phoenix	19.21	31.82	1.66	21.91	9.09	0.42	*	*	*	23.23	0.00	0.00
GMAC MORTGAGE CORPORATION OF P	Riverside	9.44	20.33	2.15	9.43	20.63	2.19	9.28	22.30	2.40	9.61	12.21	1.27
RURAL AMERICAN BANK - BRAHAM	Riverside	25.43	37.69	1.48	*	*	*	28.48	48.70	1.71	21.02	45.39	2.16
WEYERHAEUSER MORTGAGE CO.	Riverside	6.41	11.93	1.86	3.98	7.21	1.81	7.92	18.45	2.33	10.08	26.70	2.65
AMERICAN RESIDENTIAL MORTGAGE	San Diego	8.74	13.06	1.49	9.66	20.86	2.16	21.13	28.80	1.36	*	*	*
GMAC MORTGAGE CORPORATION OF P	St. Louis	2.31	5.80	2.51	4.23	20.37	4.82	2.90	16.33	5.63	2.82	8.82	3.13
HOME FEDERAL SAVINGS BANK OF M	St. Louis	4.54	11.76	2.59	7.97	23.40	2.94	12.68	31.82	2.51	8.57	18.75	2.19
JAMES B. NUTTER & COMPANY	St. Louis	8.17	33.33	4.08	0.00	0.00	0.00	0.00	0.00	0.00	*	*	*
KNUTSON MORTGAGE CORPORATION	St. Louis	3.81	12.12	3.18	6.45	11.11	1.72	8.77	33.33	3.80	*	*	*
THE COLONIAL BANK	St. Louis	3.95	6.67	1.69	7.65	27.27	3.56	11.19	50.00	4.47	*	*	*
GREENTREE MORTGAGE COMPANY LP	Tampa	18.49	34.48	1.86	*	*	*	19.02	19.05	1.00	11.47	25.00	2.18
LINCOLN SERVICE CORPORATION	Tampa	27.78	18.30	0.66	22.33	58.33	2.61	16.38	43.75	2.67	*	*	*
MARGARETTEN & COMPANY	Tampa	18.42	7.40	0.40	9.30	13.24	1.42	0.56	3.13	5.56	10.18	25.00	2.46
SOURCE ONE MORTGAGE	Tampa	13.64	3.60	0.26	6.15	21.51	3.50	7.41	37.04	5.00	*	*	*
FIRST UNION MORT. CORP.	Tampa	4.41	8.57	1.94	9.07	0.00	0.00	8.39	38.46	4.59	10.26	40.00	3.90
CHASE HOME MORTGAGE CORP.	Washington	9.93	20.11	2.03	17.69	44.68	2.53	25.35	36.00	1.42	26.00	38.46	1.48
NAVY FEDERAL CREDIT UNION	Washington	0.68	7.40	10.88	1.33	9.46	7.09	1.38	10.08	7.30	2.57	14.75	5.74

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TABLE II. B.4 **WORST LENDERS 1990 -- 1993: MINORITY APPROVAL RATES**

Name	MSA	1993				1992				1991				1990			
		Total Aprvs	Black/ Hisp. Aprvs	Black/ Hisp. % of Aprvs	MSA Industry Average	Total Aprvs	Black/ Hisp. Aprvs	Black/ Hisp. % of Aprvs	MSA Industry Average	Total Aprvs	Black/ Hisp. Aprvs	Black/ Hisp. % of Aprvs	MSA Industry Average	Total Aprvs	Black/ Hisp. Aprvs	Black/ Hisp. % of Aprvs	MSA Industry Average
LOAN AMERICA FINANCE CORP	Anaheim	1140	85	7.46%	11.37%	615	38	6.18%	10.29%	*	*	*	11.44%	221	16	7.24%	13.55%
SOUTHERN CALIFORNIA FEDERAL SA	Anaheim	605	20	3.31%	11.37%	502	35	6.97%	10.29%	*	*	*	11.44%	319	21	6.58%	13.55%
WEYERHAEUSER MORTGAGE CO.	Anaheim	698	50	7.16%	11.37%	*	*	*	10.29%	758	26	3.43%	11.44%	730	46	6.30%	13.55%
GN MORTGAGE	Anaheim	773	27	3.49%	11.37%	1091	44	4.03%	10.29%	853	38	4.45%	11.44%	478	35	7.32%	13.55%
RSL MORTGAGE CORPORATION	Anaheim	833	46	5.52%	11.37%	1303	74	5.68%	10.29%	1253	82	6.54%	11.44%	352	29	8.24%	13.55%
THE PRUDENTIAL HOME MORTGAGE C	Anaheim	6144	231	3.76%	11.37%	684	21	3.07%	10.29%	378	7	1.85%	11.44%	*	*	*	13.55%
ALLATOONA FEDERAL SAVINGS BANK	Atlanta	1503	82	5.46%	10.82%	985	49	4.97%	9.48%	476	17	3.57%	13.16%	410	28	6.83%	14.01%
ENTRUST FINANCIAL CORPORATION	Atlanta	1200	50	4.17%	10.82%	2022	83	4.10%	9.48%	1328	85	6.40%	13.16%	747	35	4.69%	14.01%
THE PRUDENTIAL HOME MORTGAGE C	Atlanta	3003	173	5.76%	10.82%	1068	68	6.37%	9.48%	655	29	4.43%	13.16%	287	21	7.32%	14.01%
EAGLE SERVICE CORP D/B/A ATLAN	Atlanta	888	52	5.86%	10.82%	1193	77	6.45%	9.48%	*	*	*	13.16%	307	13	4.23%	14.01%
REISTERSTOWN FEDERAL SAVINGS B	Baltimore	1431	40	2.80%	9.53%	1087	28	2.58%	9.00%	516	10	1.94%	11.87%	189	3	1.59%	13.66%
B.F.SAUL MORTGAGE COMPANY	Baltimore	1592	101	6.34%	9.53%	1434	67	4.67%	9.00%	850	36	4.24%	11.87%	*	*	*	13.66%
CITIBANK F.S.B.	Baltimore	579	37	6.39%	9.53%	341	16	4.69%	9.00%	321	18	5.61%	11.87%	231	24	10.39%	13.66%
GE CAPITAL MORTGAGE SERVICES	Boston	916	15	1.64%	3.05%	292	8	2.74%	2.69%	192	2	1.04%	4.02%	616	25	4.06%	4.97%
THE PRUDENTIAL HOME MORTGAGE C	Boston	2157	26	1.21%	3.05%	563	4	0.71%	2.69%	194	0	0.00%	4.02%	158	4	2.53%	4.97%
CHASE HOME MORTGAGE CORP.	Chicago	2798	118	4.22%	14.81%	1613	34	2.11%	12.32%	891	28	3.14%	15.00%	755	22	2.91%	18.04%
NBD MORTGAGE COMPANY	Chicago	4630	117	2.53%	14.81%	3463	76	2.19%	12.32%	1831	31	1.69%	15.00%	898	18	2.00%	18.04%
PRINCIPAL MUTUAL LIFE INS CO	Chicago	3115	181	5.81%	14.81%	2254	63	2.80%	12.32%	961	43	4.47%	15.00%	*	*	*	18.04%
SHELTER MORTGAGE CORPORATION	Chicago	1552	67	4.32%	14.81%	1528	61	3.99%	12.32%	880	24	2.73%	15.00%	594	20	3.37%	18.04%
THE NORTHERN TRUST COMPANY	Chicago	2187	324	14.81%	14.81%	1836	183	9.97%	12.32%	655	96	14.66%	15.00%	461	35	7.59%	18.04%
CHASE U.S. CONSUMER SERVICES	Dallas	468	7	1.50%	10.23%	540	4	0.74%	9.09%	244	10	4.10%	12.22%	143	0	0.00%	10.46%
GUARDIAN MORTGAGE COMPANY	Dallas	2067	57	2.76%	10.23%	1344	33	2.46%	9.09%	721	25	3.47%	12.22%	500	10	2.00%	10.46%
MERCANTILE BANK & TRUST	Dallas	1274	21	1.65%	10.23%	844	11	1.30%	9.09%	328	7	2.13%	12.22%	222	21	9.46%	10.46%
THE PRUDENTIAL HOME MORTGAGE C	Dallas	1917	44	2.30%	10.23%	463	13	2.81%	9.09%	209	6	2.87%	12.22%	224	7	3.13%	10.46%
FIRST NATIONWIDE BANK	Detroit	2383	126	5.29%	6.15%	3358	130	3.87%	4.57%	1634	63	3.86%	8.43%	1071	31	2.89%	6.64%
REPUBLIC BANK	Detroit	9011	133	1.48%	6.15%	1722	28	1.63%	4.57%	1284	28	2.18%	8.43%	*	*	*	6.64%
SOURCE ONE MORTGAGE	Detroit	2189	60	2.74%	6.15%	1899	42	2.21%	4.57%	938	40	4.26%	8.43%	*	*	*	6.64%
BARCLAYS AMERICAN MORTGAGE COR	Houston	561	25	4.46%	13.51%	787	32	4.07%	11.93%	241	7	2.90%	13.64%	*	*	*	12.34%
MITCHELL MORTGAGE COMPANY	Houston	466	16	3.43%	13.51%	567	14	2.47%	11.93%	229	1	0.44%	13.64%	*	*	*	12.34%
THE PRUDENTIAL HOME MORTGAGE C	Houston	1929	67	3.47%	13.51%	887	46	5.19%	11.93%	382	13	3.40%	13.64%	252	6	2.38%	12.34%
CHASE HOME MORTGAGE CORP.	Los Angeles	1557	38	2.44%	30.40%	1097	21	1.91%	27.80%	909	13	1.43%	30.68%	*	*	*	34.05%
GN MORTGAGE	Los Angeles	2581	374	14.49%	30.40%	3024	412	13.62%	27.80%	1490	214	14.36%	30.68%	*	*	*	34.05%
FIRST FEDERAL CAPITAL CORP	Minneapolis	1374	5	0.36%	1.52%	1043	0	0.00%	1.22%	543	1	0.18%	1.67%	286	1	0.35%	1.76%
HEIGL MORT. & FINANCIAL CORP.	Minneapolis	3110	34	1.09%	1.52%	2101	15	0.71%	1.22%	398	3	0.75%	1.67%	*	*	*	1.76%
MARGARETTEN & COMPANY	Minneapolis	3680	28	0.76%	1.52%	3254	20	0.61%	1.22%	2070	27	1.30%	1.67%	1714	18	1.05%	1.76%

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TABLE II. B.4 WORST LENDERS 1990 -- 1993: MINORITY APPROVAL RATES

		1993				1992				1991				1990			
Name	MSA	Total Aprvs	Black/ Hisp. Aprvs	Black/ Hisp. % of Aprvs	MSA Industry Average	Total Aprvs	Black/ Hisp. Aprvs	Black/ Hisp. % of Aprvs	MSA Industry Average	Total Aprvs	Black/ Hisp. Aprvs	Black/ Hisp. % of Aprvs	MSA Industry Average	Total Aprvs	Black/ Hisp. Aprvs	Black/ Hisp. % of Aprvs	MSA Industry Average
CHASE HOME MORTGAGE CORP.	Nassau-Suffolk	846	24	2.84%	5.91%	1306	33	2.53%	5.35%	501	8	1.60%	7.57%	384	14	3.65%	9.07%
THE PRUDENTIAL HOME MORTGAGE C	Nassau-Suffolk	4475	103	2.30%	5.91%	2115	44	2.08%	5.35%	*	*	*	7.57%	491	18	3.67%	9.07%
CHASE HOME MORTGAGE CORP.	New York	2154	109	5.06%	18.31%	3053	163	5.34%	17.47%	1859	128	6.89%	23.30%	1701	110	6.47%	25.87%
INDEPENDENCE SAVINGS BANK	New York	1071	65	6.07%	18.31%	645	38	5.89%	17.47%	581	37	6.37%	23.30%	295	11	3.73%	25.87%
MARGARETTEN & COMPANY	New York	612	56	9.15%	18.31%	501	30	5.99%	17.47%	332	23	6.93%	23.30%	*	*	*	25.87%
PROVIDENT SAVINGS BANK	New York	701	39	5.56%	18.31%	808	42	5.20%	17.47%	373	25	6.70%	23.30%	*	*	*	25.87%
ROOSEVELT SAVINGS BANK	New York	608	38	6.25%	18.31%	445	26	5.84%	17.47%	349	19	5.44%	23.30%	401	10	2.49%	25.87%
THE PRUDENTIAL HOME MORTGAGE C	New York	4616	257	5.57%	18.31%	2431	118	4.85%	17.47%	931	67	7.20%	23.30%	871	62	7.12%	25.87%
ALL PACIFIC MORTGAGE COMPANY	Oakland	1126	74	6.57%	13.48%	1125	66	5.87%	12.48%	518	36	6.95%	15.19%	223	17	7.62%	16.34%
GN MORTGAGE	Oakland	831	38	4.57%	13.48%	584	23	3.94%	12.48%	336	12	3.57%	15.19%	*	*	*	16.34%
NVR MORTAGE	Oakland	593	35	5.90%	13.48%	1164	48	4.12%	12.48%	827	42	5.08%	15.19%	500	41	8.20%	16.34%
PIB MORTGAGE COMPANY	Oakland	822	69	8.39%	13.48%	1141	90	7.89%	12.48%	702	75	10.68%	15.19%	269	30	11.15%	16.34%
SUNBELT NATIONAL MORTGAGE CORP	Oakland	783	56	7.15%	13.48%	723	41	5.67%	12.48%	514	30	5.84%	15.19%	*	*	*	16.34%
THE PRUDENTIAL HOME MORTGAGE C	Oakland	6107	269	4.40%	13.48%	796	15	1.88%	12.48%	375	7	1.87%	15.19%	*	*	*	16.34%
COUNTRYWIDE FUNDING CORPORATIO	Philadelphia	5247	134	2.55%	7.12%	1377	28	2.03%	5.97%	414	13	3.14%	7.97%	*	*	*	9.91%
GE CAPITAL MORTGAGE SERVICES	Philadelphia	6347	191	3.01%	7.12%	3232	66	2.04%	5.97%	2169	145	6.69%	7.97%	3756	280	7.45%	9.91%
MAIN LINE FEDERAL SAVINGS BANK	Philadelphia	2924	31	1.06%	7.12%	2265	14	0.62%	5.97%	1022	6	0.59%	7.97%	343	7	2.04%	9.91%
THE BRYN MAWR TRUST CO.	Philadelphia	1289	34	2.64%	7.12%	928	20	2.16%	5.97%	474	9	1.90%	7.97%	342	22	6.43%	9.91%
THE PRUDENTIAL HOME MORTGAGE C	Philadelphia	3148	101	3.21%	7.12%	2012	44	2.19%	5.97%	544	9	1.65%	7.97%	336	12	3.57%	9.91%
MELLON MORTGAGE COMPANY	Phoenix	2021	64	3.17%	7.97%	1764	37	2.10%	4.07%	654	35	5.35%	7.86%	142	1	0.70%	6.50%
STATE SAVINGS BANK	Phoenix	2847	156	5.48%	7.97%	529	4	0.76%	4.07%	942	51	5.41%	7.86%	*	*	*	6.50%
THE PRUDENTIAL HOME MORTGAGE C	Phoenix	793	15	1.89%	7.97%	465	10	2.15%	4.07%	*	*	*	7.86%	130	1	0.77%	6.50%
GMAC MORTGAGE CORPORATION OF P	Riverside	1132	192	16.96%	26.03%	934	127	13.60%	20.42%	704	108	15.34%	22.24%	761	187	24.57%	24.26%
RURAL AMERICAN BANK - BRAHAM	Riverside	518	81	15.64%	26.03%	*	*	*	20.42%	639	79	12.36%	22.24%	652	77	11.81%	24.26%
WEYERHAEUSER MORTGAGE CO.	Riverside	988	214	21.66%	26.03%	634	103	16.25%	20.42%	660	137	20.76%	22.24%	664	129	19.43%	24.26%
AMERICAN RESIDENTIAL MORTGAGE	San Diego	2886	213	7.38%	12.23%	2084	110	5.28%	10.76%	2022	89	4.40%	11.34%	*	*	*	11.74%
GMAC MORTGAGE CORPORATION OF P	St. Louis	1845	65	3.52%	6.94%	1469	43	2.93%	5.38%	1046	41	3.92%	6.18%	1061	62	5.84%	8.39%
HOME FEDERAL SAVINGS BANK OF M	St. Louis	2910	30	1.03%	6.94%	2738	36	1.31%	5.38%	1509	15	0.99%	6.18%	770	13	1.69%	8.39%
JAMES B. NUTTER & COMPANY	St. Louis	920	10	1.09%	6.94%	468	3	0.64%	5.38%	532	24	4.51%	6.18%	*	*	*	8.39%
KNUTSON MORTGAGE CORPORATION	St. Louis	887	29	3.27%	6.94%	704	8	1.14%	5.38%	318	6	1.89%	6.18%	*	*	*	8.39%
THE COLONIAL BANK	St. Louis	1205	14	1.16%	6.94%	877	8	0.91%	5.38%	263	1	0.38%	6.18%	*	*	*	8.39%
GREENTREE MORTGAGE COMPANY LP	Tampa	623	19	3.05%	7.69%	*	*	*	7.24%	379	17	4.49%	9.43%	259	12	4.63%	9.72%
LINCOLN SERVICE CORPORATION	Tampa	366	13	3.55%	7.69%	391	5	1.28%	7.24%	300	9	3.00%	9.43%	*	*	*	9.72%
MARGARETTEN & COMPANY	Tampa	1533	62	4.04%	7.69%	1103	59	5.35%	7.24%	562	31	5.52%	9.43%	215	12	5.58%	9.72%
SOURCE ONE MORTGAGE	Tampa	1613	76	4.71%	7.69%	973	73	7.50%	7.24%	609	34	5.58%	9.43%	*	*	*	9.72%
FIRST UNION MORT. CORP.	Tampa	704	32	4.55%	7.69%	453	22	4.86%	7.24%	281	8	2.85%	9.43%	216	6	2.78%	9.72%
CHASE HOME MORTGAGE CORP.	Washington	1726	147	8.52%	15.31%	1008	26	2.58%	13.17%	509	32	6.29%	16.79%	357	24	6.72%	18.01%
NAVY FEDERAL CREDIT UNION	Washington	5430	601	11.07%	15.31%	4449	383	8.61%	13.17%	2080	223	10.72%	16.79%	1141	156	13.67%	18.01%

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TABLE II. B.5 WORST LENDERS 1990--1993: LOW- AND MODERATE-INCOME APPLICATIONS

		1993				1992				1991				1990			
NAME	MSA	Total Apps	Low/ Mod. Apps	Low/ Mod % of Apps	MSA Industry Average	Total Apps	Low/ Mod. Apps	Low/ Mod % of Apps	MSA Industry Average	Total Apps	Low/ Mod. Apps	Low/ Mod % of Apps	MSA Industry Average	Total Apps	Low/ Mod. Apps	Low/ Mod % of Apps	MSA Industry Average
RSL MORTGAGE CORPORATION	Anaheim	1054	108	10.25%	18.73	1632	154	9.44%	15.67	1483	84	5.66%	13.04	508	30	5.91%	11.38
WEYERHAEUSER MORTGAGE CO.	Anaheim	742	112	15.09%	18.73	*	*	*	15.67	794	64	8.06%	13.04	762	41	5.38%	11.38
GN MORTGAGE	Anaheim	1052	120	11.41%	18.73	1557	139	8.93%	15.67	1056	67	6.34%	13.04	568	29	5.11%	11.38
SOUTHERN CALIFORNIA FEDERAL SA	Anaheim	719	84	11.68%	18.73	608	46	7.57%	15.67	*	*	*	13.04	374	11	2.94%	11.38
LOAN AMERICA FINANCE CORP	Anaheim	1266	151	11.93%	18.73	816	49	6.00%	15.67	*	*	*	13.04	383	25	6.53%	11.38
THE PRUDENTIAL HOME MORTGAGE C	Anaheim	7317	237	3.24%	18.73	833	29	3.48%	15.67	440	5	1.14%	13.04	*	*	*	11.38
EAGLE SERVICE CORP D/B/A ATLAN	Atlanta	912	112	12.28%	22.62	1235	156	12.63%	20.69	*	*	*	28.83	322	34	10.56%	26.73
THE PRUDENTIAL HOME MORTGAGE C	Atlanta	3328	187	5.62%	22.62	1186	39	3.29%	20.69	759	31	4.08%	28.83	339	10	2.95%	26.73
ALLATOONA FEDERAL SAVINGS BANK	Atlanta	1561	294	18.83%	22.62	1056	170	16.10%	20.69	519	105	20.23%	28.83	468	98	20.94%	26.73
ENTRUST FINANCIAL CORPORATION	Atlanta	1235	212	17.17%	22.62	2133	257	12.05%	20.69	1567	281	17.93%	28.83	942	125	13.27%	26.73
B.F.SAUL MORTGAGE COMPANY	Baltimore	1677	260	15.50%	22.96	1487	218	14.66%	18.77	908	77	8.48%	25.42	*	*	*	27.11
CITIBANK F.S.B.	Baltimore	670	96	14.33%	22.96	576	59	10.24%	18.77	478	33	6.90%	25.42	267	17	6.37%	27.11
REISTERSTOWN FEDERAL SAVINGS B	Baltimore	1469	184	12.53%	22.96	1114	92	8.26%	18.77	551	46	8.35%	25.42	207	23	11.11%	27.11
GE CAPITAL MORTGAGE SERVICES	Boston	985	53	5.38%	17.82	440	41	9.32%	18.45	217	8	3.69%	21.28	671	53	7.90%	19.95
THE PRUDENTIAL HOME MORTGAGE C	Boston	2434	124	5.09%	17.82	681	40	5.87%	18.45	269	11	4.09%	21.28	204	8	3.92%	19.95
NBD MORTGAGE COMPANY	Chicago	4832	616	12.75%	22.74	3692	398	10.78%	22.79	1981	192	9.69%	24.67	979	83	8.48%	22.98
PRINCIPAL MUTUAL LIFE INS CO	Chicago	3263	490	15.02%	22.74	2314	270	11.67%	22.79	1008	135	13.39%	24.67				22.98
THE NORTHERN TRUST COMPANY	Chicago	2348	324	13.80%	22.74	2025	274	13.53%	22.79	729	133	18.24%	24.67	596	85	14.26%	22.98
SHELTER MORTGAGE CORPORATION	Chicago	1597	343	21.48%	22.74	1541	314	20.38%	22.79	918	190	20.70%	24.67	626	95	15.18%	22.98
CHASE HOME MORTGAGE CORP.	Chicago	2901	299	10.31%	22.74	1740	211	12.13%	22.79	990	150	15.15%	24.67	827	84	10.16%	22.98
MERCANTILE BANK & TRUST	Dallas	1294	63	4.87%	21.48	859	30	3.49%	18.91	334	7	2.10%	25.26	258	36	13.95%	21.72
GUARDIAN MORTGAGE COMPANY	Dallas	2111	120	5.68%	21.48	1373	81	5.90%	18.91	752	56	7.45%	25.26	520	20	3.85%	21.72
CHASE U.S. CONSUMER SERVICES	Dallas	520	3	0.58%	21.48	639	1	0.16%	18.91	279	0	0.00%	25.26	175	0	0.00%	21.72
THE PRUDENTIAL HOME MORTGAGE C	Dallas	2156	76	3.53%	21.48	546	13	2.38%	18.91	251	10	3.98%	25.26	258	3	1.16%	21.72
FIRST NATIONWIDE BANK	Detroit	2518	327	12.99%	26.79	3718	453	12.18%	25.26	1812	194	10.71%	32.07	1133	97	8.56%	30.73
REPUBLIC BANK	Detroit	9380	1273	13.57%	26.79	1769	217	12.27%	25.26	1309	224	17.11%	32.07	*	*	*	30.73
SOURCE ONE MORTGAGE	Detroit	2226	341	15.32%	26.79	1939	252	13.00%	25.26	969	152	15.69%	32.07	*	*	*	30.73
MITCHELL MORTGAGE COMPANY	Houston	552	40	7.25%	18.32	577	32	5.55%	16.6	240	10	4.17%	20.2				17.27
THE PRUDENTIAL HOME MORTGAGE C	Houston	2127	40	1.88%	18.32	970	17	1.75%	16.6	458	14	3.06%	20.2	314	8	2.55%	17.27
BARCLAYS AMERICAN MORTGAGE COR	Houston	608	4	0.66%	18.32	853	19	2.23%	16.6	266	5	1.88%	20.2	*	*	*	17.27
GN MORTGAGE	Los Angeles	3429	224	6.53%	13.59	4304	191	4.44%	11.41	2002	90	4.50%	9.88	*	*	*	8.63
CHASE HOME MORTGAGE CORP.	Los Angeles	1928	21	1.09%	13.59	1414	1	0.07%	11.41	1085	0	0.00%	9.88	*	*	*	8.63
HEIGL MORT. & FINANCIAL CORP.	Minneapolis	3174	273	8.60%	24.22	2101	147	7.00%	17.1	430	44	10.23%	29.5	*	*	*	30.56
FIRST FEDERAL CAPITAL CORP	Minneapolis	1413	258	18.26%	24.22	1099	129	11.74%	17.1	558	104	18.64%	29.5	286	56	19.58%	30.56
MARGARETTEN & COMPANY	Minneapolis	3835	1127	29.39%	24.22	3390	339	10.00%	17.1	2096	61	2.91%	29.5	1874	431	23.00%	30.56
THE PRUDENTIAL HOME MORTGAGE C	Nassau-Suffolk	5128	312	6.08%	16.13	2457	143	5.82%	12.94	*	*	*	15.68	613	23	3.75%	24.08
CHASE HOME MORTGAGE CORP.	Nassau-Suffolk	973	68	6.99%	16.13	1561	110	7.05%	12.94	579	43	7.43%	15.68	462	39	8.44%	24.08
PROVIDENT SAVINGS BANK	New York	750	19	2.53%	7.24	887	24	2.71%	6.57	408	12	2.94%	9.07	*	*	*	12.02
ROOSEVELT SAVINGS BANK	New York	695	40	5.76%	7.24	536	29	5.41%	6.57	433	41	9.47%	9.07	459	20	4.36%	12.02
THE PRUDENTIAL HOME MORTGAGE C	New York	5508	119	2.16%	7.24	2956	42	1.42%	6.57	1331	23	1.73%	9.07	1174	24	2.04%	12.02
MARGARETTEN & COMPANY	New York	650	14	2.15%	7.24	524	14	2.67%	6.57	347	13	3.75%	9.07	*	*	*	12.02

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TABLE II. B.5 WORST LENDERS 1990--1993: LOW- AND MODERATE-INCOME APPLICATIONS

		1993				1992				1991				1990			
NAME	MSA	Total Apps	Low/ Mod. Apps	Low/ Mod % of Apps	MSA Industry Average	Total Apps	Low/ Mod. Apps	Low/ Mod % of Apps	MSA Industry Average	Total Apps	Low/ Mod. Apps	Low/ Mod % of Apps	MSA Industry Average	Total Apps	Low/ Mod. Apps	Low/ Mod % of Apps	MSA Industry Average
INDEPENDENCE SAVINGS BANK	New York	1456	53	3.64%	7.24	926	35	3.78%	6.57	800	27	3.38%	9.07	459	15	3.27%	12.02
CHASE HOME MORTGAGE CORP.	New York	2431	32	1.32%	7.24	3841	51	1.33%	6.57	2104	39	1.85%	9.07	1970	28	1.42%	12.02
GN MORTGAGE	Oakland	950	73	7.68%	16.79	718	47	6.55%	12.69	422	15	3.55%	12.89	*	*	*	15.7
SUNBELT NATIONAL MORTGAGE CORP	Oakland	860	104	12.09%	16.79	818	73	8.92%	12.69	582	38	6.53%	12.89	*	*	*	15.7
ALL PACIFIC MORTGAGE COMPANY	Oakland	1178	146	12.39%	16.79	1190	121	10.17%	12.69	555	65	11.71%	12.89	242	25	10.33%	15.7
PIB MORTGAGE COMPANY	Oakland	932	62	6.65%	16.79	1298	98	7.55%	12.69	765	54	7.06%	12.89	351	43	12.25%	15.7
NVR MORTAGE	Oakland	649	103	15.87%	16.79	1258	78	6.20%	12.69	901	69	7.66%	12.89	500	42	8.40%	15.7
THE PRUDENTIAL HOME MORTGAGE C	Oakland	6770	141	2.08%	16.79	889	13	1.46%	12.69	428	3	0.70%	12.89	*	*	*	15.7
THE BRYN MAWR TRUST CO.	Philadelphia	1324	189	14.27%	24.69	967	102	10.55%	18.88	509	74	14.54%	22.69	369	49	13.28%	26.42
THE PRUDENTIAL HOME MORTGAGE C	Philadelphia	3569	266	7.45%	24.69	2309	100	4.33%	18.88	656	24	3.66%	22.69	417	16	3.84%	26.42
COUNTRYWIDE FUNDING CORPORATIO	Philadelphia	5534	710	12.83%	24.69	1487	85	5.72%	18.88	414	29	7.00%	22.69	*	*	*	26.42
GE CAPITAL MORTGAGE SERVICES	Philadelphia	6755	963	14.26%	24.69	4328	400	9.24%	18.88	2364	224	9.48%	22.69	4075	336	8.25%	26.42
MAIN LINE FEDERAL SAVINGS BANK	Philadelphia	3078	296	9.62%	24.69	2417	103	4.26%	18.88	1084	61	5.63%	22.69	390	32	8.21%	26.42
STATE SAVINGS BANK	Phoenix	2978	122	4.10%	23.11	576	17	2.95%	15.49	1055	139	13.18%	21.93	*	*	*	26.87
MELLON MORTGAGE COMPANY	Phoenix	2066	149	7.21%	23.11	1863	63	3.38%	15.49	740	64	8.65%	21.93	177	6	3.39%	26.87
THE PRUDENTIAL HOME MORTGAGE C	Phoenix	985	98	9.95%	23.11	654	19	2.91%	15.49	*	*	*	21.93	181	4	2.21%	26.87
RURAL AMERICAN BANK - BRAHAM	Riverside	716	132	18.44%	16.4	*	*	*	10.91	937	48	5.12%	10.65	869	67	7.71%	10.94
WEYERHAEUSER MORTGAGE CO.	Riverside	1070	98	9.16%	16.4	664	37	5.57%	10.91	736	18	2.45%	10.65	771	56	7.26%	10.94
GMAC MORTGAGE CORPORATION OF P	Riverside	1279	111	8.68%	16.4	1051	50	4.76%	10.91	796	21	2.64%	10.65	848	75	8.84%	10.94
AMERICAN RESIDENTIAL MORTGAGE	San Diego	3174	257	8.10%	15.17	2324	169	7.27%	13.22	2576	223	8.66%	11.81	*	*	*	11.04
GMAC MORTGAGE CORPORATION OF P	St. Louis	1891	295	15.60%	23.86	1543	192	12.44%	22.95	1084	138	12.73%	29.05	1096	203	18.52%	32.28
KNUTSON MORTGAGE CORPORATION	St. Louis	925	129	13.95%	23.86	753	111	14.74%	22.95	351	59	16.81%	29.05	*	*	*	32.28
JAMES B. NUTTER & COMPANY	St. Louis	1006	146	14.51%	23.86	468	28	5.98%	22.95	532	91	17.11%	29.05	*	*	*	32.28
HOME FEDERAL SAVINGS BANK OF M	St. Louis	3051	474	15.54%	23.86	2983	408	13.68%	22.95	1733	277	15.98%	29.05	844	154	18.25%	32.28
THE COLONIAL BANK	St. Louis	1255	134	10.68%	23.86	952	81	8.51%	22.95	297	31	10.44%	29.05	*	*	*	32.28
FIRST UNION MORT. CORP.	Tampa	738	92	12.47%	30.39	496	61	12.30%	25.12	311	46	14.79%	27.85	244	27	11.07%	23.27
SOURCE ONE MORTGAGE	Tampa	1683	268	15.92%	30.39	1052	174	16.54%	25.12	675	183	27.11%	27.85	*	*	*	23.27
MARGARETTEN & COMPANY	Tampa	1665	197	11.83%	30.39	1219	97	7.96%	25.12	566	14	2.47%	27.85	242	9	3.72%	23.27
LINCOLN SERVICE CORPORATION	Tampa	450	68	15.11%	30.39	509	80	15.72%	25.12	364	73	20.05%	27.85	*	*	*	23.27
GREENTREE MORTGAGE COMPANY LP	Tampa	770	43	5.58%	30.39	*	*	*	25.12	468	37	7.91%	27.85	295	14	4.75%	23.27
NAVY FEDERAL CREDIT UNION	Washington	5511	1029	18.67%	25.31	4544	704	15.49%	26.02	2131	337	15.81%	27.4	1194	250	20.94%	26.72
CHASE HOME MORTGAGE CORP.	Washington	1937	222	11.46%	25.31	1240	131	10.56%	26.02	689	74	10.74%	27.4	489	58	11.86%	26.72

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TABLE II. B.6 WORST LENDERS 1990-1993: LOW- AND MODERATE-INCOME APPROVALS

Name	MSA	1993				1992				1991				1990			
		Total Aprvs	Low/ Mod. Aprvs	Low/ Mod % of Aprvs	MSA Industry Average	Total Aprvs	Low/ Mod. Aprvs	Low/ Mod % of Aprvs	MSA Industry Average	Total Aprvs	Low/ Mod. Aprvs	Low/ Mod % of Aprvs	MSA Industry Average	Total Aprvs	Low/ Mod. Aprvs	Low/ Mod % of Aprvs	MSA Industry Average
LOAN AMERICA FINANCE CORP	Anaheim	1140	132	11.58%	18.05	615	33	5.37%	14.93	*	*	*	12.02	221	8	3.62%	9.99
THE PRUDENTIAL HOME MORTGAGE C	Anaheim	6144	178	2.90%	18.05	684	19	2.78%	14.93	378	1	0.26%	12.02	*	*	*	9.99
RSL MORTGAGE CORPORATION	Anaheim	833	83	9.96%	18.05	1303	110	8.44%	14.93	1253	66	5.27%	12.02	352	24	6.82%	9.99
GN MORTGAGE	Anaheim	773	95	12.29%	18.05	1091	101	9.26%	14.93	853	51	5.98%	12.02	478	25	5.23%	9.99
WEYERHAEUSER MORTGAGE CO.	Anaheim	698	100	14.33%	18.05	*	*	*	14.93	758	59	7.78%	12.02	730	38	5.21%	9.99
SOUTHERN CALIFORNIA FEDERAL SA	Anaheim	605	68	11.24%	18.05	502	38	7.57%	14.93	*	*	*	12.02	319	8	2.51%	9.99
THE PRUDENTIAL HOME MORTGAGE C	Atlanta	3003	146	4.86%	20.73	1068	34	3.18%	19.12	655	21	3.21%	26.15	287	8	2.79%	23.83
ENTRUST FINANCIAL CORPORATION	Atlanta	1200	204	17.00%	20.73	2022	226	11.18%	19.12	1328	213	16.04%	26.15	747	76	10.17%	23.83
ALLATOONA FEDERAL SAVINGS BANK	Atlanta	1503	273	18.16%	20.73	985	150	15.23%	19.12	476	90	18.91%	26.15	410	81	19.76%	23.83
EAGLE SERVICE CORP D/B/A ATLAN	Atlanta	888	104	11.71%	20.73	1193	140	11.74%	19.12	*	*	*	26.15	307	30	9.77%	23.83
REISTERSTOWN FEDERAL SAVINGS B	Baltimore	1431	176	12.30%	21.32	1087	88	8.10%	17.4	516	40	7.75%	23.22	189	22	11.64%	0.2415
B.F.SAUL MORTGAGE COMPANY	Baltimore	1592	239	15.01%	21.32	1434	209	14.57%	17.4	850	67	7.88%	23.22	*	*	*	0.2415
CITIBANK F.S.B.	Baltimore	579	75	12.95%	21.32	341	28	8.21%	17.4	321	22	6.85%	23.22	231	13	5.63%	0.2415
GE CAPITAL MORTGAGE SERVICES	Boston	916	42	4.59%	16.77	292	19	6.51%	17.39	192	5	2.60%	19.97	616	50	8.12%	19.03
THE PRUDENTIAL HOME MORTGAGE C	Boston	2157	104	4.82%	16.77	563	25	4.44%	17.39	194	4	2.06%	19.97	158	7	4.43%	19.03
CHASE HOME MORTGAGE CORP.	Chicago	2798	285	10.19%	21.5	1613	187	11.59%	21.56	891	132	14.81%	22.21	755	78	10.33%	20.86
PRINCIPAL MUTUAL LIFE INS CO	Chicago	3115	454	14.57%	21.5	2254	253	11.22%	21.56	961	128	13.32%	22.21	*	*	*	20.86
THE NORTHERN TRUST COMPANY	Chicago	2187	282	12.89%	21.5	1836	170	9.26%	21.56	655	89	13.59%	22.21	461	32	6.94%	20.86
NBD MORTGAGE COMPANY	Chicago	4630	562	12.14%	21.5	3463	354	10.22%	21.56	1831	164	8.96%	22.21	898	66	7.35%	20.86
SHELTER MORTGAGE CORPORATION	Chicago	1552	327	21.07%	21.5	1528	310	20.29%	21.56	880	184	20.91%	22.21	594	89	14.98%	20.86
THE PRUDENTIAL HOME MORTGAGE C	Dallas	1917	67	3.50%	18.54	463	10	2.16%	16.11	209	6	2.87%	22.28	224	3	1.34%	18.93
MERCANTILE BANK & TRUST	Dallas	1274	60	4.71%	18.54	844	29	3.44%	16.11	328	6	1.83%	22.28	222	29	13.06%	18.93
GUARDIAN MORTGAGE COMPANY	Dallas	2067	116	5.61%	18.54	1344	77	5.73%	16.11	721	48	6.66%	22.28	500	19	3.80%	18.93
CHASE U.S. CONSUMER SERVICES	Dallas	468	1	0.21%	18.54	540	1	0.19%	16.11	244	0	0.00%	22.28	143	0	0.00%	18.93
REPUBLIC BANK	Detroit	9011	1186	13.16%	24.06	1722	202	11.73%	22.14	1284	215	16.74%	28.07	*	*	*	25.8
SOURCE ONE MORTGAGE	Detroit	2189	331	15.12%	24.06	1899	240	12.64%	22.14	938	145	15.46%	28.07	*	*	*	25.8
FIRST NATIONWIDE BANK	Detroit	2383	273	11.46%	24.06	3358	336	10.01%	22.14	1634	151	9.24%	28.07	1071	88	8.22%	25.8
THE PRUDENTIAL HOME MORTGAGE C	Houston	1929	31	1.61%	15.31	887	14	1.58%	13.4	382	8	2.09%	16.69	252	3	1.19%	14.23
MITCHELL MORTGAGE COMPANY	Houston	466	30	6.44%	15.31	567	31	5.47%	13.4	229	10	4.37%	16.69	*	*	*	14.23
BARCLAYS AMERICAN MORTGAGE COR	Houston	561	3	0.53%	15.31	787	18	2.29%	13.4	241	3	1.24%	16.69	*	*	*	14.23
CHASE HOME MORTGAGE CORP.	Los Angeles	1557	12	0.77%	12.82	1097	0	0.00%	10.57	909	0	0.00%	8.99	*	*	*	7.42
GN MORTGAGE	Los Angeles	2581	171	6.63%	12.82	3024	131	4.33%	10.57	1490	76	5.10%	8.99	*	*	*	7.42
FIRST FEDERAL CAPITAL CORP	Minneapolis	1374	246	17.90%	22.86	1043	119	11.41%	15.5	543	97	17.86%	27.28	286	56	19.58%	28.98
MARGARETTEN & COMPANY	Minneapolis	3680	1047	28.45%	22.86	3254	321	9.86%	15.5	2070	60	2.90%	27.28	1714	371	21.65%	28.98
HEIGL MORT. & FINANCIAL CORP.	Minneapolis	3110	257	8.26%	22.86	2101	147	7.00%	15.5	398	44	11.06%	27.28	*	*	*	28.98
CHASE HOME MORTGAGE CORP.	Nassau-Suffolk	846	55	6.50%	14.6	1306	88	6.74%	11.22	501	31	6.19%	14.21	384	28	7.29%	22.41
THE PRUDENTIAL HOME MORTGAGE C	Nassau-Suffolk	4475	275	6.15%	14.6	2115	104	4.92%	11.22	*	*	*	14.21	491	20	4.07%	22.41
CHASE HOME MORTGAGE CORP.	New York	2154	22	1.02%	5.76	3053	28	0.92%	4.79	1859	28	1.51%	7.09	1701	13	0.76%	10.13
MARGARETTEN & COMPANY	New York	612	14	2.29%	5.76	501	14	2.79%	4.79	332	12	3.61%	7.09	*	*	*	10.13

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TABLE II. B.6 WORST LENDERS 1990-1993: LOW- AND MODERATE-INCOME APPROVALS

		1993				1992				1991				1990			
Name	MSA	Total Aprvs	Low/ Mod. Aprvs	Low/ Mod % of Aprvs	MSA Industry Average	Total Aprvs	Low/ Mod. Aprvs	Low/ Mod % of Aprvs	MSA Industry Average	Total Aprvs	Low/ Mod. Aprvs	Low/ Mod % of Aprvs	MSA Industry Average	Total Aprvs	Low/ Mod. Aprvs	Low/ Mod % of Aprvs	MSA Industry Average
PROVIDENT SAVINGS BANK	New York	701	18	2.57%	5.76	808	18	2.23%	4.79	373	10	2.68%	7.09	*	*	*	10.13
ROOSEVELT SAVINGS BANK	New York	608	25	4.11%	5.76	445	19	4.27%	4.79	349	24	6.88%	7.09	401	11	2.74%	10.13
THE PRUDENTIAL HOME MORTGAGE C	New York	4616	80	1.73%	5.76	2431	25	1.03%	4.79	931	11	1.18%	7.09	871	17	1.95%	10.13
INDEPENDENCE SAVINGS BANK	New York	1071	30	2.80%	5.76	645	17	2.64%	4.79	581	16	2.75%	7.09	295	6	2.03%	10.13
PIB MORTGAGE COMPANY	Oakland	822	46	5.60%	15.51	1141	85	7.45%	11.57	702	50	7.12%	11.72	269	32	11.90%	14.36
SUNBELT NATIONAL MORTGAGE CORP	Oakland	783	89	11.37%	15.51	723	63	8.71%	11.57	514	27	5.25%	11.72	*	*	*	14.36
THE PRUDENTIAL HOME MORTGAGE C	Oakland	6107	113	1.85%	15.51	796	8	1.01%	11.57	375	1	0.27%	11.72	*	*	*	14.36
NVR MORTAGE	Oakland	593	92	15.51%	15.51	1164	69	5.93%	11.57	827	53	6.41%	11.72	500	42	8.40%	14.36
GN MORTGAGE	Oakland	831	64	7.70%	15.51	584	37	6.34%	11.57	336	12	3.57%	11.72	*	*	*	14.36
ALL PACIFIC MORTGAGE COMPANY	Oakland	1126	132	11.72%	15.51	1125	104	9.24%	11.57	518	61	11.78%	11.72	223	23	10.31%	14.36
GE CAPITAL MORTGAGE SERVICES	Philadelphia	6347	895	14.10%	22.63	3232	258	7.98%	16.67	2169	202	9.31%	19.2	3756	294	7.83%	23.04
THE PRUDENTIAL HOME MORTGAGE C	Philadelphia	3148	212	6.73%	22.63	2012	70	3.48%	16.67	544	15	2.76%	19.2	336	6	1.79%	23.04
MAIN LINE FEDERAL SAVINGS BANK	Philadelphia	2924	263	8.99%	22.63	2265	91	4.02%	16.67	1022	52	5.09%	19.2	343	23	6.71%	23.04
THE BRYN MAWR TRUST CO.	Philadelphia	1289	179	13.89%	22.63	928	91	9.81%	16.67	474	61	12.87%	19.2	342	41	11.99%	23.04
COUNTRYWIDE FUNDING CORPORATIO	Philadelphia	5247	645	12.29%	22.63	1377	73	5.30%	16.67	414	29	7.00%	19.2	*	*	*	23.04
THE PRUDENTIAL HOME MORTGAGE C	Phoenix	793	73	9.21%	20.79	465	15	3.23%	13.05	*	*	*	19.94	130	4	3.08%	21.89
STATE SAVINGS BANK	Phoenix	2847	113	3.97%	20.79	529	12	2.27%	13.05	942	115	12.21%	19.94	*	*	*	21.89
MELLON MORTGAGE COMPANY	Phoenix	2021	134	6.63%	20.79	1764	58	3.29%	13.05	654	57	8.72%	19.94	142	4	2.82%	21.89
WEYERHAEUSER MORTGAGE CO.	Riverside	988	87	8.81%	15.32	634	34	5.36%	9.71	660	17	2.58%	9.51	664	48	7.23%	9.23
RURAL AMERICAN BANK - BRAHAM	Riverside	518	101	19.50%	15.32	*	*	*	9.71	639	31	4.85%	9.51	652	45	6.90%	9.23
GMAC MORTGAGE CORPORATION OF P	Riverside	1132	99	8.75%	15.32	934	39	4.18%	9.71	704	20	2.84%	9.51	761	65	8.54%	9.23
AMERICAN RESIDENTIAL MORTGAGE	San Diego	2886	216	7.48%	14.03	2084	127	6.09%	11.95	2022	110	5.44%	10.7	*	*	*	8.56
HOME FEDERAL SAVINGS BANK OF M	St. Louis	2910	428	14.71%	21.1	2738	344	12.56%	20.01	1509	204	13.52%	24.35	770	130	16.88%	28.99
JAMES B. NUTTER & COMPANY	St. Louis	920	125	13.59%	21.1	468	28	5.98%	20.01	532	91	17.11%	24.35	*	*	*	28.99
KNUTSON MORTGAGE CORPORATION	St. Louis	887	119	13.42%	21:1	704	98	13.92%	20.01	318	49	15.41%	24.35	*	*	*	28.99
GMAC MORTGAGE CORPORATION OF P	St. Louis	1845	287	15.56%	21.1	1469	183	12.46%	20.01	1046	129	12.33%	24.35	1061	191	18.00%	28.99
THE COLONIAL BANK	St. Louis	1205	127	10.54%	21.1	877	66	7.53%	20.01	263	28	10.65%	24.35				28.99
GREENTREE MORTGAGE COMPANY LP	Tampa	623	32	5.14%	24.63	*	*	*	22.68	379	35	9.23%	25.4	259	14	5.41%	21.11
FIRST UNION MORT. CORP.	Tampa	704	83	11.79%	24.63	453	49	10.82%	22.68	281	41	14.59%	25.4	216	25	11.57%	21.11
LINCOLN SERVICE CORPORATION	Tampa	366	52	14.21%	24.63	391	58	14.83%	22.68	300	60	20.00%	25.4	*	*	*	21.11
MARGARETTEN & COMPANY	Tampa	1533	166	10.83%	24.63	1103	83	7.52%	22.68	562	14	2.49%	25.4	215	7	3.26%	21.11
SOURCE ONE MORTGAGE	Tampa	1613	249	15.44%	24.63	973	146	15.01%	22.68	609	156	25.62%	25.4	*	*	*	21.11
CHASE HOME MORTGAGE CORP.	Washington	1726	175	10.14%	24.07	1008	87	8.63%	25.16	509	44	8.64%	25.98	357	46	12.89%	24.74
NAVY FEDERAL CREDIT UNION	Washington	5430	969	17.85%	24.07	4449	657	14.77%	25.16	2080	316	15.19%	25.98	1141	224	19.63%	24.74

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SECTION III:

THE WORST LENDERS IN AMERICA 1993

DATA TABLES

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SECTION III

EXPLANATION OF DATA TABLES FOR 1993

This section contains tables of data on the lenders selected as the worst performers for the year of 1993. The data is presented in two different ways: by the name of the lender (Table A) and by the MSA (Table B). Each table presents data on each of the five indicators used to measure lending performance (marketing to minorities, denial ratios, minority approvals, low- and moderate-income applications, and low- and moderate-income approvals). The categories in each table are self-explanatory. MSA averages represent how the industry performed overall and are used as the benchmark for judging individual lender's performance.

Table III. A.1: This table presents a list of the worst lenders alphabetically for the year 1993. The third column AGENCY indicates which regulatory agency the institution reports its HMDA data to. 1 is the Office of the Comptroller of the Currency (OCC), 2 is the Federal Reserve System (FRS), 3 is the Federal Deposit Insurance Corporation (FDIC), 4 is the Office of Thrift Supervision (OTS), 5 is the National Credit Union Administration (NCUA), and 7 is the Department of Housing and Urban Development (HUD).

The next column TYPE OF INSTITUTION is a classification of the lender. A lender is either an independent mortgage company (regulated by HUD, not subject to CRA, and not affiliated with a bank or bank holding company), a commercial bank or savings bank (subject to CRA and regulated by one of the four bank regulatory agencies), a credit union (not subject to CRA and regulated by the NCUA), or a bank related mortgage company (affiliated with a bank or bank holding company and not subject to CRA).

Table III. A.2: Minority applications for each lender.
Table III. A.3: Denial rates between white and minority applicants.
Table III. A.4: Minority approval rates.
Table III. A.5: Low- and moderate-income applications.
Table III. A.6: Low- and moderate-income approvals.

Table II.B 1-6: These tables are exactly the same as the Tables A. 1-6, but lenders are organized by MSA rather than alphabetically.

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SECTION III:

THE WORST LENDERS IN AMERICA 1993

DATA TABLES BY LENDER

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TABLE III. A.1 THE WORST LENDERS IN 1993

LENDER	MSA	AGENCY	TYPE OF INSTITUTION
ALLATOONA FEDERAL SAVINGS BANK	Atlanta	4	Commercial/Savings Bank
ALLIED SAVINGS BANK	Oakland	4	Commercial/Savings Bank
AMERICAN HOME FUNDING	Tampa	3	Bank Related Mortgage Company
AMERICAN HOME MORTGAGE	Atlanta	7	Independent Mortgage Company
AMERICAN RESIDENTIAL MORTGAGE	Anaheim	7	Independent Mortgage Company
AMERICAN RESIDENTIAL MORTGAGE	Los Angeles	7	Independent Mortgage Company
AMERICAN RESIDENTIAL MORTGAGE	Oakland	7	Independent Mortgage Company
AMERICAN RESIDENTIAL MORTGAGE	San Diego	7	Independent Mortgage Company
AMERICAN RESIDENTIAL MORTGAGE	St. Louis	7	Independent Mortgage Company
ASSURANCE MORTGAGE CORP OF AME	Boston	7	Independent Mortgage Company
ATLANTIC RESIDENTIAL MORTGAGE	Baltimore	3	Bank Related Mortgage Company
BANCBOSTON MORTGAGE CORP.	Houston	1	Bank Related Mortgage Company
BANCBOSTON MORTGAGE CORP.	Tampa	1	Bank Related Mortgage Company
BANCBOSTON MORTGAGE CORP.	Washington	1	Bank Related Mortgage Company
BANCORP MORTGAGE INC	Philadelphia	3	Bank Related Mortgage Company
BARCLAYS AMERICAN MORTGAGE COR	Dallas	2	Bank Related Mortgage Company
BARCLAYS AMERICAN MORTGAGE COR	Houston	2	Bank Related Mortgage Company
BROOKSAMERICA MORTGAGE CORP.	Oakland	7	Independent Mortgage Company
B.F.SAUL MORTGAGE COMPANY	Baltimore	4	Bank Related Mortgage Company
CAL COAST MORTGAGE CORPORATION	San Diego	7	Independent Mortgage Company
CALIFORNIA UNITED BANK	Los Angeles	1	Commercial/Savings Bank
CARL I. BROWN AND COMPANY	Tampa	7	Independent Mortgage Company
CHARLES F CURRY COMPANY	Phoenix	7	Independent Mortgage Company
CHASE HOME MORTGAGE CORP.	Boston	1	Bank Related Mortgage Company
CHASE HOME MORTGAGE CORP.	Chicago	1	Bank Related Mortgage Company
CHASE HOME MORTGAGE CORP.	Los Angeles	1	Bank Related Mortgage Company
CHASE HOME MORTGAGE CORP.	Nassau-Suffolk	1	Bank Related Mortgage Company
CHASE HOME MORTGAGE CORP.	New York	1	Bank Related Mortgage Company
CHASE HOME MORTGAGE CORP.	Washington	1	Bank Related Mortgage Company
CHASE U.S. CONSUMER SERVICES	Dallas	2	Bank Related Mortgage Company
CITIBANK F.S.B.	St. Louis	4	Commercial/Savings Bank
CITIZENS NATIONAL MORTGAGE COR	Riverside	7	Independent Mortgage Company
COLONIAL MORTGAGE COMPANY	Atlanta	7	Independent Mortgage Company
COLONIAL MORTGAGE COMPANY	Dallas	7	Independent Mortgage Company
COLONIAL MORTGAGE COMPANY	Houston	7	Independent Mortgage Company
CORNERSTONE MORTGAGE COMPANY	Houston	7	Independent Mortgage Company
COUNTRYWIDE FUNDING CORPORATIO	Atlanta	7	Independent Mortgage Company
COUNTRYWIDE FUNDING CORPORATIO	Boston	7	Independent Mortgage Company
COUNTRYWIDE FUNDING CORPORATIO	Nassau-Suffolk	7	Independent Mortgage Company
COUNTRYWIDE FUNDING CORPORATIO	Riverside	7	Independent Mortgage Company
COUNTRYWIDE FUNDING CORPORATIO	San Diego	7	Independent Mortgage Company
COUNTRYWIDE FUNDING CORPORATIO	St. Louis	7	Independent Mortgage Company
COUNTRYWIDE FUNDING CORPORATIO	Washington	7	Independent Mortgage Company
CRESTAR MORTGAGE CORPORATION	St. Louis	2	Bank Related Mortgage Company
CROSSLAND MORTGAGE CORP.	Dallas	7	Independent Mortgage Company
CROSSLAND MORTGAGE CORP.	Houston	7	Independent Mortgage Company
CTX MORTGAGE COMPANY	Baltimore	7	Independent Mortgage Company
CTX MORTGAGE COMPANY	Washington	7	Independent Mortgage Company
DEDHAM INSTITUTION FOR SAVINGS	Boston	3	Commercial/Savings Bank
DOLLAR MORTGAGE CORPORATION	San Diego	7	Independent Mortgage Company
EAGLE SERVICE CORP D/B/A ATLAN	Atlanta	4	Bank Related Mortgage Company
EAST CAMBRIDGE SAVINGS BANK	Boston	3	Commercial/Savings Bank
EMIGRANT SAVINGS BANK	Nassau-Suffolk	3	Commercial/Savings Bank
EMIGRANT SAVINGS BANK	New York	3	Commercial/Savings Bank
ENTRUST FINANCIAL CORPORATION	Atlanta	7	Independent Mortgage Company
ENTRUST FINANCIAL CORPORATION	Baltimore	7	Independent Mortgage Company
FIRST FRANKLIN	Los Angeles	7	Independent Mortgage Company
FIRST FRANKLIN	Oakland	7	Independent Mortgage Company
FIRST FRANKLIN	Riverside	7	Independent Mortgage Company
FIRST FRANKLIN	San Diego	7	Independent Mortgage Company
FIRST HEIGHTS BANK	Houston	4	Commercial/Savings Bank

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TABLE III. A.1 **THE WORST LENDERS IN 1993**

LENDER	MSA	AGENCY	TYPE OF INSTITUTION
FIRST LIBERTY BANK	Atlanta	4	Commercial/Savings Bank
FIRST UNION MORT. CORP.	Baltimore	2	Bank Related Mortgage Company
FIRST UNION MORT. CORP.	Tampa	2	Bank Related Mortgage Company
FLAGSHIP FEDERAL SAVINGS BANK	San Diego	4	Commercial/Savings Bank
FLEET MORTGAGE CORP.	Riverside	2	Bank Related Mortgage Company
FRANKLIN MORTGAGE CAPITAL	Baltimore	7	Independent Mortgage Company
FRANKLIN MORTGAGE CAPITAL	Dallas	7	Independent Mortgage Company
FRANKLIN MORTGAGE CAPITAL	Washington	7	Independent Mortgage Company
GE CAPITAL MORTGAGE SERVICES	Baltimore	7	Independent Mortgage Company
GE CAPITAL MORTGAGE SERVICES	Boston	7	Independent Mortgage Company
GE CAPITAL MORTGAGE SERVICES	Chicago	7	Independent Mortgage Company
GE CAPITAL MORTGAGE SERVICES	Dallas	7	Independent Mortgage Company
GE CAPITAL MORTGAGE SERVICES	Houston	7	Independent Mortgage Company
GE CAPITAL MORTGAGE SERVICES	Oakland	7	Independent Mortgage Company
GE CAPITAL MORTGAGE SERVICES	Philadelphia	7	Independent Mortgage Company
GE CAPITAL MORTGAGE SERVICES	Washington	7	Independent Mortgage Company
GMAC MORTGAGE CORPORATION OF P	Minneapolis	7	Independent Mortgage Company
GMAC MORTGAGE CORPORATION OF P	Riverside	7	Independent Mortgage Company
GN MORTGAGE	Anaheim	3	Bank Related Mortgage Company
GN MORTGAGE	Los Angeles	3	Bank Related Mortgage Company
GN MORTGAGE	Oakland	3	Bank Related Mortgage Company
GN MORTGAGE	San Diego	3	Bank Related Mortgage Company
GREENTREE MORTGAGE COMPANY LP	Tampa	7	Independent Mortgage Company
GUARDIAN MORTGAGE COMPANY	Detroit	7	Independent Mortgage Company
HEADLANDS MORTGAGE COMPANY	Anaheim	7	Independent Mortgage Company
HEADLANDS MORTGAGE COMPANY	Oakland	7	Independent Mortgage Company
HEIGL MORT. & FINANCIAL CORP.	Minneapolis	7	Independent Mortgage Company
HOME FEDERAL SAVINGS BANK OF M	St. Louis	4	Commercial/Savings Bank
HOMESTEAD MORTGAGE CORPORATION	Minneapolis	7	Independent Mortgage Company
HORIZON SAVINGS BANK	Tampa	4	Commercial/Savings Bank
HOUSEHOLD BANK	Chicago	4	Commercial/Savings Bank
IMPERIAL CREDIT INDUSTRIES	Riverside	7	Independent Mortgage Company
INDEPENDENCE SAVINGS BANK	New York	3	Commercial/Savings Bank
INTEGRA MORTGAGE COMPANY	Philadelphia	2	Bank Related Mortgage Company
JAMES B. NUTTER & COMPANY	St. Louis	7	Independent Mortgage Company
J.I. KISLAK MORTGAGE CORP.	Boston	7	Independent Mortgage Company
KEYCORP MORTGAGE INC.	Nassau-Suffolk	3	Bank Related Mortgage Company
KNUTSON MORTGAGE CORPORATION	Minneapolis	7	Independent Mortgage Company
LAKELAND MORTGAGE CORP.	Minneapolis	7	Independent Mortgage Company
LEEDS FEDERAL SAVINGS & LOAN	Baltimore	4	Commercial/Savings Bank
LOAN AMERICA FINANCE CORP	Anaheim	7	Independent Mortgage Company
LOAN AMERICA FINANCE CORP	Chicago	7	Independent Mortgage Company
LOAN AMERICA FINANCE CORP	Minneapolis	7	Independent Mortgage Company
MAIN LINE FEDERAL SAVINGS BANK	Philadelphia	4	Commercial/Savings Bank
MARGARETTEN & COMPANY	Tampa	7	Independent Mortgage Company
MEDALLION MORTGAGE COMPANY	Phoenix	7	Independent Mortgage Company
MELLON BANK (MD)	Baltimore	2	Commercial/Savings Bank
MELLON BANK (MD)	Washington	2	Commercial/Savings Bank
MELLON MORTGAGE COMPANY	Dallas	2	Bank Related Mortgage Company
MELLON MORTGAGE COMPANY	Phoenix	2	Bank Related Mortgage Company
MERCANTILE BANK & TRUST	Dallas	4	Commercial/Savings Bank
METMOR FINANCIAL	Phoenix	7	Independent Mortgage Company
METRO BANK	Atlanta	2	Commercial/Savings Bank
METROPOLITAN SERVICE CORP.	Anaheim	7	Independent Mortgage Company
METROPOLITAN SERVICE CORP.	Los Angeles	7	Independent Mortgage Company
METROPOLITAN SERVICE CORP.	Riverside	7	Independent Mortgage Company
MICAL MORTGAGE	Riverside	7	Independent Mortgage Company
MIDCOAST MORTGAGE CORPORATION	Nassau-Suffolk	7	Independent Mortgage Company
MIDLAND FINANCIAL MORTGAGES	Chicago	7	Independent Mortgage Company
MIDLAND FINANCIAL MORTGAGES	St. Louis	7	Independent Mortgage Company
MITCHELL MORTGAGE COMPANY	Houston	7	Independent Mortgage Company
MT VERNON FEDERAL SAVINGS BANK	Atlanta	4	Commercial/Savings Bank

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TABLE III. A.1 THE WORST LENDERS IN 1993

LENDER	MSA	AGENCY	TYPE OF INSTITUTION
NAVY FEDERAL CREDIT UNION	Washington	5	Credit Union
NBD MORTGAGE COMPANY	Chicago	2	Bank Related Mortgage Company
NORTH AMERICAN MORTGAGE CO	Philadelphia	7	Independent Mortgage Company
NORWEST MORTGAGE	Atlanta	2	Bank Related Mortgage Company
OLD COLONY MORTGAGE CORPORATIO	Boston	3	Bank Related Mortgage Company
PEOPLES WESTCHESTER	New York	3	Commercial/Savings Bank
PHILADELPHIA MORTGAGE CORP.	Philadelphia	7	Independent Mortgage Company
PIB MORTGAGE COMPANY	Anaheim	2	Bank Related Mortgage Company
PIB MORTGAGE COMPANY	Oakland	2	Bank Related Mortgage Company
PINE STATE MORTGAGE CORPORATIO	Atlanta	7	Independent Mortgage Company
PINNACLE MORTGAGE INVEST. CORP	Philadelphia	7	Independent Mortgage Company
PNC MORTGAGE CORP. OF AMERICA	Los Angeles	1	Bank Related Mortgage Company
PNC MORTGAGE CORP. OF AMERICA	New York	1	Bank Related Mortgage Company
PRINCIPAL MUTUAL LIFE INS CO	Chicago	7	Independent Mortgage Company
PROGRESS FEDERAL SAVINGS BANK	Philadelphia	4	Commercial/Savings Bank
PROGRESSIVE SOUTHERN MORTGAGE	Dallas	7	Independent Mortgage Company
PROVIDENT SAVINGS BANK	New York	4	Commercial/Savings Bank
PROVIDENT SAVINGS BANK	Riverside	4	Commercial/Savings Bank
PROVIDENT SAVINGS BANK	San Diego	4	Commercial/Savings Bank
REISTERSTOWN FEDERAL SAVINGS B	Baltimore	4	Commercial/Savings Bank
REPUBLIC BANK	Detroit	3	Commercial/Savings Bank
REPUBLIC BANK	St. Louis	3	Commercial/Savings Bank
REPUBLIC BANK FOR SAVINGS	Nassau-Suffolk	3	Commercial/Savings Bank
RICHARDS-WOODBURY MORTG. CORP.	Phoenix	7	Independent Mortgage Company
RIDGEWOOD SAVINGS BANK	Nassau-Suffolk	3	Commercial/Savings Bank
ROCK FINANCIAL CORPORATION	Detroit	7	Independent Mortgage Company
ROOSEVELT SAVINGS BANK	Nassau-Suffolk	3	Commercial/Savings Bank
ROOSEVELT SAVINGS BANK	New York	3	Commercial/Savings Bank
RSL MORTGAGE CORPORATION	Anaheim	4	Bank Related Mortgage Company
RYLAND MORTGAGE COMPANY	Oakland	7	Independent Mortgage Company
SAN DIEGO FUNDING	San Diego	7	Independent Mortgage Company
SIBLEY MORTGAGE CORPORATION	New York	7	Independent Mortgage Company
SOURCE ONE MORTGAGE	Detroit	7	Independent Mortgage Company
SOURCE ONE MORTGAGE	Houston	7	Independent Mortgage Company
SOURCE ONE MORTGAGE	Tampa	7	Independent Mortgage Company
SOURCE ONE MORTGAGE	Washington	7	Independent Mortgage Company
SOUTHERN CALIFORNIA FEDERAL SA	Anaheim	4	Commercial/Savings Bank
SOUTHTRUST MORTGAGE CORP.	Tampa	1	Bank Related Mortgage Company
SOVEREIGN BANK. A FED SAVINGS	Philadelphia	4	Commercial/Savings Bank
STANDARD FEDERAL BANK	Detroit	4	Commercial/Savings Bank
STATE SAVINGS BANK	Phoenix	4	Commercial/Savings Bank
ST. JAMES SERVICING CORP	Detroit	7	Independent Mortgage Company
SUBURBAN MORTGAGE CO.	Boston	7	Independent Mortgage Company
SUNBELT NATIONAL MORTGAGE CORP	Houston	7	Independent Mortgage Company
SUNBELT NATIONAL MORTGAGE CORP	Phoenix	7	Independent Mortgage Company
SUNCOAST SAVINGS & LOAN ASSOC.	Boston	4	Commercial/Savings Bank
SUNCOAST SAVINGS & LOAN ASSOC.	Tampa	4	Commercial/Savings Bank
SUNRISE FEDERAL SAVINGS BANK	Nassau-Suffolk	4	Commercial/Savings Bank
TEMPLE-INLAND MORTGAGE CO.	Los Angeles	4	Bank Related Mortgage Company
TEMPLE-INLAND MORTGAGE CO.	Nassau-Suffolk	4	Bank Related Mortgage Company
THE BRYN MAWR TRUST CO.	Philadelphia	3	Commercial/Savings Bank
THE COLONIAL BANK	St. Louis	3	Commercial/Savings Bank
THE HUNTINGTON MORTGAGE CO	Boston	1	Bank Related Mortgage Company
THE HUNTINGTON MORTGAGE CO	Detroit	1	Bank Related Mortgage Company
THE PRUDENTIAL HOME MORTGAGE C	Anaheim	7	Independent Mortgage Company
THE PRUDENTIAL HOME MORTGAGE C	Atlanta	7	Independent Mortgage Company
THE PRUDENTIAL HOME MORTGAGE C	Baltimore	7	Independent Mortgage Company
THE PRUDENTIAL HOME MORTGAGE C	Boston	7	Independent Mortgage Company
THE PRUDENTIAL HOME MORTGAGE C	Chicago	7	Independent Mortgage Company
THE PRUDENTIAL HOME MORTGAGE C	Dallas	7	Independent Mortgage Company
THE PRUDENTIAL HOME MORTGAGE C	Houston	7	Independent Mortgage Company
THE PRUDENTIAL HOME MORTGAGE C	Los Angeles	7	Independent Mortgage Company

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TABLE III. A.1 THE WORST LENDERS IN 1993

LENDER	MSA	AGENCY	TYPE OF INSTITUTION
THE PRUDENTIAL HOME MORTGAGE C	Minneapolis	7	Independent Mortgage Company
THE PRUDENTIAL HOME MORTGAGE C	Nassau-Suffolk	7	Independent Mortgage Company
THE PRUDENTIAL HOME MORTGAGE C	New York	7	Independent Mortgage Company
THE PRUDENTIAL HOME MORTGAGE C	Oakland	7	Independent Mortgage Company
THE PRUDENTIAL HOME MORTGAGE C	Philadelphia	7	Independent Mortgage Company
THE PRUDENTIAL HOME MORTGAGE C	Phoenix	7	Independent Mortgage Company
THE PRUDENTIAL HOME MORTGAGE C	Riverside	7	Independent Mortgage Company
THE PRUDENTIAL HOME MORTGAGE C	San Diego	7	Independent Mortgage Company
THE PRUDENTIAL HOME MORTGAGE C	Tampa	7	Independent Mortgage Company
THE PRUDENTIAL HOME MORTGAGE C	Washington	7	Independent Mortgage Company
TMC MORTGAGE CO.	Tampa	7	Independent Mortgage Company
TMC MORTGAGE CO.	Washington	7	Independent Mortgage Company
UDC MORTGAGE CORPORATION	Phoenix	7	Independent Mortgage Company
UNION SECURITY MORTGAGE	Anaheim	7	Independent Mortgage Company
UNION SECURITY MORTGAGE	Los Angeles	7	Independent Mortgage Company
VENTURE FINANCIAL SERVICES	Phoenix	7	Independent Mortgage Company
VINEYARD NATIONAL BANK	Riverside	1	Commercial/Savings Bank
WACHOVIA MORTGAGE CO	Atlanta	2	Bank Related Mortgage Company
WASHTENAW MORTGAGE COMPANY #2	Chicago	7	Independent Mortgage Company
WASHTENAW MORTGAGE COMPANY #2	Minneapolis	7	Independent Mortgage Company
WESTERN CITIES MORTGAGE CORPOR	Riverside	7	Independent Mortgage Company
WEYERHAEUSER MORTGAGE CO.	Anaheim	7	Independent Mortgage Company
WEYERHAEUSER MORTGAGE CO.	Riverside	7	Independent Mortgage Company
WORLDWIDE FINANCIAL SERVICES	Detroit	7	Independent Mortgage Company

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TABLE III. A.2 THE WORST LENDERS IN 1993: MARKETING TO MINORITIES

LENDER	MSA	Total Applications	Share of Applications	White Applications	White % of Applications	Minority Applications	Minority % of Applications	MSA Minority Average
ALLATOONA FEDERAL SAVINGS BANK	Atlanta	1561	1.03%	1461	93.59%	100	6.41%	12.46%
ALLIED SAVINGS BANK	Oakland	1768	1.55%	1634	92.42%	134	7.58%	15.21%
AMERICAN HOME FUNDING	Tampa	555	0.64%	519	93.51%	36	6.49%	8.68%
AMERICAN HOME MORTGAGE	Atlanta	2135	1.41%	2076	97.24%	59	2.76%	12.46%
AMERICAN RESIDENTIAL MORTGAGE	Anaheim	2138	1.58%	2010	94.01%	128	5.99%	12.50%
AMERICAN RESIDENTIAL MORTGAGE	Los Angeles	4511	1.44%	3777	83.73%	734	16.27%	33.10%
AMERICAN RESIDENTIAL MORTGAGE	Oakland	2212	1.94%	2047	92.54%	165	7.46%	15.21%
AMERICAN RESIDENTIAL MORTGAGE	San Diego	3174	2.54%	2929	92.28%	245	7.72%	13.35%
AMERICAN RESIDENTIAL MORTGAGE	St. Louis	1058	0.81%	1011	95.56%	47	4.44%	8.29%
ASSURANCE MORTGAGE CORP OF AME	Boston	1606	1.32%	1585	98.69%	21	1.31%	3.50%
ATLANTIC RESIDENTIAL MORTGAGE	Baltimore	2147	2.11%	2034	94.74%	113	5.26%	11.79%
BANCBOSTON MORTGAGE CORP.	Houston	699	0.73%	670	95.85%	29	4.15%	16.42%
BANCBOSTON MORTGAGE CORP.	Tampa	619	0.71%	578	93.38%	41	6.62%	8.68%
BANCBOSTON MORTGAGE CORP.	Washington	1916	0.82%	1798	93.84%	118	6.16%	16.80%
BANCORP MORTGAGE INC	Philadelphia	2030	1.02%	2005	98.77%	25	1.23%	8.86%
BARCLAYS AMERICAN MORTGAGE COR	Dallas	638	0.72%	619	97.02%	19	2.98%	12.35%
BARCLAYS AMERICAN MORTGAGE COR	Houston	608	0.63%	579	95.23%	29	4.77%	16.42%
BROOKSAMERICA MORTGAGE CORP.	Oakland	710	0.62%	650	91.55%	60	8.45%	15.21%
B.F.SAUL MORTGAGE COMPANY	Baltimore	1677	1.65%	1561	93.08%	116	6.92%	11.79%
CAL COAST MORTGAGE CORPORATION	San Diego	1602	1.28%	1394	87.02%	208	12.98%	13.35%
CALIFORNIA UNITED BANK	Los Angeles	1718	0.55%	1639	95.40%	79	4.60%	33.10%
CARL I. BROWN AND COMPANY	Tampa	1094	1.26%	1047	95.70%	47	4.30%	8.68%
CHARLES F CURRY COMPANY	Phoenix	1240	0.88%	1104	89.03%	136	10.97%	9.33%
CHASE HOME MORTGAGE CORP.	Boston	820	0.67%	808	98.54%	12	1.46%	3.50%
CHASE HOME MORTGAGE CORP.	Chicago	2901	1.07%	2777	95.73%	124	4.27%	16.37%
CHASE HOME MORTGAGE CORP.	Los Angeles	1928	0.61%	1863	96.63%	65	3.37%	33.10%
CHASE HOME MORTGAGE CORP.	Nassau-Suffolk	973	1.17%	943	96.92%	30	3.08%	6.86%
CHASE HOME MORTGAGE CORP.	New York	2431	2.27%	2283	93.91%	148	6.09%	20.81%
CHASE HOME MORTGAGE CORP.	Washington	1937	0.83%	1753	90.50%	184	9.50%	16.80%
CHASE U.S. CONSUMER SERVICES	Dallas	520	0.59%	513	98.65%	7	1.35%	12.35%
CITIBANK F.S.B.	St. Louis	681	0.52%	654	96.04%	27	3.96%	8.29%
CITIZENS NATIONAL MORTGAGE COR	Riverside	2214	1.70%	1604	72.45%	610	27.55%	27.15%
COLONIAL MORTGAGE COMPANY	Atlanta	3433	2.27%	3281	95.57%	152	4.43%	12.46%
COLONIAL MORTGAGE COMPANY	Dallas	1477	1.66%	1435	97.16%	42	2.84%	12.35%
COLONIAL MORTGAGE COMPANY	Houston	918	0.96%	884	96.30%	34	3.70%	16.42%
CORNERSTONE MORTGAGE COMPANY	Houston	1181	1.23%	1097	92.89%	84	7.11%	16.42%
COUNTRYWIDE FUNDING CORPORATIO	Atlanta	3576	2.36%	3392	94.85%	184	5.15%	12.46%
COUNTRYWIDE FUNDING CORPORATIO	Boston	4929	4.05%	4867	98.74%	62	1.26%	3.50%
COUNTRYWIDE FUNDING CORPORATIO	Nassau-Suffolk	1635	1.96%	1568	95.90%	67	4.10%	6.86%
COUNTRYWIDE FUNDING CORPORATIO	Riverside	5287	4.06%	4313	81.58%	974	18.42%	27.15%
COUNTRYWIDE FUNDING CORPORATIO	San Diego	9231	7.39%	8553	92.66%	678	7.34%	13.35%
COUNTRYWIDE FUNDING CORPORATIO	St. Louis	1020	0.78%	990	97.06%	30	2.94%	8.29%
COUNTRYWIDE FUNDING CORPORATIO	Washington	2687	1.15%	2397	89.21%	290	10.79%	16.80%
CRESTAR MORTGAGE CORPORATION	St. Louis	957	0.73%	943	98.54%	14	1.46%	8.29%
CROSSLAND MORTGAGE CORP.	Dallas	1311	1.48%	1277	97.41%	34	2.59%	12.35%
CROSSLAND MORTGAGE CORP.	Houston	1629	1.70%	1555	95.46%	74	4.54%	16.42%
CTX MORTGAGE COMPANY	Baltimore	1079	1.06%	1019	94.44%	60	5.56%	11.79%
CTX MORTGAGE COMPANY	Washington	1941	0.83%	1797	92.58%	144	7.42%	16.80%
DEDHAM INSTITUTION FOR SAVINGS	Boston	627	0.51%	623	99.36%	4	0.64%	3.50%
DOLLAR MORTGAGE CORPORATION	San Diego	641	0.51%	576	89.86%	65	10.14%	13.35%
EAGLE SERVICE CORP D/B/A ATLAN	Atlanta	912	0.60%	854	93.64%	58	6.36%	12.46%
EAST CAMBRIDGE SAVINGS BANK	Boston	635	0.52%	628	98.90%	7	1.10%	3.50%
EMIGRANT SAVINGS BANK	Nassau-Suffolk	1010	1.21%	973	96.34%	37	3.66%	6.86%
EMIGRANT SAVINGS BANK	New York	1314	1.23%	1221	92.92%	93	7.08%	20.81%
ENTRUST FINANCIAL CORPORATION	Atlanta	1235	0.82%	1179	95.47%	56	4.53%	12.46%
ENTRUST FINANCIAL CORPORATION	Baltimore	550	0.54%	511	92.91%	39	7.09%	11.79%
FIRST FRANKLIN	Los Angeles	3584	1.14%	3092	86.27%	492	13.73%	33.10%
FIRST FRANKLIN	Oakland	1409	1.23%	1282	90.99%	127	9.01%	15.21%
FIRST FRANKLIN	Riverside	735	0.56%	645	87.76%	90	12.24%	27.15%
FIRST FRANKLIN	San Diego	1436	1.15%	1343	93.52%	93	6.48%	13.35%
FIRST HEIGHTS BANK	Houston	1709	1.78%	1596	93.39%	113	6.61%	16.42%

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TABLE III. A.2 THE WORST LENDERS IN 1993: MARKETING TO MINORITIES

LENDER	MSA	Total Applications	Share of Applications	White Applications	White % of Applications	Minority Applications	Minority % of Applications	MSA Minority Average
FIRST LIBERTY BANK	Atlanta	1319	0.87%	1239	93.93%	80	6.07%	12.46%
FIRST UNION MORT. CORP.	Baltimore	615	0.60%	586	95.28%	29	4.72%	11.79%
FIRST UNION MORT. CORP.	Tampa	738	0.85%	703	95.26%	35	4.74%	8.68%
FLAGSHIP FEDERAL SAVINGS BANK	San Diego	752	0.60%	704	93.62%	48	6.38%	13.35%
FLEET MORTGAGE CORP.	Riverside	1006	0.77%	721	71.67%	285	28.33%	27.15%
FRANKLIN MORTGAGE CAPITAL	Baltimore	600	0.59%	582	97.00%	18	3.00%	11.79%
FRANKLIN MORTGAGE CAPITAL	Dallas	1356	1.53%	1324	97.64%	32	2.36%	12.35%
FRANKLIN MORTGAGE CAPITAL	Washington	3992	1.70%	3718	93.14%	274	6.86%	16.80%
GE CAPITAL MORTGAGE SERVICES	Baltimore	733	0.72%	688	93.86%	45	6.14%	11.79%
GE CAPITAL MORTGAGE SERVICES	Boston	985	0.81%	967	98.17%	18	1.83%	3.50%
GE CAPITAL MORTGAGE SERVICES	Chicago	2038	0.75%	1871	91.81%	167	8.19%	16.37%
GE CAPITAL MORTGAGE SERVICES	Dallas	469	0.53%	450	95.95%	19	4.05%	12.35%
GE CAPITAL MORTGAGE SERVICES	Houston	652	0.68%	615	94.33%	37	5.67%	16.42%
GE CAPITAL MORTGAGE SERVICES	Oakland	913	0.80%	859	94.09%	54	5.91%	15.21%
GE CAPITAL MORTGAGE SERVICES	Philadelphia	6755	3.40%	6525	96.60%	230	3.40%	8.86%
GE CAPITAL MORTGAGE SERVICES	Washington	3373	1.44%	3104	92.02%	269	7.98%	16.80%
GMAC MORTGAGE CORPORATION OF P	Minneapolis	2434	1.21%	2402	98.69%	32	1.31%	1.69%
GMAC MORTGAGE CORPORATION OF P	Riverside	1279	0.98%	1038	81.16%	241	18.84%	27.15%
GN MORTGAGE	Anaheim	1052	0.78%	1013	96.29%	39	3.71%	12.50%
GN MORTGAGE	Los Angeles	3429	1.09%	2884	84.11%	545	15.89%	33.10%
GN MORTGAGE	Oakland	950	0.83%	905	95.26%	45	4.74%	15.21%
GN MORTGAGE	San Diego	681	0.55%	636	93.39%	45	6.61%	13.35%
GREENTREE MORTGAGE COMPANY LP	Tampa	770	0.88%	741	96.23%	29	3.77%	8.68%
GUARDIAN MORTGAGE COMPANY	Detroit	1230	0.52%	1215	98.78%	15	1.22%	7.38%
HEADLANDS MORTGAGE COMPANY	Anaheim	748	0.55%	690	92.25%	58	7.75%	12.50%
HEADLANDS MORTGAGE COMPANY	Oakland	1444	1.26%	1300	90.03%	144	9.97%	15.21%
HEIGL MORT. & FINANCIAL CORP.	Minneapolis	3174	1.58%	3140	98.93%	34	1.07%	1.69%
HOME FEDERAL SAVINGS BANK OF M	St. Louis	3051	2.33%	3017	98.89%	34	1.11%	8.29%
HOMESTEAD MORTGAGE CORPORATION	Minneapolis	2986	1.49%	2959	99.10%	27	0.90%	1.69%
HORIZON SAVINGS BANK	Tampa	564	0.65%	529	93.79%	35	6.21%	8.68%
HOUSEHOLD BANK	Chicago	5605	2.06%	5265	93.93%	340	6.07%	16.37%
IMPERIAL CREDIT INDUSTRIES	Riverside	1582	1.22%	1290	81.54%	292	18.46%	27.15%
INDEPENDENCE SAVINGS BANK	New York	1456	1.36%	1338	91.90%	118	8.10%	20.81%
INTEGRA MORTGAGE COMPANY	Philadelphia	1053	0.53%	1011	96.01%	42	3.99%	8.86%
JAMES B. NUTTER & COMPANY	St. Louis	1006	0.77%	991	98.51%	15	1.49%	8.29%
J.I. KISLAK MORTGAGE CORP.	Boston	1441	1.18%	1423	98.75%	18	1.25%	3.50%
KEYCORP MORTGAGE INC.	Nassau-Suffolk	1383	1.66%	1343	97.11%	40	2.89%	6.86%
KNUTSON MORTGAGE CORPORATION	Minneapolis	4175	2.08%	4143	99.23%	32	0.77%	1.69%
LAKELAND MORTGAGE CORP.	Minneapolis	3393	1.69%	3358	98.97%	35	1.03%	1.69%
LEEDS FEDERAL SAVINGS & LOAN	Baltimore	630	0.62%	610	96.83%	20	3.17%	11.79%
LOAN AMERICA FINANCE CORP	Anaheim	1266	0.93%	1165	92.02%	101	7.98%	12.50%
LOAN AMERICA FINANCE CORP	Chicago	1649	0.61%	1527	92.60%	122	7.40%	16.37%
LOAN AMERICA FINANCE CORP	Minneapolis	1019	0.51%	1007	98.82%	12	1.18%	1.69%
MAIN LINE FEDERAL SAVINGS BANK	Philadelphia	3078	1.55%	3040	98.77%	38	1.23%	8.86%
MARGARETTEN & COMPANY	Tampa	1665	1.91%	1589	95.44%	76	4.56%	8.68%
MEDALLION MORTGAGE COMPANY	Phoenix	2028	1.45%	1935	95.41%	93	4.59%	9.33%
MELLON BANK (MD)	Baltimore	664	0.65%	635	95.63%	29	4.37%	11.79%
MELLON BANK (MD)	Washington	1898	0.81%	1673	88.15%	225	11.85%	16.80%
MELLON MORTGAGE COMPANY	Dallas	507	0.57%	475	93.69%	32	6.31%	12.35%
MELLON MORTGAGE COMPANY	Phoenix	2066	1.47%	1994	96.52%	72	3.48%	9.33%
MERCANTILE BANK & TRUST	Dallas	1294	1.46%	1273	98.38%	21	1.62%	12.35%
METMOR FINANCIAL	Phoenix	822	0.59%	771	93.80%	51	6.20%	9.33%
METRO BANK	Atlanta	760	0.50%	733	96.45%	27	3.55%	12.46%
METROPOLITAN SERVICE CORP.	Anaheim	2338	1.73%	2186	93.50%	152	6.50%	12.50%
METROPOLITAN SERVICE CORP.	Los Angeles	2519	0.80%	2114	83.92%	405	16.08%	33.10%
METROPOLITAN SERVICE CORP.	Riverside	687	0.53%	581	84.57%	106	15.43%	27.15%
MICAL MORTGAGE	Riverside	2136	1.64%	1519	71.11%	617	28.89%	27.15%
MIDCOAST MORTGAGE CORPORATION	Nassau-Suffolk	2788	3.34%	2647	94.94%	141	5.06%	6.86%
MIDLAND FINANCIAL MORTGAGES	Chicago	2330	0.86%	2189	93.95%	141	6.05%	16.37%
MIDLAND FINANCIAL MORTGAGES	St. Louis	1388	1.06%	1373	98.92%	15	1.08%	8.29%
MITCHELL MORTGAGE COMPANY	Houston	552	0.58%	526	95.29%	26	4.71%	16.42%
MT VERNON FEDERAL SAVINGS BANK	Atlanta	1153	0.76%	1069	92.71%	84	7.29%	12.46%

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TABLE III. A.2 THE WORST LENDERS IN 1993: MARKETING TO MINORITIES

LENDER	MSA	Total Applications	Share of Applications	White Applications	White % of Applications	Minority Applications	Minority % of Applications	MSA Minority Average
NAVY FEDERAL CREDIT UNION	Washington	5511	2.35%	4862	88.22%	649	11.78%	16.80%
NBD MORTGAGE COMPANY	Chicago	4832	1.78%	4700	97.27%	132	2.73%	16.37%
NORTH AMERICAN MORTGAGE CO	Philadelphia	1215	0.61%	1195	98.35%	20	1.65%	8.86%
NORWEST MORTGAGE	Atlanta	1643	1.09%	1553	94.52%	90	5.48%	12.46%
OLD COLONY MORTGAGE CORPORATIO	Boston	867	0.71%	860	99.19%	7	0.81%	3.50%
PEOPLES WESTCHESTER	New York	1574	1.47%	1469	93.33%	105	6.67%	20.81%
PHILADELPHIA MORTGAGE CORP.	Philadelphia	3181	1.60%	3128	98.33%	53	1.67%	8.86%
PIB MORTGAGE COMPANY	Anaheim	943	0.70%	869	92.15%	74	7.85%	12.50%
PIB MORTGAGE COMPANY	Oakland	932	0.82%	841	90.24%	91	9.76%	15.21%
PINE STATE MORTGAGE CORPORATIO	Atlanta	1189	0.79%	1093	91.93%	96	8.07%	12.46%
PINNACLE MORTGAGE INVEST. CORP	Philadelphia	2633	1.32%	2583	98.10%	50	1.90%	8.86%
PNC MORTGAGE CORP. OF AMERICA	Los Angeles	1560	0.50%	1262	80.90%	298	19.10%	33.10%
PNC MORTGAGE CORP. OF AMERICA	New York	674	0.63%	598	88.72%	76	11.28%	20.81%
PRINCIPAL MUTUAL LIFE INS CO	Chicago	3263	1.20%	3057	93.69%	206	6.31%	16.37%
PROGRESS FEDERAL SAVINGS BANK	Philadelphia	1003	0.50%	985	98.21%	18	1.79%	8.86%
PROGRESSIVE SOUTHERN MORTGAGE	Dallas	639	0.72%	591	92.49%	48	7.51%	12.35%
PROVIDENT SAVINGS BANK	New York	750	0.70%	706	94.13%	44	5.87%	20.81%
PROVIDENT SAVINGS BANK	Riverside	1351	1.04%	1142	84.53%	209	15.47%	27.15%
PROVIDENT SAVINGS BANK	San Diego	1014	0.81%	945	93.20%	69	6.80%	13.35%
REISTERSTOWN FEDERAL SAVINGS B	Baltimore	1469	1.44%	1427	97.14%	42	2.86%	11.79%
REPUBLIC BANK	Detroit	9380	3.94%	9229	98.39%	151	1.61%	7.38%
REPUBLIC BANK	St. Louis	2486	1.90%	2430	97.75%	56	2.25%	8.29%
REPUBLIC BANK FOR SAVINGS	Nassau-Suffolk	1135	1.36%	1095	96.48%	40	3.52%	6.86%
RICHARDS-WOODBURY MORTG. CORP.	Phoenix	707	0.50%	668	94.48%	39	5.52%	9.33%
RIDGEWOOD SAVINGS BANK	Nassau-Suffolk	1035	1.24%	993	95.94%	42	4.06%	6.86%
ROCK FINANCIAL CORPORATION	Detroit	7664	3.22%	7467	97.43%	197	2.57%	7.38%
ROOSEVELT SAVINGS BANK	Nassau-Suffolk	1708	2.05%	1617	94.67%	91	5.33%	6.86%
ROOSEVELT SAVINGS BANK	New York	695	0.65%	642	92.37%	53	7.63%	20.81%
RSL MORTGAGE CORPORATION	Anaheim	1054	0.78%	990	93.93%	64	6.07%	12.50%
RYLAND MORTGAGE COMPANY	Oakland	626	0.55%	568	90.73%	58	9.27%	15.21%
SAN DIEGO FUNDING	San Diego	2256	1.81%	2052	90.96%	204	9.04%	13.35%
SIBLEY MORTGAGE CORPORATION	New York	890	0.83%	851	95.62%	39	4.38%	20.81%
SOURCE ONE MORTGAGE	Detroit	2226	0.93%	2162	97.12%	64	2.88%	7.38%
SOURCE ONE MORTGAGE	Houston	537	0.56%	505	94.04%	32	5.96%	16.42%
SOURCE ONE MORTGAGE	Tampa	1683	1.93%	1595	94.77%	88	5.23%	8.68%
SOURCE ONE MORTGAGE	Washington	1228	0.52%	1125	91.61%	103	8.39%	16.80%
SOUTHERN CALIFORNIA FEDERAL SA	Anaheim	719	0.53%	688	95.69%	31	4.31%	12.50%
SOUTHTRUST MORTGAGE CORP.	Tampa	470	0.54%	454	96.60%	16	3.40%	8.68%
SOVEREIGN BANK. A FED SAVINGS	Philadelphia	1896	0.95%	1856	97.89%	40	2.11%	8.86%
STANDARD FEDERAL BANK	Detroit	36603	15.37%	35325	96.51%	1278	3.49%	7.38%
STATE SAVINGS BANK	Phoenix	2978	2.12%	2814	94.49%	164	5.51%	9.33%
ST. JAMES SERVICING CORP	Detroit	1322	0.56%	1302	98.49%	20	1.51%	7.38%
SUBURBAN MORTGAGE CO.	Boston	684	0.56%	663	96.93%	21	3.07%	3.50%
SUNBELT NATIONAL MORTGAGE CORP	Houston	597	0.62%	553	92.63%	44	7.37%	16.42%
SUNBELT NATIONAL MORTGAGE CORP	Phoenix	1263	0.90%	1175	93.03%	88	6.97%	9.33%
SUNCOAST SAVINGS & LOAN ASSOC.	Boston	686	0.56%	672	97.96%	14	2.04%	3.50%
SUNCOAST SAVINGS & LOAN ASSOC.	Tampa	479	0.55%	463	96.66%	16	3.34%	8.68%
SUNRISE FEDERAL SAVINGS BANK	Nassau-Suffolk	425	0.51%	409	96.24%	16	3.76%	6.86%
TEMPLE-INLAND MORTGAGE CO.	Los Angeles	1840	0.59%	1569	85.27%	271	14.73%	33.10%
TEMPLE-INLAND MORTGAGE CO.	Nassau-Suffolk	550	0.66%	527	95.82%	23	4.18%	6.86%
THE BRYN MAWR TRUST CO.	Philadelphia	1324	0.67%	1286	97.13%	38	2.87%	8.86%
THE COLONIAL BANK	St. Louis	1255	0.96%	1240	98.80%	15	1.20%	8.29%
THE HUNTINGTON MORTGAGE CO	Boston	6437	5.29%	6349	98.63%	88	1.37%	3.50%
THE HUNTINGTON MORTGAGE CO	Detroit	1926	0.81%	1882	97.72%	44	2.28%	7.38%
THE PRUDENTIAL HOME MORTGAGE C	Anaheim	7317	5.40%	7023	95.98%	294	4.02%	12.50%
THE PRUDENTIAL HOME MORTGAGE C	Atlanta	3328	2.20%	3121	93.78%	207	6.22%	12.46%
THE PRUDENTIAL HOME MORTGAGE C	Baltimore	1914	1.88%	1846	96.45%	68	3.55%	11.79%
THE PRUDENTIAL HOME MORTGAGE C	Boston	2434	2.00%	2403	98.73%	31	1.27%	3.50%
THE PRUDENTIAL HOME MORTGAGE C	Chicago	2432	0.89%	2300	94.57%	132	5.43%	16.37%
THE PRUDENTIAL HOME MORTGAGE C	Dallas	2156	2.43%	2098	97.31%	58	2.69%	12.35%
THE PRUDENTIAL HOME MORTGAGE C	Houston	2127	2.22%	2035	95.67%	92	4.33%	16.42%
THE PRUDENTIAL HOME MORTGAGE C	Los Angeles	14538	4.64%	13613	93.64%	925	6.36%	33.10%

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TABLE III. A.2 THE WORST LENDERS IN 1993: MARKETING TO MINORITIES

LENDER	MSA	Total Applications	Share of Applications	White Applications	White % of Applications	Minority Applications	Minority % of Applications	MSA Minority Average
THE PRUDENTIAL HOME MORTGAGE C	Minneapolis	2211	1.10%	2192	99.14%	19	0.86%	1.69%
THE PRUDENTIAL HOME MORTGAGE C	Nassau-Suffolk	5128	6.14%	5006	97.62%	122	2.38%	6.86%
THE PRUDENTIAL HOME MORTGAGE C	New York	5508	5.14%	5161	93.70%	347	6.30%	20.81%
THE PRUDENTIAL HOME MORTGAGE C	Oakland	6770	5.93%	6462	95.45%	308	4.55%	15.21%
THE PRUDENTIAL HOME MORTGAGE C	Philadelphia	3569	1.79%	3438	96.33%	131	3.67%	8.86%
THE PRUDENTIAL HOME MORTGAGE C	Phoenix	985	0.70%	963	97.77%	22	2.23%	9.33%
THE PRUDENTIAL HOME MORTGAGE C	Riverside	1679	1.29%	1503	89.52%	176	10.48%	27.15%
THE PRUDENTIAL HOME MORTGAGE C	San Diego	4197	3.36%	4032	96.07%	165	3.93%	13.35%
THE PRUDENTIAL HOME MORTGAGE C	Tampa	958	1.10%	923	96.35%	35	3.65%	8.68%
THE PRUDENTIAL HOME MORTGAGE C	Washington	5328	2.27%	4967	93.22%	361	6.78%	16.80%
TMC MORTGAGE CO.	Tampa	688	0.79%	678	98.55%	10	1.45%	8.68%
TMC MORTGAGE CO.	Washington	2327	0.99%	2273	97.68%	54	2.32%	16.80%
UDC MORTGAGE CORPORATION	Phoenix	785	0.56%	734	93.50%	51	6.50%	9.33%
UNION SECURITY MORTGAGE	Anaheim	1238	0.91%	1171	94.59%	67	5.41%	12.50%
UNION SECURITY MORTGAGE	Los Angeles	1968	0.63%	1708	86.79%	260	13.21%	33.10%
VENTURE FINANCIAL SERVICES	Phoenix	2756	1.97%	2493	90.46%	263	9.54%	9.33%
VINEYARD NATIONAL BANK	Riverside	698	0.54%	599	85.82%	99	14.18%	27.15%
WACHOVIA MORTGAGE CO	Atlanta	2484	1.64%	2304	92.75%	180	7.25%	12.46%
WASHTENAW MORTGAGE COMPANY #2	Chicago	2810	1.03%	2659	94.63%	151	5.37%	16.37%
WASHTENAW MORTGAGE COMPANY #2	Minneapolis	1031	0.51%	1022	99.13%	9	0.87%	1.69%
WESTERN CITIES MORTGAGE CORPOR	Riverside	1725	1.33%	1331	77.16%	394	22.84%	27.15%
WEYERHAEUSER MORTGAGE CO.	Anaheim	742	0.55%	685	92.32%	57	7.68%	12.50%
WEYERHAEUSER MORTGAGE CO.	Riverside	1070	0.82%	827	77.29%	243	22.71%	27.15%
WORLDWIDE FINANCIAL SERVICES	Detroit	1987	0.83%	1965	98.89%	22	1.11%	7.38%

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TABLE III. A.3 THE WORST LENDERS IN 1993: DENIAL RATIOS

LENDER	MSA	Total Applications	Minority Applications	Minority Denials	Minority Denial Rate	White Denial Rate	Minority to White Denial Ratio
ALLATOONA FEDERAL SAVINGS BANK	Atlanta	1561	100	18	18.00	2.74	6.57
ALLIED SAVINGS BANK	Oakland	1768	134	17	12.69	7.10	1.79
AMERICAN HOME FUNDING	Tampa	555	36	9	25.00	7.71	3.24
AMERICAN HOME MORTGAGE	Atlanta	2135	59	1	1.69	1.25	1.35
AMERICAN RESIDENTIAL MORTGAGE	Anaheim	2138	128	26	20.31	11.54	1.76
AMERICAN RESIDENTIAL MORTGAGE	Los Angeles	4511	734	175	23.84	15.99	1.49
AMERICAN RESIDENTIAL MORTGAGE	Oakland	2212	165	38	23.03	14.46	1.59
AMERICAN RESIDENTIAL MORTGAGE	San Diego	3174	245	32	13.06	8.74	1.49
AMERICAN RESIDENTIAL MORTGAGE	St. Louis	1058	47	16	34.04	9.59	3.55
ASSURANCE MORTGAGE CORP OF AME	Boston	1606	21	0	0.00	0.95	0.00
ATLANTIC RESIDENTIAL MORTGAGE	Baltimore	2147	113	12	10.62	3.88	2.74
BANCBOSTON MORTGAGE CORP.	Houston	699	29	8	27.59	12.24	2.25
BANCBOSTON MORTGAGE CORP.	Tampa	619	41	6	14.63	5.02	2.91
BANCBOSTON MORTGAGE CORP.	Washington	1916	118	11	9.32	3.56	2.62
BANCORP MORTGAGE INC	Philadelphia	2030	25	4	16.00	9.53	1.68
BARCLAYS AMERICAN MORTGAGE COR	Dallas	638	19	2	10.53	4.85	2.17
BARCLAYS AMERICAN MORTGAGE COR	Houston	608	29	4	13.79	7.43	1.86
BROOKSAMERICA MORTGAGE CORP.	Oakland	710	60	19	31.67	16.92	1.87
B.F.SAUL MORTGAGE COMPANY	Baltimore	1677	116	15	12.93	4.48	2.89
CAL COAST MORTGAGE CORPORATION	San Diego	1602	208	52	25.00	10.11	2.47
CALIFORNIA UNITED BANK	Los Angeles	1718	79	18	22.78	14.15	1.61
CARL I. BROWN AND COMPANY	Tampa	1094	47	14	29.79	18.43	1.62
CHARLES F CURRY COMPANY	Phoenix	1240	136	6	4.41	1.00	4.41
CHASE HOME MORTGAGE CORP.	Boston	820	12	4	33.33	3.34	9.98
CHASE HOME MORTGAGE CORP.	Chicago	2901	124	6	4.84	3.49	1.39
CHASE HOME MORTGAGE CORP.	Los Angeles	1928	65	27	41.54	18.46	2.25
CHASE HOME MORTGAGE CORP.	Nassau-Suffolk	973	30	6	20.00	12.83	1.56
CHASE HOME MORTGAGE CORP.	New York	2431	148	39	26.35	10.42	2.53
CHASE HOME MORTGAGE CORP.	Washington	1937	184	37	20.11	9.93	2.03
CHASE U.S. CONSUMER SERVICES	Dallas	520	7	0	0.00	10.14	0.00
CITIBANK F.S.B.	St. Louis	681	27	13	48.15	12.08	3.99
CITIZENS NATIONAL MORTGAGE COR	Riverside	2214	610	143	23.44	17.71	1.32
COLONIAL MORTGAGE COMPANY	Atlanta	3433	152	10	6.58	3.44	1.91
COLONIAL MORTGAGE COMPANY	Dallas	1477	42	5	11.90	3.00	3.97
COLONIAL MORTGAGE COMPANY	Houston	918	34	1	2.94	2.26	1.30
CORNERSTONE MORTGAGE COMPANY	Houston	1181	84	26	30.95	4.65	6.66
COUNTRYWIDE FUNDING CORPORATIO	Atlanta	3576	184	28	15.22	8.67	1.76
COUNTRYWIDE FUNDING CORPORATIO	Boston	4929	62	4	6.45	3.76	1.72
COUNTRYWIDE FUNDING CORPORATIO	Nassau-Suffolk	1635	67	9	13.43	5.80	2.32
COUNTRYWIDE FUNDING CORPORATIO	Riverside	5287	974	137	14.07	13.68	1.03
COUNTRYWIDE FUNDING CORPORATIO	San Diego	9231	678	107	15.78	13.26	1.19
COUNTRYWIDE FUNDING CORPORATIO	St. Louis	1020	30	5	16.67	5.15	3.24
COUNTRYWIDE FUNDING CORPORATIO	Washington	2687	290	43	14.83	5.34	2.78
CRESTAR MORTGAGE CORPORATION	St. Louis	957	14	0	0.00	2.33	0.00
CROSSLAND MORTGAGE CORP.	Dallas	1311	34	2	5.88	2.35	2.50
CROSSLAND MORTGAGE CORP.	Houston	1629	74	6	8.11	3.34	2.43
CTX MORTGAGE COMPANY	Baltimore	1079	60	11	18.33	4.22	4.34
CTX MORTGAGE COMPANY	Washington	1941	144	19	13.19	2.78	4.74
DEDHAM INSTITUTION FOR SAVINGS	Boston	627	4	1	25.00	8.51	2.94
DOLLAR MORTGAGE CORPORATION	San Diego	641	65	15	23.08	18.58	1.24
EAGLE SERVICE CORP D/B/A ATLAN	Atlanta	912	58	6	10.34	2.11	4.90
EAST CAMBRIDGE SAVINGS BANK	Boston	635	7	4	57.14	18.15	3.15
EMIGRANT SAVINGS BANK	Nassau-Suffolk	1010	37	6	16.22	9.35	1.73
EMIGRANT SAVINGS BANK	New York	1314	93	21	22.58	11.79	1.92
ENTRUST FINANCIAL CORPORATION	Atlanta	1235	56	6	10.71	2.46	4.35
ENTRUST FINANCIAL CORPORATION	Baltimore	550	39	3	7.69	1.57	4.90
FIRST FRANKLIN	Los Angeles	3584	492	113	22.97	15.39	1.49
FIRST FRANKLIN	Oakland	1409	127	22	17.32	9.52	1.82
FIRST FRANKLIN	Riverside	735	90	19	21.11	14.57	1.45
FIRST FRANKLIN	San Diego	1436	93	17	18.28	12.06	1.52
FIRST HEIGHTS BANK	Houston	1709	113	34	30.09	7.39	4.07

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TABLE III. A.3 THE WORST LENDERS IN 1993: DENIAL RATIOS

LENDER	MSA	Total Applications	Minority Applications	Minority Denials	Minority Denial Rate	White Denial Rate	Minority to White Denial Ratio
FIRST LIBERTY BANK	Atlanta	1319	80	12	15.00	4.20	3.57
FIRST UNION MORT. CORP.	Baltimore	615	29	5	17.24	7.68	2.24
FIRST UNION MORT. CORP.	Tampa	738	35	3	8.57	4.41	1.94
FLAGSHIP FEDERAL SAVINGS BANK	San Diego	752	48	12	25.00	12.22	2.05
FLEET MORTGAGE CORP.	Riverside	1006	285	34	11.93	7.49	1.59
FRANKLIN MORTGAGE CAPITAL	Baltimore	600	18	4	22.22	10.31	2.16
FRANKLIN MORTGAGE CAPITAL	Dallas	1356	32	0	0.00	0.53	0.00
FRANKLIN MORTGAGE CAPITAL	Washington	3992	274	33	12.04	4.57	2.63
GE CAPITAL MORTGAGE SERVICES	Baltimore	733	45	7	15.56	5.96	2.61
GE CAPITAL MORTGAGE SERVICES	Boston	985	18	3	16.67	6.83	2.44
GE CAPITAL MORTGAGE SERVICES	Chicago	2038	167	47	28.14	4.54	6.20
GE CAPITAL MORTGAGE SERVICES	Dallas	469	19	6	31.58	11.33	2.79
GE CAPITAL MORTGAGE SERVICES	Houston	652	37	6	16.22	6.50	2.50
GE CAPITAL MORTGAGE SERVICES	Oakland	913	54	10	18.52	7.10	2.61
GE CAPITAL MORTGAGE SERVICES	Philadelphia	6755	230	39	16.96	5.66	3.00
GE CAPITAL MORTGAGE SERVICES	Washington	3373	269	37	13.75	3.22	4.27
GMAC MORTGAGE CORPORATION OF P	Minneapolis	2434	32	9	28.13	3.46	8.13
GMAC MORTGAGE CORPORATION OF P	Riverside	1279	241	49	20.33	9.44	2.15
GN MORTGAGE	Anaheim	1052	39	12	30.77	26.36	1.17
GN MORTGAGE	Los Angeles	3429	545	171	31.38	23.47	1.34
GN MORTGAGE	Oakland	950	45	7	15.56	12.38	1.26
GN MORTGAGE	San Diego	681	45	15	33.33	26.57	1.25
GREENTREE MORTGAGE COMPANY LP	Tampa	770	29	10	34.48	18.49	1.86
GUARDIAN MORTGAGE COMPANY	Detroit	1230	15	0	0.00	1.07	0.00
HEADLANDS MORTGAGE COMPANY	Anaheim	748	58	29	50.00	26.52	1.89
HEADLANDS MORTGAGE COMPANY	Oakland	1444	144	37	25.69	10.69	2.40
HEIGL MORT. & FINANCIAL CORP.	Minneapolis	3174	34	0	0.00	2.04	0.00
HOME FEDERAL SAVINGS BANK OF M	St. Louis	3051	34	4	11.76	4.54	2.59
HOMESTEAD MORTGAGE CORPORATION	Minneapolis	2986	27	1	3.70	0.95	3.89
HORIZON SAVINGS BANK	Tampa	564	35	3	8.57	3.97	2.16
HOUSEHOLD BANK	Chicago	5605	340	69	20.29	9.08	2.23
IMPERIAL CREDIT INDUSTRIES	Riverside	1582	292	76	26.03	19.69	1.32
INDEPENDENCE SAVINGS BANK	New York	1456	118	53	44.92	24.81	1.81
INTEGRA MORTGAGE COMPANY	Philadelphia	1053	42	6	14.29	2.87	4.98
JAMES B. NUTTER & COMPANY	St. Louis	1006	15	5	33.33	8.17	4.08
J.I. KISLAK MORTGAGE CORP.	Boston	1441	18	1	5.56	1.55	3.59
KEYCORP MORTGAGE INC.	Nassau-Suffolk	1383	40	5	12.50	7.22	1.73
KNUTSON MORTGAGE CORPORATION	Minneapolis	4175	32	3	9.38	4.34	2.16
LAKELAND MORTGAGE CORP.	Minneapolis	3393	35	0	0.00	0.00	ERR
LEEDS FEDERAL SAVINGS & LOAN	Baltimore	630	20	3	15.00	3.44	4.36
LOAN AMERICA FINANCE CORP	Anaheim	1266	101	16	15.84	9.44	1.68
LOAN AMERICA FINANCE CORP	Chicago	1649	122	21	17.21	6.61	2.60
LOAN AMERICA FINANCE CORP	Minneapolis	1019	12	3	25.00	5.66	4.42
MAIN LINE FEDERAL SAVINGS BANK	Philadelphia	3078	38	7	18.42	4.84	3.81
MARGARETTEN & COMPANY	Tampa	1665	76	14	18.42	7.43	2.48
MEDALLION MORTGAGE COMPANY	Phoenix	2028	93	1	1.08	4.91	0.22
MELLON BANK (MD)	Baltimore	664	29	4	13.79	9.29	1.48
MELLON BANK (MD)	Washington	1898	225	54	24.00	6.22	3.86
MELLON MORTGAGE COMPANY	Dallas	507	32	7	21.88	5.89	3.71
MELLON MORTGAGE COMPANY	Phoenix	2066	72	8	11.11	1.86	5.97
MERCANTILE BANK & TRUST	Dallas	1294	21	0	0.00	1.57	0.00
METMOR FINANCIAL	Phoenix	822	51	5	9.80	2.85	3.44
METRO BANK	Atlanta	760	27	3	11.11	4.64	2.39
METROPOLITAN SERVICE CORP.	Anaheim	2338	152	29	19.08	10.34	1.85
METROPOLITAN SERVICE CORP.	Los Angeles	2519	405	89	21.98	12.25	1.79
METROPOLITAN SERVICE CORP.	Riverside	687	106	24	22.64	15.49	1.46
MICAL MORTGAGE	Riverside	2136	617	88	14.26	10.93	1.30
MIDCOAST MORTGAGE CORPORATION	Nassau-Suffolk	2788	141	29	20.57	7.14	2.88
MIDLAND FINANCIAL MORTGAGES	Chicago	2330	141	24	17.02	8.22	2.07
MIDLAND FINANCIAL MORTGAGES	St. Louis	1388	15	2	13.33	5.68	2.35
MITCHELL MORTGAGE COMPANY	Houston	552	26	10	38.46	14.15	2.72
MT VERNON FEDERAL SAVINGS BANK	Atlanta	1153	84	14	16.67	5.14	3.24

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TABLE III. A.3 THE WORST LENDERS IN 1993: DENIAL RATIOS

LENDER	MSA	Total Applications	Minority Applications	Minority Denials	Minority Denial Rate	White Denial Rate	Minority to White Denial Ratio
NAVY FEDERAL CREDIT UNION	Washington	5511	649	48	7.40	0.68	10.88
NBD MORTGAGE COMPANY	Chicago	4832	132	15	11.36	3.98	2.85
NORTH AMERICAN MORTGAGE CO	Philadelphia	1215	20	2	10.00	5.44	1.84
NORWEST MORTGAGE	Atlanta	1643	90	24	26.67	6.37	4.19
OLD COLONY MORTGAGE CORPORATIO	Boston	867	7	3	42.86	7.56	5.67
PEOPLES WESTCHESTER	New York	1574	105	40	38.10	17.43	2.19
PHILADELPHIA MORTGAGE CORP.	Philadelphia	3181	53	8	15.09	8.57	1.76
PIB MORTGAGE COMPANY	Anaheim	943	74	19	25.68	14.96	1.72
PIB MORTGAGE COMPANY	Oakland	932	91	22	24.18	10.46	2.31
PINE STATE MORTGAGE CORPORATIO	Atlanta	1189	96	15	15.63	3.75	4.17
PINNACLE MORTGAGE INVEST. CORP	Philadelphia	2633	50	1	2.00	0.62	3.23
PNC MORTGAGE CORP. OF AMERICA	Los Angeles	1560	298	62	20.81	10.62	1.96
PNC MORTGAGE CORP. OF AMERICA	New York	674	76	13	17.11	6.69	2.56
PRINCIPAL MUTUAL LIFE INS CO	Chicago	3263	206	25	12.14	4.02	3.02
PROGRESS FEDERAL SAVINGS BANK	Philadelphia	1003	18	10	55.56	3.76	14.78
PROGRESSIVE SOUTHERN MORTGAGE	Dallas	639	48	22	45.83	19.63	2.33
PROVIDENT SAVINGS BANK	New York	750	44	5	11.36	6.23	1.82
PROVIDENT SAVINGS BANK	Riverside	1351	209	72	34.45	21.02	1.64
PROVIDENT SAVINGS BANK	San Diego	1014	69	26	37.68	24.66	1.53
REISTERSTOWN FEDERAL SAVINGS B	Baltimore	1469	42	2	4.76	2.52	1.89
REPUBLIC BANK	Detroit	9380	151	18	11.92	3.80	3.14
REPUBLIC BANK	St. Louis	2486	56	14	25.00	6.17	4.05
REPUBLIC BANK FOR SAVINGS	Nassau-Suffolk	1135	40	6	15.00	8.13	1.85
RICHARDS-WOODBURY MORTG. CORP.	Phoenix	707	39	1	2.56	0.30	8.53
RIDGEWOOD SAVINGS BANK	Nassau-Suffolk	1035	42	8	19.05	7.85	2.43
ROCK FINANCIAL CORPORATION	Detroit	7664	197	31	15.74	4.08	3.86
ROOSEVELT SAVINGS BANK	Nassau-Suffolk	1708	91	16	17.58	7.11	2.47
ROOSEVELT SAVINGS BANK	New York	695	53	15	28.30	11.21	2.52
RSL MORTGAGE CORPORATION	Anaheim	1054	64	18	28.13	20.51	1.37
RYLAND MORTGAGE COMPANY	Oakland	626	58	16	27.59	15.49	1.78
SAN DIEGO FUNDING	San Diego	2256	204	9	4.41	1.32	3.34
SIBLEY MORTGAGE CORPORATION	New York	890	39	1	2.56	4.82	0.53
SOURCE ONE MORTGAGE	Detroit	2226	64	4	6.25	1.53	4.08
SOURCE ONE MORTGAGE	Houston	537	32	3	9.38	3.37	2.78
SOURCE ONE MORTGAGE	Tampa	1683	88	12	13.64	3.64	3.75
SOURCE ONE MORTGAGE	Washington	1228	103	13	12.62	2.93	4.31
SOUTHERN CALIFORNIA FEDERAL SA	Anaheim	719	31	11	35.48	14.97	2.37
SOUTHTRUST MORTGAGE CORP.	Tampa	470	16	2	12.50	3.96	3.16
SOVEREIGN BANK. A FED SAVINGS	Philadelphia	1896	40	8	20.00	9.59	2.09
STANDARD FEDERAL BANK	Detroit	36603	1278	91	7.12	1.71	4.16
STATE SAVINGS BANK	Phoenix	2978	164	8	4.88	4.37	1.12
ST. JAMES SERVICING CORP	Detroit	1322	20	1	5.00	1.38	3.62
SUBURBAN MORTGAGE CO.	Boston	684	21	15	71.43	19.91	3.59
SUNBELT NATIONAL MORTGAGE CORP	Houston	597	44	3	6.82	1.08	6.31
SUNBELT NATIONAL MORTGAGE CORP	Phoenix	1263	88	22	25.00	6.98	3.58
SUNCOAST SAVINGS & LOAN ASSOC.	Boston	686	14	7	50.00	25.15	1.99
SUNCOAST SAVINGS & LOAN ASSOC.	Tampa	479	16	2	12.50	20.30	0.62
SUNRISE FEDERAL SAVINGS BANK	Nassau-Suffolk	425	16	1	6.25	2.93	2.13
TEMPLE-INLAND MORTGAGE CO.	Los Angeles	1840	271	54	19.93	15.17	1.31
TEMPLE-INLAND MORTGAGE CO.	Nassau-Suffolk	550	23	4	17.39	6.45	2.70
THE BRYN MAWR TRUST CO.	Philadelphia	1324	38	4	10.53	2.41	4.37
THE COLONIAL BANK	St. Louis	1255	15	1	6.67	3.95	1.69
THE HUNTINGTON MORTGAGE CO	Boston	6437	88	7	7.95	2.11	3.77
THE HUNTINGTON MORTGAGE CO	Detroit	1926	44	16	36.36	7.60	4.78
THE PRUDENTIAL HOME MORTGAGE C	Anaheim	7317	294	63	21.43	15.81	1.36
THE PRUDENTIAL HOME MORTGAGE C	Atlanta	3328	207	34	16.43	9.32	1.76
THE PRUDENTIAL HOME MORTGAGE C	Baltimore	1914	68	12	17.65	11.86	1.49
THE PRUDENTIAL HOME MORTGAGE C	Boston	2434	31	5	16.13	11.32	1.42
THE PRUDENTIAL HOME MORTGAGE C	Chicago	2432	132	24	18.18	13.52	1.34
THE PRUDENTIAL HOME MORTGAGE C	Dallas	2156	58	14	24.14	10.72	2.25
THE PRUDENTIAL HOME MORTGAGE C	Houston	2127	92	25	27.17	8.50	3.20
THE PRUDENTIAL HOME MORTGAGE C	Los Angeles	14538	925	249	26.92	17.81	1.51

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TABLE III. A.3 THE WORST LENDERS IN 1993: DENIAL RATIOS

LENDER	MSA	Total Applications	Minority Applications	Minority Denials	Minority Denial Rate	White Denial Rate	Minority to White Denial Ratio
THE PRUDENTIAL HOME MORTGAGE C	Minneapolis	2211	19	4	21.05	12.23	1.72
THE PRUDENTIAL HOME MORTGAGE C	Nassau-Suffolk	5128	122	19	15.57	12.66	1.23
THE PRUDENTIAL HOME MORTGAGE C	New York	5508	347	90	25.94	15.54	1.67
THE PRUDENTIAL HOME MORTGAGE C	Oakland	6770	308	39	12.66	9.66	1.31
THE PRUDENTIAL HOME MORTGAGE C	Philadelphia	3569	131	30	22.90	11.37	2.01
THE PRUDENTIAL HOME MORTGAGE C	Phoenix	985	22	7	31.82	19.21	1.66
THE PRUDENTIAL HOME MORTGAGE C	Riverside	1679	176	47	26.70	24.28	1.10
THE PRUDENTIAL HOME MORTGAGE C	San Diego	4197	165	33	20.00	17.56	1.14
THE PRUDENTIAL HOME MORTGAGE C	Tampa	958	35	10	28.57	19.28	1.48
THE PRUDENTIAL HOME MORTGAGE C	Washington	5328	361	79	21.88	9.91	2.21
TMC MORTGAGE CO.	Tampa	688	10	3	30.00	6.64	4.52
TMC MORTGAGE CO.	Washington	2327	54	5	9.26	2.38	3.89
UDC MORTGAGE CORPORATION	Phoenix	785	51	7	13.73	3.81	3.60
UNION SECURITY MORTGAGE	Anaheim	1238	67	22	32.84	19.39	1.69
UNION SECURITY MORTGAGE	Los Angeles	1968	260	90	34.62	22.60	1.53
VENTURE FINANCIAL SERVICES	Phoenix	2756	263	29	11.03	3.49	3.16
VINEYARD NATIONAL BANK	Riverside	698	99	18	18.18	13.69	1.33
WACHOVIA MORTGAGE CO	Atlanta	2484	180	12	6.67	1.74	3.83
WASHTENAW MORTGAGE COMPANY #2	Chicago	2810	151	4	2.65	2.44	1.09
WASHTENAW MORTGAGE COMPANY #2	Minneapolis	1031	9	2	22.22	1.57	14.15
WESTERN CITIES MORTGAGE CORPOR	Riverside	1725	394	68	17.26	8.79	1.96
WEYERHAEUSER MORTGAGE CO.	Anaheim	742	57	7	12.28	5.40	2.27
WEYERHAEUSER MORTGAGE CO.	Riverside	1070	243	29	11.93	6.41	1.86
WORLDWIDE FINANCIAL SERVICES	Detroit	1987	22	0	0.00	1.83	0.00

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TABLE III. A.4 THE WORST LENDERS IN 1993: MINORITY APPROVALS

LENDER	MSA	Total Approvals	White Approvals	White % of Approvals	Minority Approvals	Minority % of Approvals	MSA Minority Average
ALLATOONA FEDERAL SAVINGS BANK	Atlanta	1503	1421	94.54%	82	5.46%	10.82%
ALLIED SAVINGS BANK	Oakland	1635	1518	92.84%	117	7.16%	13.48%
AMERICAN HOME FUNDING	Tampa	506	479	94.66%	27	5.34%	7.69%
AMERICAN HOME MORTGAGE	Atlanta	2108	2050	97.25%	58	2.75%	10.82%
AMERICAN RESIDENTIAL MORTGAGE	Anaheim	1880	1778	94.57%	102	5.43%	11.37%
AMERICAN RESIDENTIAL MORTGAGE	Los Angeles	3732	3173	85.02%	559	14.98%	30.40%
AMERICAN RESIDENTIAL MORTGAGE	Oakland	1878	1751	93.24%	127	6.76%	13.48%
AMERICAN RESIDENTIAL MORTGAGE	San Diego	2886	2673	92.62%	213	7.38%	12.23%
AMERICAN RESIDENTIAL MORTGAGE	St. Louis	945	914	96.72%	31	3.28%	6.94%
ASSURANCE MORTGAGE CORP OF AME	Boston	1591	1570	98.68%	21	1.32%	3.05%
ATLANTIC RESIDENTIAL MORTGAGE	Baltimore	2056	1955	95.09%	101	4.91%	9.53%
BANCBOSTON MORTGAGE CORP.	Houston	609	588	96.55%	21	3.45%	13.51%
BANCBOSTON MORTGAGE CORP.	Tampa	584	549	94.01%	35	5.99%	7.69%
BANCBOSTON MORTGAGE CORP.	Washington	1841	1734	94.19%	107	5.81%	15.30%
BANCORP MORTGAGE INC	Philadelphia	1835	1814	98.86%	21	1.14%	7.12%
BARCLAYS AMERICAN MORTGAGE COR	Dallas	606	589	97.19%	17	2.81%	10.23%
BARCLAYS AMERICAN MORTGAGE COR	Houston	561	536	95.54%	25	4.46%	13.51%
BROOKSAMERICA MORTGAGE CORP.	Oakland	581	540	92.94%	41	7.06%	13.48%
B.F.SAUL MORTGAGE COMPANY	Baltimore	1592	1491	93.66%	101	6.34%	9.53%
CAL COAST MORTGAGE CORPORATION	San Diego	1409	1253	88.93%	156	11.07%	12.23%
CALIFORNIA UNITED BANK	Los Angeles	1468	1407	95.84%	61	4.16%	30.40%
CARL I. BROWN AND COMPANY	Tampa	887	854	96.28%	33	3.72%	7.69%
CHARLES F CURRY COMPANY	Phoenix	1223	1093	89.37%	130	10.63%	7.97%
CHASE HOME MORTGAGE CORP.	Boston	789	781	98.99%	8	1.01%	3.05%
CHASE HOME MORTGAGE CORP.	Chicago	2798	2680	95.78%	118	4.22%	14.81%
CHASE HOME MORTGAGE CORP.	Los Angeles	1557	1519	97.56%	38	2.44%	30.40%
CHASE HOME MORTGAGE CORP.	Nassau-Suffolk	846	822	97.16%	24	2.84%	5.91%
CHASE HOME MORTGAGE CORP.	New York	2154	2045	94.94%	109	5.06%	18.30%
CHASE HOME MORTGAGE CORP.	Washington	1726	1579	91.48%	147	8.52%	15.30%
CHASE U.S. CONSUMER SERVICES	Dallas	468	461	98.50%	7	1.50%	10.23%
CITIBANK F.S.B.	St. Louis	589	575	97.62%	14	2.38%	6.94%
CITIZENS NATIONAL MORTGAGE COR	Riverside	1787	1320	73.87%	467	26.13%	26.03%
COLONIAL MORTGAGE COMPANY	Atlanta	3310	3168	95.71%	142	4.29%	10.82%
COLONIAL MORTGAGE COMPANY	Dallas	1429	1392	97.41%	37	2.59%	10.23%
COLONIAL MORTGAGE COMPANY	Houston	897	864	96.32%	33	3.68%	13.51%
CORNERSTONE MORTGAGE COMPANY	Houston	1104	1046	94.75%	58	5.25%	13.51%
COUNTRYWIDE FUNDING CORPORATIO	Atlanta	3254	3098	95.21%	156	4.79%	10.82%
COUNTRYWIDE FUNDING CORPORATIO	Boston	4742	4684	98.78%	58	1.22%	3.05%
COUNTRYWIDE FUNDING CORPORATIO	Nassau-Suffolk	1535	1477	96.22%	58	3.78%	5.91%
COUNTRYWIDE FUNDING CORPORATIO	Riverside	4560	3723	81.64%	837	18.36%	26.03%
COUNTRYWIDE FUNDING CORPORATIO	San Diego	7990	7419	92.85%	571	7.15%	12.23%
COUNTRYWIDE FUNDING CORPORATIO	St. Louis	964	939	97.41%	25	2.59%	6.94%
COUNTRYWIDE FUNDING CORPORATIO	Washington	2516	2269	90.18%	247	9.82%	15.30%
CRESTAR MORTGAGE CORPORATION	St. Louis	935	921	98.50%	14	1.50%	6.94%
CROSSLAND MORTGAGE CORP.	Dallas	1279	1247	97.50%	32	2.50%	10.23%
CROSSLAND MORTGAGE CORP.	Houston	1571	1503	95.67%	68	4.33%	13.51%
CTX MORTGAGE COMPANY	Baltimore	1025	976	95.22%	49	4.78%	9.53%
CTX MORTGAGE COMPANY	Washington	1872	1747	93.32%	125	6.68%	15.30%
DEDHAM INSTITUTION FOR SAVINGS	Boston	573	570	99.48%	3	0.52%	3.05%
DOLLAR MORTGAGE CORPORATION	San Diego	519	469	90.37%	50	9.63%	12.23%
EAGLE SERVICE CORP D/B/A ATLAN	Atlanta	888	836	94.14%	52	5.86%	10.82%
EAST CAMBRIDGE SAVINGS BANK	Boston	517	514	99.42%	3	0.58%	3.05%
EMIGRANT SAVINGS BANK	Nassau-Suffolk	913	882	96.60%	31	3.40%	5.91%
EMIGRANT SAVINGS BANK	New York	1149	1077	93.73%	72	6.27%	18.30%
ENTRUST FINANCIAL CORPORATION	Atlanta	1200	1150	95.83%	50	4.17%	10.82%
ENTRUST FINANCIAL CORPORATION	Baltimore	539	503	93.32%	36	6.68%	9.53%
FIRST FRANKLIN	Los Angeles	2995	2616	87.35%	379	12.65%	30.40%
FIRST FRANKLIN	Oakland	1265	1160	91.70%	105	8.30%	13.48%
FIRST FRANKLIN	Riverside	622	551	88.59%	71	11.41%	26.03%
FIRST FRANKLIN	San Diego	1257	1181	93.95%	76	6.05%	12.23%
FIRST HEIGHTS BANK	Houston	1557	1478	94.93%	79	5.07%	13.51%

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TABLE III. A.4 THE WORST LENDERS IN 1993: MINORITY APPROVALS

LENDER	MSA	Total Approvals	White Approvals	White % of Approvals	Minority Approvals	Minority % of Approvals	MSA Minority Average
FIRST LIBERTY BANK	Atlanta	1255	1187	94.58%	68	5.42%	10.82%
FIRST UNION MORT. CORP.	Baltimore	565	541	95.75%	24	4.25%	9.53%
FIRST UNION MORT. CORP.	Tampa	704	672	95.45%	32	4.55%	7.69%
FLAGSHIP FEDERAL SAVINGS BANK	San Diego	654	618	94.50%	36	5.50%	12.23%
FLEET MORTGAGE CORP.	Riverside	918	667	72.66%	251	27.34%	26.03%
FRANKLIN MORTGAGE CAPITAL	Baltimore	536	522	97.39%	14	2.61%	9.53%
FRANKLIN MORTGAGE CAPITAL	Dallas	1349	1317	97.63%	32	2.37%	10.23%
FRANKLIN MORTGAGE CAPITAL	Washington	3789	3548	93.64%	241	6.36%	15.30%
GE CAPITAL MORTGAGE SERVICES	Baltimore	685	647	94.45%	38	5.55%	9.53%
GE CAPITAL MORTGAGE SERVICES	Boston	916	901	98.36%	15	1.64%	3.05%
GE CAPITAL MORTGAGE SERVICES	Chicago	1906	1786	93.70%	120	6.30%	14.81%
GE CAPITAL MORTGAGE SERVICES	Dallas	412	399	96.84%	13	3.16%	10.23%
GE CAPITAL MORTGAGE SERVICES	Houston	606	575	94.88%	31	5.12%	13.51%
GE CAPITAL MORTGAGE SERVICES	Oakland	842	798	94.77%	44	5.23%	13.48%
GE CAPITAL MORTGAGE SERVICES	Philadelphia	6347	6156	96.99%	191	3.01%	7.12%
GE CAPITAL MORTGAGE SERVICES	Washington	3236	3004	92.83%	232	7.17%	15.30%
GMAC MORTGAGE CORPORATION OF P	Minneapolis	2342	2319	99.02%	23	0.98%	1.52%
GMAC MORTGAGE CORPORATION OF P	Riverside	1132	940	83.04%	192	16.96%	26.03%
GN MORTGAGE	Anaheim	773	746	96.51%	27	3.49%	11.37%
GN MORTGAGE	Los Angeles	2581	2207	85.51%	374	14.49%	30.40%
GN MORTGAGE	Oakland	831	793	95.43%	38	4.57%	13.48%
GN MORTGAGE	San Diego	497	467	93.96%	30	6.04%	12.23%
GREENTREE MORTGAGE COMPANY LP	Tampa	623	604	96.95%	19	3.05%	7.69%
GUARDIAN MORTGAGE COMPANY	Detroit	1217	1202	98.77%	15	1.23%	6.15%
HEADLANDS MORTGAGE COMPANY	Anaheim	536	507	94.59%	29	5.41%	11.37%
HEADLANDS MORTGAGE COMPANY	Oakland	1268	1161	91.56%	107	8.44%	13.48%
HEIGL MORT. & FINANCIAL CORP.	Minneapolis	3110	3076	98.91%	34	1.09%	1.52%
HOME FEDERAL SAVINGS BANK OF M	St. Louis	2910	2880	98.97%	30	1.03%	6.94%
HOMESTEAD MORTGAGE CORPORATION	Minneapolis	2957	2931	99.12%	26	0.88%	1.52%
HORIZON SAVINGS BANK	Tampa	540	508	94.07%	32	5.93%	7.69%
HOUSEHOLD BANK	Chicago	5058	4787	94.64%	271	5.36%	14.81%
IMPERIAL CREDIT INDUSTRIES	Riverside	1252	1036	82.75%	216	17.25%	26.03%
INDEPENDENCE SAVINGS BANK	New York	1071	1006	93.93%	65	6.07%	18.30%
INTEGRA MORTGAGE COMPANY	Philadelphia	1018	982	96.46%	36	3.54%	7.12%
JAMES B. NUTTER & COMPANY	St. Louis	920	910	98.91%	10	1.09%	6.94%
J.I. KISLAK MORTGAGE CORP.	Boston	1418	1401	98.80%	17	1.20%	3.05%
KEYCORP MORTGAGE INC.	Nassau-Suffolk	1281	1246	97.27%	35	2.73%	5.91%
KNUTSON MORTGAGE CORPORATION	Minneapolis	3992	3963	99.27%	29	0.73%	1.52%
LAKELAND MORTGAGE CORP.	Minneapolis	3393	3358	98.97%	35	1.03%	1.52%
LEEDS FEDERAL SAVINGS & LOAN	Baltimore	606	589	97.19%	17	2.81%	9.53%
LOAN AMERICA FINANCE CORP	Anaheim	1140	1055	92.54%	85	7.46%	11.37%
LOAN AMERICA FINANCE CORP	Chicago	1527	1426	93.39%	101	6.61%	14.81%
LOAN AMERICA FINANCE CORP	Minneapolis	959	950	99.06%	9	0.94%	1.52%
MAIN LINE FEDERAL SAVINGS BANK	Philadelphia	2924	2893	98.94%	31	1.06%	7.12%
MARGARETTEN & COMPANY	Tampa	1533	1471	95.96%	62	4.04%	7.69%
MEDALLION MORTGAGE COMPANY	Phoenix	1932	1840	95.24%	92	4.76%	7.97%
MELLON BANK (MD)	Baltimore	601	576	95.84%	25	4.16%	9.53%
MELLON BANK (MD)	Washington	1740	1569	90.17%	171	9.83%	15.30%
MELLON MORTGAGE COMPANY	Dallas	472	447	94.70%	25	5.30%	10.23%
MELLON MORTGAGE COMPANY	Phoenix	2021	1957	96.83%	64	3.17%	7.97%
MERCANTILE BANK & TRUST	Dallas	1274	1253	98.35%	21	1.65%	10.23%
METMOR FINANCIAL	Phoenix	795	749	94.21%	46	5.79%	7.97%
METRO BANK	Atlanta	723	699	96.68%	24	3.32%	10.82%
METROPOLITAN SERVICE CORP.	Anaheim	2083	1960	94.10%	123	5.90%	11.37%
METROPOLITAN SERVICE CORP.	Los Angeles	2171	1855	85.44%	316	14.56%	30.40%
METROPOLITAN SERVICE CORP.	Riverside	573	491	85.69%	82	14.31%	26.03%
MICAL MORTGAGE	Riverside	1882	1353	71.89%	529	28.11%	26.03%
MIDCOAST MORTGAGE CORPORATION	Nassau-Suffolk	2570	2458	95.64%	112	4.36%	5.91%
MIDLAND FINANCIAL MORTGAGES	Chicago	2126	2009	94.50%	117	5.50%	14.81%
MIDLAND FINANCIAL MORTGAGES	St. Louis	1308	1295	99.01%	13	0.99%	6.94%
MITCHELL MORTGAGE COMPANY	Houston	466	450	96.57%	16	3.43%	13.51%
MT VERNON FEDERAL SAVINGS BANK	Atlanta	1084	1014	93.54%	70	6.46%	10.82%

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TABLE III. A.4 THE WORST LENDERS IN 1993: MINORITY APPROVALS

LENDER	MSA	Total Approvals	White Approvals	White % of Approvals	Minority Approvals	Minority % of Approvals	MSA Minority Average
NAVY FEDERAL CREDIT UNION	Washington	5430	4829	88.93%	601	11.07%	15.30%
NBD MORTGAGE COMPANY	Chicago	4630	4513	97.47%	117	2.53%	14.81%
NORTH AMERICAN MORTGAGE CO	Philadelphia	1148	1130	98.43%	18	1.57%	7.12%
NORWEST MORTGAGE	Atlanta	1520	1454	95.66%	66	4.34%	10.82%
OLD COLONY MORTGAGE CORPORATIO	Boston	799	795	99.50%	4	0.50%	3.05%
PEOPLES WESTCHESTER	New York	1278	1213	94.91%	65	5.09%	18.30%
PHILADELPHIA MORTGAGE CORP.	Philadelphia	2905	2860	98.45%	45	1.55%	7.12%
PIB MORTGAGE COMPANY	Anaheim	794	739	93.07%	55	6.93%	11.37%
PIB MORTGAGE COMPANY	Oakland	822	753	91.61%	69	8.39%	13.48%
PINE STATE MORTGAGE CORPORATIO	Atlanta	1133	1052	92.85%	81	7.15%	10.82%
PINNACLE MORTGAGE INVEST. CORP	Philadelphia	2616	2567	98.13%	49	1.87%	7.12%
PNC MORTGAGE CORP. OF AMERICA	Los Angeles	1364	1128	82.70%	236	17.30%	30.40%
PNC MORTGAGE CORP. OF AMERICA	New York	621	558	89.86%	63	10.14%	18.30%
PRINCIPAL MUTUAL LIFE INS CO	Chicago	3115	2934	94.19%	181	5.81%	14.81%
PROGRESS FEDERAL SAVINGS BANK	Philadelphia	956	948	99.16%	8	0.84%	7.12%
PROGRESSIVE SOUTHERN MORTGAGE	Dallas	501	475	94.81%	26	5.19%	10.23%
PROVIDENT SAVINGS BANK	New York	701	662	94.44%	39	5.56%	18.30%
PROVIDENT SAVINGS BANK	Riverside	1039	902	86.81%	137	13.19%	26.03%
PROVIDENT SAVINGS BANK	San Diego	755	712	94.30%	43	5.70%	12.23%
REISTERSTOWN FEDERAL SAVINGS B	Baltimore	1431	1391	97.20%	40	2.80%	9.53%
REPUBLIC BANK	Detroit	9011	8878	98.52%	133	1.48%	6.15%
REPUBLIC BANK	St. Louis	2322	2280	98.19%	42	1.81%	6.94%
REPUBLIC BANK FOR SAVINGS	Nassau-Suffolk	1040	1006	96.73%	34	3.27%	5.91%
RICHARDS-WOODBURY MORTG. CORP.	Phoenix	704	666	94.60%	38	5.40%	7.97%
RIDGEWOOD SAVINGS BANK	Nassau-Suffolk	949	915	96.42%	34	3.58%	5.91%
ROCK FINANCIAL CORPORATION	Detroit	7328	7162	97.73%	166	2.27%	6.15%
ROOSEVELT SAVINGS BANK	Nassau-Suffolk	1577	1502	95.24%	75	4.76%	5.91%
ROOSEVELT SAVINGS BANK	New York	608	570	93.75%	38	6.25%	18.30%
RSL MORTGAGE CORPORATION	Anaheim	833	787	94.48%	46	5.52%	11.37%
RYLAND MORTGAGE COMPANY	Oakland	522	480	91.95%	42	8.05%	13.48%
SAN DIEGO FUNDING	San Diego	2220	2025	91.22%	195	8.78%	12.23%
SIBLEY MORTGAGE CORPORATION	New York	848	810	95.52%	38	4.48%	18.30%
SOURCE ONE MORTGAGE	Detroit	2189	2129	97.26%	60	2.74%	6.15%
SOURCE ONE MORTGAGE	Houston	517	488	94.39%	29	5.61%	13.51%
SOURCE ONE MORTGAGE	Tampa	1613	1537	95.29%	76	4.71%	7.69%
SOURCE ONE MORTGAGE	Washington	1182	1092	92.39%	90	7.61%	15.30%
SOUTHERN CALIFORNIA FEDERAL SA	Anaheim	605	585	96.69%	20	3.31%	11.37%
SOUTHTRUST MORTGAGE CORP.	Tampa	450	436	96.89%	14	3.11%	7.69%
SOVEREIGN BANK. A FED SAVINGS	Philadelphia	1710	1678	98.13%	32	1.87%	7.12%
STANDARD FEDERAL BANK	Detroit	35908	34721	96.69%	1187	3.31%	6.15%
STATE SAVINGS BANK	Phoenix	2847	2691	94.52%	156	5.48%	7.97%
ST. JAMES SERVICING CORP	Detroit	1303	1284	98.54%	19	1.46%	6.15%
SUBURBAN MORTGAGE CO.	Boston	537	531	98.88%	6	1.12%	3.05%
SUNBELT NATIONAL MORTGAGE CORP	Houston	588	547	93.03%	41	6.97%	13.51%
SUNBELT NATIONAL MORTGAGE CORP	Phoenix	1159	1093	94.31%	66	5.69%	7.97%
SUNCOAST SAVINGS & LOAN ASSOC.	Boston	510	503	98.63%	7	1.37%	3.05%
SUNCOAST SAVINGS & LOAN ASSOC.	Tampa	383	369	96.34%	14	3.66%	7.69%
SUNRISE FEDERAL SAVINGS BANK	Nassau-Suffolk	412	397	96.36%	15	3.64%	5.91%
TEMPLE-INLAND MORTGAGE CO.	Los Angeles	1548	1331	85.98%	217	14.02%	30.40%
TEMPLE-INLAND MORTGAGE CO.	Nassau-Suffolk	512	493	96.29%	19	3.71%	5.91%
THE BRYN MAWR TRUST CO.	Philadelphia	1289	1255	97.36%	34	2.64%	7.12%
THE COLONIAL BANK	St. Louis	1205	1191	98.84%	14	1.16%	6.94%
THE HUNTINGTON MORTGAGE CO	Boston	6296	6215	98.71%	81	1.29%	3.05%
THE HUNTINGTON MORTGAGE CO	Detroit	1767	1739	98.42%	28	1.58%	6.15%
THE PRUDENTIAL HOME MORTGAGE C	Anaheim	6144	5913	96.24%	231	3.76%	11.37%
THE PRUDENTIAL HOME MORTGAGE C	Atlanta	3003	2830	94.24%	173	5.76%	10.82%
THE PRUDENTIAL HOME MORTGAGE C	Baltimore	1683	1627	96.67%	56	3.33%	9.53%
THE PRUDENTIAL HOME MORTGAGE C	Boston	2157	2131	98.79%	26	1.21%	3.05%
THE PRUDENTIAL HOME MORTGAGE C	Chicago	2097	1989	94.85%	108	5.15%	14.81%
THE PRUDENTIAL HOME MORTGAGE C	Dallas	1917	1873	97.70%	44	2.30%	10.23%
THE PRUDENTIAL HOME MORTGAGE C	Houston	1929	1862	96.53%	67	3.47%	13.51%
THE PRUDENTIAL HOME MORTGAGE C	Los Angeles	11864	11188	94.30%	676	5.70%	30.40%

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TABLE III. A.4 THE WORST LENDERS IN 1993: MINORITY APPROVALS

LENDER	MSA	Total Approvals	White Approvals	White % of Approvals	Minority Approvals	Minority % of Approvals	MSA Minority Average
THE PRUDENTIAL HOME MORTGAGE C	Minneapolis	1939	1924	99.23%	15	0.77%	1.52%
THE PRUDENTIAL HOME MORTGAGE C	Nassau-Suffolk	4475	4372	97.70%	103	2.30%	5.91%
THE PRUDENTIAL HOME MORTGAGE C	New York	4616	4359	94.43%	257	5.57%	18.30%
THE PRUDENTIAL HOME MORTGAGE C	Oakland	6107	5838	95.60%	269	4.40%	13.48%
THE PRUDENTIAL HOME MORTGAGE C	Philadelphia	3148	3047	96.79%	101	3.21%	7.12%
THE PRUDENTIAL HOME MORTGAGE C	Phoenix	793	778	98.11%	15	1.89%	7.97%
THE PRUDENTIAL HOME MORTGAGE C	Riverside	1267	1138	89.82%	129	10.18%	26.03%
THE PRUDENTIAL HOME MORTGAGE C	San Diego	3456	3324	96.18%	132	3.82%	12.23%
THE PRUDENTIAL HOME MORTGAGE C	Tampa	770	745	96.75%	25	3.25%	7.69%
THE PRUDENTIAL HOME MORTGAGE C	Washington	4757	4475	94.07%	282	5.93%	15.30%
TMC MORTGAGE CO.	Tampa	640	633	98.91%	7	1.09%	7.69%
TMC MORTGAGE CO.	Washington	2268	2219	97.84%	49	2.16%	15.30%
UDC MORTGAGE CORPORATION	Phoenix	750	706	94.13%	44	5.87%	7.97%
UNION SECURITY MORTGAGE	Anaheim	989	944	95.45%	45	4.55%	11.37%
UNION SECURITY MORTGAGE	Los Angeles	1492	1322	88.61%	170	11.39%	30.40%
VENTURE FINANCIAL SERVICES	Phoenix	2640	2406	91.14%	234	8.86%	7.97%
VINEYARD NATIONAL BANK	Riverside	598	517	86.45%	81	13.55%	26.03%
WACHOVIA MORTGAGE CO	Atlanta	2432	2264	93.09%	168	6.91%	10.82%
WASHTENAW MORTGAGE COMPANY #2	Chicago	2741	2594	94.64%	147	5.36%	14.81%
WASHTENAW MORTGAGE COMPANY #2	Minneapolis	1013	1006	99.31%	7	0.69%	1.52%
WESTERN CITIES MORTGAGE CORPOR	Riverside	1540	1214	78.83%	326	21.17%	26.03%
WEYERHAEUSER MORTGAGE CO.	Anaheim	698	648	92.84%	50	7.16%	11.37%
WEYERHAEUSER MORTGAGE CO.	Riverside	988	774	78.34%	214	21.66%	26.03%
WORLDWIDE FINANCIAL SERVICES	Detroit	1951	1929	98.87%	22	1.13%	6.15%

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TABLE III. A.5 THE WORST LENDERS IN 1993: LOW/MOD INCOME APPLICATIONS

LENDER	MSA	Total Applications	Low/Mod Income Applications	Low/Mod Income % of Application	MSA Low/Mod Industry Average
ALLATOONA FEDERAL SAVINGS BANK	Atlanta	1561	294	18.83%	22.62%
ALLIED SAVINGS BANK	Oakland	1768	176	9.95%	16.79%
AMERICAN HOME FUNDING	Tampa	555	74	13.33%	23.55%
AMERICAN HOME MORTGAGE	Atlanta	2135	94	4.40%	22.62%
AMERICAN RESIDENTIAL MORTGAGE	Anaheim	2138	379	17.73%	18.73%
AMERICAN RESIDENTIAL MORTGAGE	Los Angeles	4511	342	7.58%	13.59%
AMERICAN RESIDENTIAL MORTGAGE	Oakland	2212	259	11.71%	16.79%
AMERICAN RESIDENTIAL MORTGAGE	San Diego	3174	257	8.10%	15.17%
AMERICAN RESIDENTIAL MORTGAGE	St. Louis	1058	136	12.85%	23.85%
ASSURANCE MORTGAGE CORP OF AME	Boston	1606	60	3.74%	17.82%
ATLANTIC RESIDENTIAL MORTGAGE	Baltimore	2147	381	17.75%	22.96%
BANCBOSTON MORTGAGE CORP.	Houston	699	14	2.00%	18.32%
BANCBOSTON MORTGAGE CORP.	Tampa	619	62	10.02%	23.55%
BANCBOSTON MORTGAGE CORP.	Washington	1916	279	14.56%	25.30%
BANCORP MORTGAGE INC	Philadelphia	2030	226	11.13%	24.69%
BARCLAYS AMERICAN MORTGAGE COR	Dallas	638	26	4.08%	21.48%
BARCLAYS AMERICAN MORTGAGE COR	Houston	608	4	0.66%	18.32%
BROOKSAMERICA MORTGAGE CORP.	Oakland	710	91	12.82%	16.79%
B.F.SAUL MORTGAGE COMPANY	Baltimore	1677	260	15.50%	22.96%
CAL COAST MORTGAGE CORPORATION	San Diego	1602	125	7.80%	15.17%
CALIFORNIA UNITED BANK	Los Angeles	1718	49	2.85%	13.59%
CARL I. BROWN AND COMPANY	Tampa	1094	28	2.56%	23.55%
CHARLES F CURRY COMPANY	Phoenix	1240	5	0.40%	23.10%
CHASE HOME MORTGAGE CORP.	Boston	820	44	5.37%	17.82%
CHASE HOME MORTGAGE CORP.	Chicago	2901	299	10.31%	22.74%
CHASE HOME MORTGAGE CORP.	Los Angeles	1928	21	1.09%	13.59%
CHASE HOME MORTGAGE CORP.	Nassau-Suffolk	973	68	6.99%	16.13%
CHASE HOME MORTGAGE CORP.	New York	2431	32	1.32%	7.23%
CHASE HOME MORTGAGE CORP.	Washington	1937	222	11.46%	25.30%
CHASE U.S. CONSUMER SERVICES	Dallas	520	3	0.58%	21.48%
CITIBANK F.S.B.	St. Louis	681	99	14.54%	23.85%
CITIZENS NATIONAL MORTGAGE COR	Riverside	2214	2	0.09%	16.40%
COLONIAL MORTGAGE COMPANY	Atlanta	3433	225	6.55%	22.62%
COLONIAL MORTGAGE COMPANY	Dallas	1477	54	3.66%	21.48%
COLONIAL MORTGAGE COMPANY	Houston	918	19	2.07%	18.32%
CORNERSTONE MORTGAGE COMPANY	Houston	1181	80	6.77%	18.32%
COUNTRYWIDE FUNDING CORPORATIO	Atlanta	3576	514	14.37%	22.62%
COUNTRYWIDE FUNDING CORPORATIO	Boston	4929	386	7.83%	17.82%
COUNTRYWIDE FUNDING CORPORATIO	Nassau-Suffolk	1635	182	11.13%	16.13%
COUNTRYWIDE FUNDING CORPORATIO	Riverside	5287	503	9.51%	16.40%
COUNTRYWIDE FUNDING CORPORATIO	San Diego	9231	914	9.90%	15.17%
COUNTRYWIDE FUNDING CORPORATIO	St. Louis	1020	155	15.20%	23.85%
COUNTRYWIDE FUNDING CORPORATIO	Washington	2687	396	14.74%	25.30%
CRESTAR MORTGAGE CORPORATION	St. Louis	957	92	9.61%	23.85%
CROSSLAND MORTGAGE CORP.	Dallas	1311	119	9.08%	21.48%
CROSSLAND MORTGAGE CORP.	Houston	1629	85	5.22%	18.32%
CTX MORTGAGE COMPANY	Baltimore	1079	185	17.15%	22.96%
CTX MORTGAGE COMPANY	Washington	1941	400	20.61%	25.30%
DEDHAM INSTITUTION FOR SAVINGS	Boston	627	120	19.14%	17.82%
DOLLAR MORTGAGE CORPORATION	San Diego	641	42	6.55%	15.17%
EAGLE SERVICE CORP D/B/A ATLAN	Atlanta	912	112	12.28%	22.62%
EAST CAMBRIDGE SAVINGS BANK	Boston	635	133	20.94%	17.82%
EMIGRANT SAVINGS BANK	Nassau-Suffolk	1010	68	6.73%	16.13%
EMIGRANT SAVINGS BANK	New York	1314	40	3.04%	7.23%
ENTRUST FINANCIAL CORPORATION	Atlanta	1235	212	17.17%	22.62%
ENTRUST FINANCIAL CORPORATION	Baltimore	550	83	15.09%	22.96%
FIRST FRANKLIN	Los Angeles	3584	202	5.64%	13.59%
FIRST FRANKLIN	Oakland	1409	158	11.21%	16.79%
FIRST FRANKLIN	Riverside	735	58	7.89%	16.40%
FIRST FRANKLIN	San Diego	1436	101	7.03%	15.17%
FIRST HEIGHTS BANK	Houston	1709	104	6.09%	18.32%

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TABLE III. A.5 THE WORST LENDERS IN 1993: LOW/MOD INCOME APPLICATIONS

LENDER	MSA	Total Applications	Low/Mod Income Applications	Low/Mod Income % of Application	MSA Low/Mod Industry Average
FIRST LIBERTY BANK	Atlanta	1319	193	14.63%	22.62%
FIRST UNION MORT. CORP.	Baltimore	615	51	8.29%	22.96%
FIRST UNION MORT. CORP.	Tampa	738	92	12.47%	23.55%
FLAGSHIP FEDERAL SAVINGS BANK	San Diego	752	84	11.17%	15.17%
FLEET MORTGAGE CORP.	Riverside	1006	45	4.47%	16.40%
FRANKLIN MORTGAGE CAPITAL	Baltimore	600	62	10.33%	22.96%
FRANKLIN MORTGAGE CAPITAL	Dallas	1356	109	8.04%	21.48%
FRANKLIN MORTGAGE CAPITAL	Washington	3992	695	17.41%	25.30%
GE CAPITAL MORTGAGE SERVICES	Baltimore	733	60	8.19%	22.96%
GE CAPITAL MORTGAGE SERVICES	Boston	985	53	5.38%	17.82%
GE CAPITAL MORTGAGE SERVICES	Chicago	2038	245	12.02%	22.74%
GE CAPITAL MORTGAGE SERVICES	Dallas	469	16	3.41%	21.48%
GE CAPITAL MORTGAGE SERVICES	Houston	652	30	4.60%	18.32%
GE CAPITAL MORTGAGE SERVICES	Oakland	913	17	1.86%	16.79%
GE CAPITAL MORTGAGE SERVICES	Philadelphia	6755	963	14.26%	24.69%
GE CAPITAL MORTGAGE SERVICES	Washington	3373	255	7.56%	25.30%
GMAC MORTGAGE CORPORATION OF P	Minneapolis	2434	511	20.99%	24.22%
GMAC MORTGAGE CORPORATION OF P	Riverside	1279	111	8.68%	16.40%
GN MORTGAGE	Anaheim	1052	120	11.41%	18.73%
GN MORTGAGE	Los Angeles	3429	224	6.53%	13.59%
GN MORTGAGE	Oakland	950	73	7.68%	16.79%
GN MORTGAGE	San Diego	681	79	11.60%	15.17%
GREENTREE MORTGAGE COMPANY LP	Tampa	770	43	5.58%	23.55%
GUARDIAN MORTGAGE COMPANY	Detroit	1230	81	6.59%	26.78%
HEADLANDS MORTGAGE COMPANY	Anaheim	748	67	8.96%	18.73%
HEADLANDS MORTGAGE COMPANY	Oakland	1444	147	10.18%	16.79%
HEIGL MORT. & FINANCIAL CORP.	Minneapolis	3174	273	8.60%	24.22%
HOME FEDERAL SAVINGS BANK OF M	St. Louis	3051	474	15.54%	23.85%
HOMESTEAD MORTGAGE CORPORATION	Minneapolis	2986	505	16.91%	24.22%
HORIZON SAVINGS BANK	Tampa	564	53	9.40%	23.55%
HOUSEHOLD BANK	Chicago	5605	874	15.59%	22.74%
IMPERIAL CREDIT INDUSTRIES	Riverside	1582	152	9.61%	16.40%
INDEPENDENCE SAVINGS BANK	New York	1456	53	3.64%	7.23%
INTEGRA MORTGAGE COMPANY	Philadelphia	1053	148	14.06%	24.69%
JAMES B. NUTTER & COMPANY	St. Louis	1006	146	14.51%	23.85%
J.I. KISLAK MORTGAGE CORP.	Boston	1441	152	10.55%	17.82%
KEYCORP MORTGAGE INC.	Nassau-Suffolk	1383	152	10.99%	16.13%
KNUTSON MORTGAGE CORPORATION	Minneapolis	4175	814	19.50%	24.22%
LAKELAND MORTGAGE CORP.	Minneapolis	3393	267	7.87%	24.22%
LEEDS FEDERAL SAVINGS & LOAN	Baltimore	630	78	12.38%	22.96%
LOAN AMERICA FINANCE CORP	Anaheim	1266	151	11.93%	18.73%
LOAN AMERICA FINANCE CORP	Chicago	1649	224	13.58%	22.74%
LOAN AMERICA FINANCE CORP	Minneapolis	1019	172	16.88%	24.22%
MAIN LINE FEDERAL SAVINGS BANK	Philadelphia	3078	296	9.62%	24.69%
MARGARETTEN & COMPANY	Tampa	1665	197	11.83%	23.55%
MEDALLION MORTGAGE COMPANY	Phoenix	2028	177	8.73%	23.10%
MELLON BANK (MD)	Baltimore	664	51	7.68%	22.96%
MELLON BANK (MD)	Washington	1898	247	13.01%	25.30%
MELLON MORTGAGE COMPANY	Dallas	507	54	10.65%	21.48%
MELLON MORTGAGE COMPANY	Phoenix	2066	149	7.21%	23.10%
MERCANTILE BANK & TRUST	Dallas	1294	63	4.87%	21.48%
METMOR FINANCIAL	Phoenix	822	118	14.36%	23.10%
METRO BANK	Atlanta	760	108	14.21%	22.62%
METROPOLITAN SERVICE CORP.	Anaheim	2338	238	10.18%	18.73%
METROPOLITAN SERVICE CORP.	Los Angeles	2519	109	4.33%	13.59%
METROPOLITAN SERVICE CORP.	Riverside	687	56	8.15%	16.40%
MICAL MORTGAGE	Riverside	2136	61	2.86%	16.40%
MIDCOAST MORTGAGE CORPORATION	Nassau-Suffolk	2788	375	13.45%	16.13%
MIDLAND FINANCIAL MORTGAGES	Chicago	2330	286	12.27%	22.74%
MIDLAND FINANCIAL MORTGAGES	St. Louis	1388	134	9.65%	23.85%
MITCHELL MORTGAGE COMPANY	Houston	552	40	7.25%	18.32%
MT VERNON FEDERAL SAVINGS BANK	Atlanta	1153	184	15.96%	22.62%

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TABLE III. A.5 THE WORST LENDERS IN 1993: LOW/MOD INCOME APPLICATIONS

LENDER	MSA	Total Applications	Low/Mod Income Applications	Low/Mod Income % of Applications	MSA Low/Mod Industry Average
NAVY FEDERAL CREDIT UNION	Washington	5511	1029	18.67%	25.30%
NBD MORTGAGE COMPANY	Chicago	4832	616	12.75%	22.74%
NORTH AMERICAN MORTGAGE CO	Philadelphia	1215	152	12.51%	24.69%
NORWEST MORTGAGE	Atlanta	1643	351	21.36%	22.62%
OLD COLONY MORTGAGE CORPORATIO	Boston	867	92	10.61%	17.82%
PEOPLES WESTCHESTER	New York	1574	94	5.97%	7.23%
PHILADELPHIA MORTGAGE CORP.	Philadelphia	3181	382	12.01%	24.69%
PIB MORTGAGE COMPANY	Anaheim	943	113	11.98%	18.73%
PIB MORTGAGE COMPANY	Oakland	932	62	6.65%	16.79%
PINE STATE MORTGAGE CORPORATIO	Atlanta	1189	138	11.61%	22.62%
PINNACLE MORTGAGE INVEST. CORP	Philadelphia	2633	253	9.61%	24.69%
PNC MORTGAGE CORP. OF AMERICA	Los Angeles	1560	115	7.37%	13.59%
PNC MORTGAGE CORP. OF AMERICA	New York	674	22	3.26%	7.23%
PRINCIPAL MUTUAL LIFE INS CO	Chicago	3263	490	15.02%	22.74%
PROGRESS FEDERAL SAVINGS BANK	Philadelphia	1003	116	11.57%	24.69%
PROGRESSIVE SOUTHERN MORTGAGE	Dallas	639	36	5.63%	21.48%
PROVIDENT SAVINGS BANK	New York	750	19	2.53%	7.23%
PROVIDENT SAVINGS BANK	Riverside	1351	171	12.66%	16.40%
PROVIDENT SAVINGS BANK	San Diego	1014	52	5.13%	15.17%
REISTERSTOWN FEDERAL SAVINGS B	Baltimore	1469	184	12.53%	22.96%
REPUBLIC BANK	Detroit	9380	1273	13.57%	26.78%
REPUBLIC BANK	St. Louis	2486	265	10.66%	23.85%
REPUBLIC BANK FOR SAVINGS	Nassau-Suffolk	1135	122	10.75%	16.13%
RICHARDS-WOODBURY MORTG. CORP.	Phoenix	707	87	12.31%	23.10%
RIDGEWOOD SAVINGS BANK	Nassau-Suffolk	1035	141	13.62%	16.13%
ROCK FINANCIAL CORPORATION	Detroit	7664	743	9.69%	26.78%
ROOSEVELT SAVINGS BANK	Nassau-Suffolk	1708	164	9.60%	16.13%
ROOSEVELT SAVINGS BANK	New York	695	40	5.76%	7.23%
RSL MORTGAGE CORPORATION	Anaheim	1054	108	10.25%	18.73%
RYLAND MORTGAGE COMPANY	Oakland	626	44	7.03%	16.79%
SAN DIEGO FUNDING	San Diego	2256	278	12.32%	15.17%
SIBLEY MORTGAGE CORPORATION	New York	890	14	1.57%	7.23%
SOURCE ONE MORTGAGE	Detroit	2226	341	15.32%	26.78%
SOURCE ONE MORTGAGE	Houston	537	36	6.70%	18.32%
SOURCE ONE MORTGAGE	Tampa	1683	268	15.92%	23.55%
SOURCE ONE MORTGAGE	Washington	1228	216	17.59%	25.30%
SOUTHERN CALIFORNIA FEDERAL SA	Anaheim	719	84	11.68%	18.73%
SOUTHTRUST MORTGAGE CORP.	Tampa	470	39	8.30%	23.55%
SOVEREIGN BANK. A FED SAVINGS	Philadelphia	1896	174	9.18%	24.69%
STANDARD FEDERAL BANK	Detroit	36603	7816	21.35%	26.78%
STATE SAVINGS BANK	Phoenix	2978	122	4.10%	23.10%
ST. JAMES SERVICING CORP	Detroit	1322	119	9.00%	26.78%
SUBURBAN MORTGAGE CO.	Boston	684	86	12.57%	17.82%
SUNBELT NATIONAL MORTGAGE CORP	Houston	597	58	9.72%	18.32%
SUNBELT NATIONAL MORTGAGE CORP	Phoenix	1263	206	16.31%	23.10%
SUNCOAST SAVINGS & LOAN ASSOC.	Boston	686	54	7.87%	17.82%
SUNCOAST SAVINGS & LOAN ASSOC.	Tampa	479	42	8.77%	23.55%
SUNRISE FEDERAL SAVINGS BANK	Nassau-Suffolk	425	50	11.76%	16.13%
TEMPLE-INLAND MORTGAGE CO.	Los Angeles	1840	119	6.47%	13.59%
TEMPLE-INLAND MORTGAGE CO.	Nassau-Suffolk	550	64	11.64%	16.13%
THE BRYN MAWR TRUST CO.	Philadelphia	1324	189	14.27%	24.69%
THE COLONIAL BANK	St. Louis	1255	134	10.68%	23.85%
THE HUNTINGTON MORTGAGE CO	Boston	6437	459	7.13%	17.82%
THE HUNTINGTON MORTGAGE CO	Detroit	1926	427	22.17%	26.78%
THE PRUDENTIAL HOME MORTGAGE C	Anaheim	7317	237	3.24%	18.73%
THE PRUDENTIAL HOME MORTGAGE C	Atlanta	3328	187	5.62%	22.62%
THE PRUDENTIAL HOME MORTGAGE C	Baltimore	1914	167	8.73%	22.96%
THE PRUDENTIAL HOME MORTGAGE C	Boston	2434	124	5.09%	17.82%
THE PRUDENTIAL HOME MORTGAGE C	Chicago	2432	191	7.85%	22.74%
THE PRUDENTIAL HOME MORTGAGE C	Dallas	2156	76	3.53%	21.48%
THE PRUDENTIAL HOME MORTGAGE C	Houston	2127	40	1.88%	18.32%
THE PRUDENTIAL HOME MORTGAGE C	Los Angeles	14538	226	1.55%	13.59%

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TABLE III. A.5 THE WORST LENDERS IN 1993: LOW/MOD INCOME APPLICATIONS

LENDER	MSA	Total Applications	Low/Mod Income Applications	Low/Mod Income % of Application	MSA Low/Mod Industry Average
THE PRUDENTIAL HOME MORTGAGE C	Minneapolis	2211	337	15.24%	24.22%
THE PRUDENTIAL HOME MORTGAGE C	Nassau-Suffolk	5128	312	6.08%	16.13%
THE PRUDENTIAL HOME MORTGAGE C	New York	5508	119	2.16%	7.23%
THE PRUDENTIAL HOME MORTGAGE C	Oakland	6770	141	2.08%	16.79%
THE PRUDENTIAL HOME MORTGAGE C	Philadelphia	3569	266	7.45%	24.69%
THE PRUDENTIAL HOME MORTGAGE C	Phoenix	985	98	9.95%	23.10%
THE PRUDENTIAL HOME MORTGAGE C	Riverside	1679	65	3.87%	16.40%
THE PRUDENTIAL HOME MORTGAGE C	San Diego	4197	136	3.24%	15.17%
THE PRUDENTIAL HOME MORTGAGE C	Tampa	958	97	10.13%	23.55%
THE PRUDENTIAL HOME MORTGAGE C	Washington	5328	348	6.53%	25.30%
TMC MORTGAGE CO.	Tampa	688	17	2.47%	23.55%
TMC MORTGAGE CO.	Washington	2327	229	9.84%	25.30%
UDC MORTGAGE CORPORATION	Phoenix	785	82	10.45%	23.10%
UNION SECURITY MORTGAGE	Anaheim	1238	130	10.50%	18.73%
UNION SECURITY MORTGAGE	Los Angeles	1968	126	6.40%	13.59%
VENTURE FINANCIAL SERVICES	Phoenix	2756	128	4.64%	23.10%
VINEYARD NATIONAL BANK	Riverside	698	101	14.47%	16.40%
WACHOVIA MORTGAGE CO	Atlanta	2484	393	15.82%	22.62%
WASHTENAW MORTGAGE COMPANY #2	Chicago	2810	266	9.47%	22.74%
WASHTENAW MORTGAGE COMPANY #2	Minneapolis	1031	197	19.11%	24.22%
WESTERN CITIES MORTGAGE CORPOR	Riverside	1725	185	10.72%	16.40%
WEYERHAEUSER MORTGAGE CO.	Anaheim	742	112	15.09%	18.73%
WEYERHAEUSER MORTGAGE CO.	Riverside	1070	98	9.16%	16.40%
WORLDWIDE FINANCIAL SERVICES	Detroit	1987	80	4.03%	26.78%

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TABLE III. A.6 THE WORST LENDERS IN 1993: LOW/MOD INCOME APPROVALS

LENDER	MSA	Total Approvals	Low/Mod Income Approvals	Low/Mod Income % of Approvals	MSA Low/Mod Industry Average
ALLATOONA FEDERAL SAVINGS BANK	Atlanta	1503	273	18.16%	20.73%
ALLIED SAVINGS BANK	Oakland	1635	144	8.81%	15.51%
AMERICAN HOME FUNDING	Tampa	506	59	11.66%	21.49%
AMERICAN HOME MORTGAGE	Atlanta	2108	90	4.27%	20.73%
AMERICAN RESIDENTIAL MORTGAGE	Anaheim	1880	325	17.29%	18.05%
AMERICAN RESIDENTIAL MORTGAGE	Los Angeles	3732	251	6.73%	12.81%
AMERICAN RESIDENTIAL MORTGAGE	Oakland	1878	198	10.54%	15.51%
AMERICAN RESIDENTIAL MORTGAGE	San Diego	3174	216	6.81%	14.03%
AMERICAN RESIDENTIAL MORTGAGE	St. Louis	945	107	11.32%	21.10%
ASSURANCE MORTGAGE CORP OF AME	Boston	1591	57	3.58%	16.77%
ATLANTIC RESIDENTIAL MORTGAGE	Baltimore	2056	352	17.12%	21.32%
BANCBOSTON MORTGAGE CORP.	Houston	609	12	1.97%	15.31%
BANCBOSTON MORTGAGE CORP.	Tampa	584	49	8.39%	21.49%
BANCBOSTON MORTGAGE CORP.	Washington	1841	262	14.23%	24.06%
BANCORP MORTGAGE INC	Philadelphia	1835	211	11.50%	22.63%
BARCLAYS AMERICAN MORTGAGE COR	Dallas	606	23	3.80%	18.54%
BARCLAYS AMERICAN MORTGAGE COR	Houston	561	3	0.53%	15.31%
BROOKSAMERICA MORTGAGE CORP.	Oakland	581	67	11.53%	15.51%
B.F.SAUL MORTGAGE COMPANY	Baltimore	1592	239	15.01%	21.32%
CAL COAST MORTGAGE CORPORATION	San Diego	1602	106	6.62%	14.03%
CALIFORNIA UNITED BANK	Los Angeles	1468	37	2.52%	12.81%
CARL I. BROWN AND COMPANY	Tampa	887	22	2.48%	21.49%
CHARLES F CURRY COMPANY	Phoenix	1223	3	0.25%	20.78%
CHASE HOME MORTGAGE CORP.	Boston	789	42	5.32%	16.77%
CHASE HOME MORTGAGE CORP.	Chicago	2798	285	10.19%	21.49%
CHASE HOME MORTGAGE CORP.	Los Angeles	1557	12	0.77%	12.81%
CHASE HOME MORTGAGE CORP.	Nassau-Suffolk	846	55	6.50%	14.60%
CHASE HOME MORTGAGE CORP.	New York	2154	22	1.02%	5.76%
CHASE HOME MORTGAGE CORP.	Washington	1726	175	10.14%	24.06%
CHASE U.S. CONSUMER SERVICES	Dallas	468	1	0.21%	18.54%
CITIBANK F.S.B.	St. Louis	589	77	13.07%	21.10%
CITIZENS NATIONAL MORTGAGE COR	Riverside	1787	2	0.11%	15.31%
COLONIAL MORTGAGE COMPANY	Atlanta	3310	213	6.44%	20.73%
COLONIAL MORTGAGE COMPANY	Dallas	1429	52	3.64%	18.54%
COLONIAL MORTGAGE COMPANY	Houston	897	19	2.12%	15.31%
CORNERSTONE MORTGAGE COMPANY	Houston	1104	66	5.98%	15.31%
COUNTRYWIDE FUNDING CORPORATIO	Atlanta	3254	407	12.51%	20.73%
COUNTRYWIDE FUNDING CORPORATIO	Boston	4742	351	7.40%	16.77%
COUNTRYWIDE FUNDING CORPORATIO	Nassau-Suffolk	1535	158	10.29%	14.60%
COUNTRYWIDE FUNDING CORPORATIO	Riverside	4560	389	8.53%	15.31%
COUNTRYWIDE FUNDING CORPORATIO	San Diego	9231	726	7.86%	14.03%
COUNTRYWIDE FUNDING CORPORATIO	St. Louis	964	134	13.90%	21.10%
COUNTRYWIDE FUNDING CORPORATIO	Washington	2516	341	13.55%	24.06%
CRESTAR MORTGAGE CORPORATION	St. Louis	935	88	9.41%	21.10%
CROSSLAND MORTGAGE CORP.	Dallas	1279	114	8.91%	18.54%
CROSSLAND MORTGAGE CORP.	Houston	1571	73	4.65%	15.31%
CTX MORTGAGE COMPANY	Baltimore	1025	172	16.78%	21.32%
CTX MORTGAGE COMPANY	Washington	1872	376	20.09%	24.06%
DEDHAM INSTITUTION FOR SAVINGS	Boston	573	101	17.63%	16.77%
DOLLAR MORTGAGE CORPORATION	San Diego	641	35	5.46%	14.03%
EAGLE SERVICE CORP D/B/A ATLAN	Atlanta	888	104	11.71%	20.73%
EAST CAMBRIDGE SAVINGS BANK	Boston	517	90	17.41%	16.77%
EMIGRANT SAVINGS BANK	Nassau-Suffolk	913	54	5.91%	14.60%
EMIGRANT SAVINGS BANK	New York	1149	30	2.61%	5.76%
ENTRUST FINANCIAL CORPORATION	Atlanta	1200	204	17.00%	20.73%
ENTRUST FINANCIAL CORPORATION	Baltimore	539	78	14.47%	21.32%
FIRST FRANKLIN	Los Angeles	2995	176	5.88%	12.81%
FIRST FRANKLIN	Oakland	1265	135	10.67%	15.51%
FIRST FRANKLIN	Riverside	622	49	7.88%	15.31%
FIRST FRANKLIN	San Diego	1436	85	5.92%	14.03%
FIRST HEIGHTS BANK	Houston	1557	65	4.17%	15.31%

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TABLE III. A.6 THE WORST LENDERS IN 1993: LOW/MOD INCOME APPROVALS

LENDER	MSA	Total Approvals	Low/Mod Income Approvals	Low/Mod Income % of Approvals	MSA Low/Mod Industry Average
FIRST LIBERTY BANK	Atlanta	1255	176	14.02%	20.73%
FIRST UNION MORT. CORP.	Baltimore	565	44	7.79%	21.32%
FIRST UNION MORT. CORP.	Tampa	704	83	11.79%	21.49%
FLAGSHIP FEDERAL SAVINGS BANK	San Diego	752	62	8.24%	14.03%
FLEET MORTGAGE CORP.	Riverside	918	34	3.70%	15.31%
FRANKLIN MORTGAGE CAPITAL	Baltimore	536	56	10.45%	21.32%
FRANKLIN MORTGAGE CAPITAL	Dallas	1349	108	8.01%	18.54%
FRANKLIN MORTGAGE CAPITAL	Washington	3789	643	16.97%	24.06%
GE CAPITAL MORTGAGE SERVICES	Baltimore	685	57	8.32%	21.32%
GE CAPITAL MORTGAGE SERVICES	Boston	916	42	4.59%	16.77%
GE CAPITAL MORTGAGE SERVICES	Chicago	1906	213	11.18%	21.49%
GE CAPITAL MORTGAGE SERVICES	Dallas	412	12	2.91%	18.54%
GE CAPITAL MORTGAGE SERVICES	Houston	606	27	4.46%	15.31%
GE CAPITAL MORTGAGE SERVICES	Oakland	842	12	1.43%	15.51%
GE CAPITAL MORTGAGE SERVICES	Philadelphia	6347	895	14.10%	22.63%
GE CAPITAL MORTGAGE SERVICES	Washington	3236	225	6.95%	24.06%
GMAC MORTGAGE CORPORATION OF P	Minneapolis	2342	479	20.45%	22.85%
GMAC MORTGAGE CORPORATION OF P	Riverside	1132	99	8.75%	15.31%
GN MORTGAGE	Anaheim	773	95	12.29%	18.05%
GN MORTGAGE	Los Angeles	2581	171	6.63%	12.81%
GN MORTGAGE	Oakland	831	64	7.70%	15.51%
GN MORTGAGE	San Diego	681	54	7.93%	14.03%
GREENTREE MORTGAGE COMPANY LP	Tampa	623	32	5.14%	21.49%
GUARDIAN MORTGAGE COMPANY	Detroit	1217	79	6.49%	24.05%
HEADLANDS MORTGAGE COMPANY	Anaheim	536	48	8.96%	18.05%
HEADLANDS MORTGAGE COMPANY	Oakland	1268	112	8.83%	15.51%
HEIGL MORT. & FINANCIAL CORP.	Minneapolis	3110	257	8.26%	22.85%
HOME FEDERAL SAVINGS BANK OF M	St. Louis	2910	428	14.71%	21.10%
HOMESTEAD MORTGAGE CORPORATION	Minneapolis	2957	493	16.67%	22.85%
HORIZON SAVINGS BANK	Tampa	540	46	8.52%	21.49%
HOUSEHOLD BANK	Chicago	5058	701	13.86%	21.49%
IMPERIAL CREDIT INDUSTRIES	Riverside	1252	122	9.74%	15.31%
INDEPENDENCE SAVINGS BANK	New York	1071	30	2.80%	5.76%
INTEGRA MORTGAGE COMPANY	Philadelphia	1018	135	13.26%	22.63%
JAMES B. NUTTER & COMPANY	St. Louis	920	125	13.59%	21.10%
J.I. KISLAK MORTGAGE CORP.	Boston	1418	147	10.37%	16.77%
KEYCORP MORTGAGE INC.	Nassau-Suffolk	1281	139	10.85%	14.60%
KNUTSON MORTGAGE CORPORATION	Minneapolis	3992	759	19.01%	22.85%
LAKELAND MORTGAGE CORP.	Minneapolis	3393	267	7.87%	22.85%
LEEDS FEDERAL SAVINGS & LOAN	Baltimore	606	74	12.21%	21.32%
LOAN AMERICA FINANCE CORP	Anaheim	1140	132	11.58%	18.05%
LOAN AMERICA FINANCE CORP	Chicago	1527	198	12.97%	21.49%
LOAN AMERICA FINANCE CORP	Minneapolis	959	150	15.64%	22.85%
MAIN LINE FEDERAL SAVINGS BANK	Philadelphia	2924	263	8.99%	22.63%
MARGARETTEN & COMPANY	Tampa	1533	166	10.83%	21.49%
MEDALLION MORTGAGE COMPANY	Phoenix	1932	166	8.59%	20.78%
MELLON BANK (MD)	Baltimore	601	40	6.66%	21.32%
MELLON BANK (MD)	Washington	1740	202	11.61%	24.06%
MELLON MORTGAGE COMPANY	Dallas	472	43	9.11%	18.54%
MELLON MORTGAGE COMPANY	Phoenix	2021	134	6.63%	20.78%
MERCANTILE BANK & TRUST	Dallas	1274	60	4.71%	18.54%
METMOR FINANCIAL	Phoenix	795	108	13.58%	20.78%
METRO BANK	Atlanta	723	104	14.38%	20.73%
METROPOLITAN SERVICE CORP.	Anaheim	2083	210	10.08%	18.05%
METROPOLITAN SERVICE CORP.	Los Angeles	2171	88	4.05%	12.81%
METROPOLITAN SERVICE CORP.	Riverside	573	52	9.08%	15.31%
MICAL MORTGAGE	Riverside	1882	47	2.50%	15.31%
MIDCOAST MORTGAGE CORPORATION	Nassau-Suffolk	2570	334	13.00%	14.60%
MIDLAND FINANCIAL MORTGAGES	Chicago	2126	238	11.19%	21.49%
MIDLAND FINANCIAL MORTGAGES	St. Louis	1308	118	9.02%	21.10%
MITCHELL MORTGAGE COMPANY	Houston	466	30	6.44%	15.31%
MT VERNON FEDERAL SAVINGS BANK	Atlanta	1084	164	15.13%	20.73%

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TABLE III. A.6 THE WORST LENDERS IN 1993: LOW/MOD INCOME APPROVALS

LENDER	MSA	Total Approvals	Low/Mod Income Approvals	Low/Mod Income % of Approvals	MSA Low/Mod Industry Average
NAVY FEDERAL CREDIT UNION	Washington	5430	969	17.85%	24.06%
NBD MORTGAGE COMPANY	Chicago	4630	562	12.14%	21.49%
NORTH AMERICAN MORTGAGE CO	Philadelphia	1148	140	12.20%	22.63%
NORWEST MORTGAGE	Atlanta	1520	314	20.66%	20.73%
OLD COLONY MORTGAGE CORPORATIO	Boston	799	78	9.76%	16.77%
PEOPLES WESTCHESTER	New York	1278	54	4.23%	5.76%
PHILADELPHIA MORTGAGE CORP.	Philadelphia	2905	338	11.64%	22.63%
PIB MORTGAGE COMPANY	Anaheim	794	92	11.59%	18.05%
PIB MORTGAGE COMPANY	Oakland	822	46	5.60%	15.51%
PINE STATE MORTGAGE CORPORATIO	Atlanta	1133	128	11.30%	20.73%
PINNACLE MORTGAGE INVEST. CORP	Philadelphia	2616	248	9.48%	22.63%
PNC MORTGAGE CORP. OF AMERICA	Los Angeles	1364	98	7.18%	12.81%
PNC MORTGAGE CORP. OF AMERICA	New York	621	18	2.90%	5.76%
PRINCIPAL MUTUAL LIFE INS CO	Chicago	3115	454	14.57%	21.49%
PROGRESS FEDERAL SAVINGS BANK	Philadelphia	956	101	10.56%	22.63%
PROGRESSIVE SOUTHERN MORTGAGE	Dallas	501	27	5.39%	18.54%
PROVIDENT SAVINGS BANK	New York	701	18	2.57%	5.76%
PROVIDENT SAVINGS BANK	Riverside	1039	118	11.36%	15.31%
PROVIDENT SAVINGS BANK	San Diego	1014	42	4.14%	14.03%
REISTERSTOWN FEDERAL SAVINGS B	Baltimore	1431	176	12.30%	21.32%
REPUBLIC BANK	Detroit	9011	1186	13.16%	24.05%
REPUBLIC BANK	St. Louis	2322	226	9.73%	21.10%
REPUBLIC BANK FOR SAVINGS	Nassau-Suffolk	1040	106	10.19%	14.60%
RICHARDS-WOODBURY MORTG. CORP.	Phoenix	704	87	12.36%	20.78%
RIDGEWOOD SAVINGS BANK	Nassau-Suffolk	949	117	12.33%	14.60%
ROCK FINANCIAL CORPORATION	Detroit	7328	684	9.33%	24.05%
ROOSEVELT SAVINGS BANK	Nassau-Suffolk	1577	129	8.18%	14.60%
ROOSEVELT SAVINGS BANK	New York	608	25	4.11%	5.76%
RSL MORTGAGE CORPORATION	Anaheim	833	83	9.96%	18.05%
RYLAND MORTGAGE COMPANY	Oakland	522	41	7.85%	15.51%
SAN DIEGO FUNDING	San Diego	2256	274	12.15%	14.03%
SIBLEY MORTGAGE CORPORATION	New York	848	13	1.53%	5.76%
SOURCE ONE MORTGAGE	Detroit	2189	331	15.12%	24.05%
SOURCE ONE MORTGAGE	Houston	517	31	6.00%	15.31%
SOURCE ONE MORTGAGE	Tampa	1613	249	15.44%	21.49%
SOURCE ONE MORTGAGE	Washington	1182	209	17.68%	24.06%
SOUTHERN CALIFORNIA FEDERAL SA	Anaheim	605	68	11.24%	18.05%
SOUTHTRUST MORTGAGE CORP.	Tampa	450	37	8.22%	21.49%
SOVEREIGN BANK. A FED SAVINGS	Philadelphia	1710	149	8.71%	22.63%
STANDARD FEDERAL BANK	Detroit	35908	7519	20.94%	24.05%
STATE SAVINGS BANK	Phoenix	2847	113	3.97%	20.78%
ST. JAMES SERVICING CORP	Detroit	1303	111	8.52%	24.05%
SUBURBAN MORTGAGE CO.	Boston	537	55	10.24%	16.77%
SUNBELT NATIONAL MORTGAGE CORP	Houston	588	58	9.86%	15.31%
SUNBELT NATIONAL MORTGAGE CORP	Phoenix	1159	178	15.36%	20.78%
SUNCOAST SAVINGS & LOAN ASSOC.	Boston	510	34	6.67%	16.77%
SUNCOAST SAVINGS & LOAN ASSOC.	Tampa	383	17	4.44%	21.49%
SUNRISE FEDERAL SAVINGS BANK	Nassau-Suffolk	412	49	11.89%	14.60%
TEMPLE-INLAND MORTGAGE CO.	Los Angeles	1548	102	6.59%	12.81%
TEMPLE-INLAND MORTGAGE CO.	Nassau-Suffolk	512	58	11.33%	14.60%
THE BRYN MAWR TRUST CO.	Philadelphia	1289	179	13.89%	22.63%
THE COLONIAL BANK	St. Louis	1205	127	10.54%	21.10%
THE HUNTINGTON MORTGAGE CO	Boston	6296	436	6.93%	16.77%
THE HUNTINGTON MORTGAGE CO	Detroit	1767	369	20.88%	24.05%
THE PRUDENTIAL HOME MORTGAGE C	Anaheim	6144	178	2.90%	18.05%
THE PRUDENTIAL HOME MORTGAGE C	Atlanta	3003	146	4.86%	20.73%
THE PRUDENTIAL HOME MORTGAGE C	Baltimore	1683	138	8.20%	21.32%
THE PRUDENTIAL HOME MORTGAGE C	Boston	2157	104	4.82%	16.77%
THE PRUDENTIAL HOME MORTGAGE C	Chicago	2097	149	7.11%	21.49%
THE PRUDENTIAL HOME MORTGAGE C	Dallas	1917	67	3.50%	18.54%
THE PRUDENTIAL HOME MORTGAGE C	Houston	1929	31	1.61%	15.31%
THE PRUDENTIAL HOME MORTGAGE C	Los Angeles	11864	157	1.32%	12.81%

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TABLE III. A.6 THE WORST LENDERS IN 1993: LOW/MOD INCOME APPROVALS

LENDER	MSA	Total Approvals	Low/Mod Income Approvals	Low/Mod Income % of Approvals	MSA Low/Mod Industry Average
THE PRUDENTIAL HOME MORTGAGE C	Minneapolis	1939	268	13.82%	22.85%
THE PRUDENTIAL HOME MORTGAGE C	Nassau-Suffolk	4475	275	6.15%	14.60%
THE PRUDENTIAL HOME MORTGAGE C	New York	4616	80	1.73%	5.76%
THE PRUDENTIAL HOME MORTGAGE C	Oakland	6107	113	1.85%	15.51%
THE PRUDENTIAL HOME MORTGAGE C	Philadelphia	3148	212	6.73%	22.63%
THE PRUDENTIAL HOME MORTGAGE C	Phoenix	793	73	9.21%	20.78%
THE PRUDENTIAL HOME MORTGAGE C	Riverside	1267	41	3.24%	15.31%
THE PRUDENTIAL HOME MORTGAGE C	San Diego	4197	106	2.53%	14.03%
THE PRUDENTIAL HOME MORTGAGE C	Tampa	770	76	9.87%	21.49%
THE PRUDENTIAL HOME MORTGAGE C	Washington	4757	287	6.03%	24.06%
TMC MORTGAGE CO.	Tampa	640	11	1.72%	21.49%
TMC MORTGAGE CO.	Washington	2268	215	9.48%	24.06%
UDC MORTGAGE CORPORATION	Phoenix	750	76	10.13%	20.78%
UNION SECURITY MORTGAGE	Anaheim	989	101	10.21%	18.05%
UNION SECURITY MORTGAGE	Los Angeles	1492	98	6.57%	12.81%
VENTURE FINANCIAL SERVICES	Phoenix	2640	109	4.13%	20.78%
VINEYARD NATIONAL BANK	Riverside	598	70	11.71%	15.31%
WACHOVIA MORTGAGE CO	Atlanta	2432	376	15.46%	20.73%
WASHTENAW MORTGAGE COMPANY #2	Chicago	2741	246	8.97%	21.49%
WASHTENAW MORTGAGE COMPANY #2	Minneapolis	1013	189	18.66%	22.85%
WESTERN CITIES MORTGAGE CORPOR	Riverside	1540	157	10.19%	15.31%
WEYERHAEUSER MORTGAGE CO.	Anaheim	698	100	14.33%	18.05%
WEYERHAEUSER MORTGAGE CO.	Riverside	988	87	8.81%	15.31%
WORLDWIDE FINANCIAL SERVICES	Detroit	1951	73	3.74%	24.05%

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SECTION III:

THE WORST LENDERS IN AMERICA 1993

DATA TABLES BY MSA

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TABLE III. B.1 **THE WORST LENDERS IN 1993**

LENDER	MSA	AGENCY	TYPE OF INSTITUTION
UNION SECURITY MORTGAGE	Anaheim	7	Independent Mortgage Company
RSL MORTGAGE CORPORATION	Anaheim	4	Bank Related Mortgage Company
THE PRUDENTIAL HOME MORTGAGE C	Anaheim	7	Independent Mortgage Company
PIB MORTGAGE COMPANY	Anaheim	2	Bank Related Mortgage Company
METROPOLITAN SERVICE CORP.	Anaheim	7	Independent Mortgage Company
GN MORTGAGE	Anaheim	3	Bank Related Mortgage Company
SOUTHERN CALIFORNIA FEDERAL SA	Anaheim	4	Commercial/Savings Bank
HEADLANDS MORTGAGE COMPANY	Anaheim	7	Independent Mortgage Company
LOAN AMERICA FINANCE CORP	Anaheim	7	Independent Mortgage Company
AMERICAN RESIDENTIAL MORTGAGE	Anaheim	7	Independent Mortgage Company
WEYERHAEUSER MORTGAGE CO.	Anaheim	7	Independent Mortgage Company
COLONIAL MORTGAGE COMPANY	Atlanta	7	Independent Mortgage Company
ALLATOONA FEDERAL SAVINGS BANK	Atlanta	4	Commercial/Savings Bank
PINE STATE MORTGAGE CORPORATIO	Atlanta	7	Independent Mortgage Company
NORWEST MORTGAGE	Atlanta	2	Bank Related Mortgage Company
ENTRUST FINANCIAL CORPORATION	Atlanta	7	Independent Mortgage Company
MT VERNON FEDERAL SAVINGS BANK	Atlanta	4	Commercial/Savings Bank
EAGLE SERVICE CORP D/B/A ATLAN	Atlanta	4	Bank Related Mortgage Company
FIRST LIBERTY BANK	Atlanta	4	Commercial/Savings Bank
METRO BANK	Atlanta	2	Commercial/Savings Bank
COUNTRYWIDE FUNDING CORPORATIO	Atlanta	7	Independent Mortgage Company
AMERICAN HOME MORTGAGE	Atlanta	7	Independent Mortgage Company
WACHOVIA MORTGAGE CO	Atlanta	2	Bank Related Mortgage Company
THE PRUDENTIAL HOME MORTGAGE C	Atlanta	7	Independent Mortgage Company
MELLON BANK (MD)	Baltimore	2	Commercial/Savings Bank
B.F.SAUL MORTGAGE COMPANY	Baltimore	4	Bank Related Mortgage Company
ATLANTIC RESIDENTIAL MORTGAGE	Baltimore	3	Bank Related Mortgage Company
REISTERSTOWN FEDERAL SAVINGS B	Baltimore	4	Commercial/Savings Bank
ENTRUST FINANCIAL CORPORATION	Baltimore	7	Independent Mortgage Company
FRANKLIN MORTGAGE CAPITAL	Baltimore	7	Independent Mortgage Company
GE CAPITAL MORTGAGE SERVICES	Baltimore	7	Independent Mortgage Company
LEEDS FEDERAL SAVINGS & LOAN	Baltimore	4	Commercial/Savings Bank
THE PRUDENTIAL HOME MORTGAGE C	Baltimore	7	Independent Mortgage Company
CTX MORTGAGE COMPANY	Baltimore	7	Independent Mortgage Company
FIRST UNION MORT. CORP.	Baltimore	2	Bank Related Mortgage Company
J.I. KISLAK MORTGAGE CORP.	Boston	7	Independent Mortgage Company
EAST CAMBRIDGE SAVINGS BANK	Boston	3	Commercial/Savings Bank
GE CAPITAL MORTGAGE SERVICES	Boston	7	Independent Mortgage Company
DEDHAM INSTITUTION FOR SAVINGS	Boston	3	Commercial/Savings Bank
THE PRUDENTIAL HOME MORTGAGE C	Boston	7	Independent Mortgage Company
ASSURANCE MORTGAGE CORP OF AME	Boston	7	Independent Mortgage Company
SUBURBAN MORTGAGE CO.	Boston	7	Independent Mortgage Company
COUNTRYWIDE FUNDING CORPORATIO	Boston	7	Independent Mortgage Company
CHASE HOME MORTGAGE CORP.	Boston	1	Bank Related Mortgage Company
THE HUNTINGTON MORTGAGE CO	Boston	1	Bank Related Mortgage Company
SUNCOAST SAVINGS & LOAN ASSOC.	Boston	4	Commercial/Savings Bank
OLD COLONY MORTGAGE CORPORATIO	Boston	3	Bank Related Mortgage Company
THE PRUDENTIAL HOME MORTGAGE C	Chicago	7	Independent Mortgage Company
WASHTENAW MORTGAGE COMPANY #2	Chicago	7	Independent Mortgage Company
HOUSEHOLD BANK	Chicago	4	Commercial/Savings Bank
LOAN AMERICA FINANCE CORP	Chicago	7	Independent Mortgage Company
PRINCIPAL MUTUAL LIFE INS CO	Chicago	7	Independent Mortgage Company
MIDLAND FINANCIAL MORTGAGES	Chicago	7	Independent Mortgage Company
CHASE HOME MORTGAGE CORP.	Chicago	1	Bank Related Mortgage Company
GE CAPITAL MORTGAGE SERVICES	Chicago	7	Independent Mortgage Company
NBD MORTGAGE COMPANY	Chicago	2	Bank Related Mortgage Company
FRANKLIN MORTGAGE CAPITAL	Dallas	7	Independent Mortgage Company
CHASE U.S. CONSUMER SERVICES	Dallas	2	Bank Related Mortgage Company
GE CAPITAL MORTGAGE SERVICES	Dallas	7	Independent Mortgage Company
PROGRESSIVE SOUTHERN MORTGAGE	Dallas	7	Independent Mortgage Company
COLONIAL MORTGAGE COMPANY	Dallas	7	Independent Mortgage Company

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TABLE III. B.1 THE WORST LENDERS IN 1993

LENDER	MSA	AGENCY	TYPE OF INSTITUTION
THE PRUDENTIAL HOME MORTGAGE C	Dallas	7	Independent Mortgage Company
CROSSLAND MORTGAGE CORP.	Dallas	7	Independent Mortgage Company
MERCANTILE BANK & TRUST	Dallas	4	Commercial/Savings Bank
MELLON MORTGAGE COMPANY	Dallas	2	Bank Related Mortgage Company
BARCLAYS AMERICAN MORTGAGE COR	Dallas	2	Bank Related Mortgage Company
ST. JAMES SERVICING CORP	Detroit	7	Independent Mortgage Company
ROCK FINANCIAL CORPORATION	Detroit	7	Independent Mortgage Company
GUARDIAN MORTGAGE COMPANY	Detroit	7	Independent Mortgage Company
THE HUNTINGTON MORTGAGE CO	Detroit	1	Bank Related Mortgage Company
STANDARD FEDERAL BANK	Detroit	4	Commercial/Savings Bank
SOURCE ONE MORTGAGE	Detroit	7	Independent Mortgage Company
REPUBLIC BANK	Detroit	3	Commercial/Savings Bank
WORLDWIDE FINANCIAL SERVICES	Detroit	7	Independent Mortgage Company
SOURCE ONE MORTGAGE	Houston	7	Independent Mortgage Company
MITCHELL MORTGAGE COMPANY	Houston	7	Independent Mortgage Company
COLONIAL MORTGAGE COMPANY	Houston	7	Independent Mortgage Company
THE PRUDENTIAL HOME MORTGAGE C	Houston	7	Independent Mortgage Company
BANCBOSTON MORTGAGE CORP.	Houston	1	Bank Related Mortgage Company
CORNERSTONE MORTGAGE COMPANY	Houston	7	Independent Mortgage Company
SUNBELT NATIONAL MORTGAGE CORP	Houston	7	Independent Mortgage Company
CROSSLAND MORTGAGE CORP.	Houston	7	Independent Mortgage Company
GE CAPITAL MORTGAGE SERVICES	Houston	7	Independent Mortgage Company
FIRST HEIGHTS BANK	Houston	4	Commercial/Savings Bank
BARCLAYS AMERICAN MORTGAGE COR	Houston	2	Bank Related Mortgage Company
FIRST FRANKLIN	Los Angeles	7	Independent Mortgage Company
CALIFORNIA UNITED BANK	Los Angeles	1	Commercial/Savings Bank
THE PRUDENTIAL HOME MORTGAGE C	Los Angeles	7	Independent Mortgage Company
TEMPLE-INLAND MORTGAGE CO.	Los Angeles	4	Bank Related Mortgage Company
AMERICAN RESIDENTIAL MORTGAGE	Los Angeles	7	Independent Mortgage Company
GN MORTGAGE	Los Angeles	3	Bank Related Mortgage Company
METROPOLITAN SERVICE CORP.	Los Angeles	7	Independent Mortgage Company
PNC MORTGAGE CORP. OF AMERICA	Los Angeles	1	Bank Related Mortgage Company
UNION SECURITY MORTGAGE	Los Angeles	7	Independent Mortgage Company
CHASE HOME MORTGAGE CORP.	Los Angeles	1	Bank Related Mortgage Company
WASHTENAW MORTGAGE COMPANY #2	Minneapolis	7	Independent Mortgage Company
LOAN AMERICA FINANCE CORP	Minneapolis	7	Independent Mortgage Company
GMAC MORTGAGE CORPORATION OF P	Minneapolis	7	Independent Mortgage Company
HOMESTEAD MORTGAGE CORPORATION	Minneapolis	7	Independent Mortgage Company
LAKELAND MORTGAGE CORP.	Minneapolis	7	Independent Mortgage Company
KNUTSON MORTGAGE CORPORATION	Minneapolis	7	Independent Mortgage Company
HEIGL MORT. & FINANCIAL CORP.	Minneapolis	7	Independent Mortgage Company
THE PRUDENTIAL HOME MORTGAGE C	Minneapolis	7	Independent Mortgage Company
EMIGRANT SAVINGS BANK	Nassau-Suffolk	3	Commercial/Savings Bank
SUNRISE FEDERAL SAVINGS BANK	Nassau-Suffolk	4	Commercial/Savings Bank
ROOSEVELT SAVINGS BANK	Nassau-Suffolk	3	Commercial/Savings Bank
CHASE HOME MORTGAGE CORP.	Nassau-Suffolk	1	Bank Related Mortgage Company
THE PRUDENTIAL HOME MORTGAGE C	Nassau-Suffolk	7	Independent Mortgage Company
MIDCOAST MORTGAGE CORPORATION	Nassau-Suffolk	7	Independent Mortgage Company
COUNTRYWIDE FUNDING CORPORATIO	Nassau-Suffolk	7	Independent Mortgage Company
REPUBLIC BANK FOR SAVINGS	Nassau-Suffolk	3	Commercial/Savings Bank
RIDGEWOOD SAVINGS BANK	Nassau-Suffolk	3	Commercial/Savings Bank
TEMPLE-INLAND MORTGAGE CO.	Nassau-Suffolk	4	Bank Related Mortgage Company
KEYCORP MORTGAGE INC.	Nassau-Suffolk	3	Bank Related Mortgage Company
CHASE HOME MORTGAGE CORP.	New York	1	Bank Related Mortgage Company
ROOSEVELT SAVINGS BANK	New York	3	Commercial/Savings Bank
PNC MORTGAGE CORP. OF AMERICA	New York	1	Bank Related Mortgage Company
SIBLEY MORTGAGE CORPORATION	New York	7	Independent Mortgage Company
PEOPLES WESTCHESTER	New York	3	Commercial/Savings Bank
PROVIDENT SAVINGS BANK	New York	4	Commercial/Savings Bank
INDEPENDENCE SAVINGS BANK	New York	3	Commercial/Savings Bank
THE PRUDENTIAL HOME MORTGAGE C	New York	7	Independent Mortgage Company
EMIGRANT SAVINGS BANK	New York	3	Commercial/Savings Bank

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TABLE III. B.1 **THE WORST LENDERS IN 1993**

LENDER	MSA	AGENCY	TYPE OF INSTITUTION
BROOKSAMERICA MORTGAGE CORP.	Oakland	7	Independent Mortgage Company
PIB MORTGAGE COMPANY	Oakland	2	Bank Related Mortgage Company
HEADLANDS MORTGAGE COMPANY	Oakland	7	Independent Mortgage Company
AMERICAN RESIDENTIAL MORTGAGE	Oakland	7	Independent Mortgage Company
GN MORTGAGE	Oakland	3	Bank Related Mortgage Company
RYLAND MORTGAGE COMPANY	Oakland	7	Independent Mortgage Company
ALLIED SAVINGS BANK	Oakland	4	Commercial/Savings Bank
GE CAPITAL MORTGAGE SERVICES	Oakland	7	Independent Mortgage Company
FIRST FRANKLIN	Oakland	7	Independent Mortgage Company
THE PRUDENTIAL HOME MORTGAGE C	Oakland	7	Independent Mortgage Company
SOVEREIGN BANK. A FED SAVINGS	Philadelphia	4	Commercial/Savings Bank
THE PRUDENTIAL HOME MORTGAGE C	Philadelphia	7	Independent Mortgage Company
GE CAPITAL MORTGAGE SERVICES	Philadelphia	7	Independent Mortgage Company
BANCORP MORTGAGE INC	Philadelphia	3	Bank Related Mortgage Company
THE BRYN MAWR TRUST CO.	Philadelphia	3	Commercial/Savings Bank
MAIN LINE FEDERAL SAVINGS BANK	Philadelphia	4	Commercial/Savings Bank
INTEGRA MORTGAGE COMPANY	Philadelphia	2	Bank Related Mortgage Company
PINNACLE MORTGAGE INVEST. CORP	Philadelphia	7	Independent Mortgage Company
PROGRESS FEDERAL SAVINGS BANK	Philadelphia	4	Commercial/Savings Bank
NORTH AMERICAN MORTGAGE CO	Philadelphia	7	Independent Mortgage Company
PHILADELPHIA MORTGAGE CORP.	Philadelphia	7	Independent Mortgage Company
CHARLES F CURRY COMPANY	Phoenix	7	Independent Mortgage Company
UDC MORTGAGE CORPORATION	Phoenix	7	Independent Mortgage Company
VENTURE FINANCIAL SERVICES	Phoenix	7	Independent Mortgage Company
STATE SAVINGS BANK	Phoenix	4	Commercial/Savings Bank
THE PRUDENTIAL HOME MORTGAGE C	Phoenix	7	Independent Mortgage Company
MEDALLION MORTGAGE COMPANY	Phoenix	7	Independent Mortgage Company
RICHARDS-WOODBURY MORTG. CORP.	Phoenix	7	Independent Mortgage Company
SUNBELT NATIONAL MORTGAGE CORP	Phoenix	7	Independent Mortgage Company
METMOR FINANCIAL	Phoenix	7	Independent Mortgage Company
MELLON MORTGAGE COMPANY	Phoenix	2	Bank Related Mortgage Company
METROPOLITAN SERVICE CORP.	Riverside	7	Independent Mortgage Company
FIRST FRANKLIN	Riverside	7	Independent Mortgage Company
MICAL MORTGAGE	Riverside	7	Independent Mortgage Company
IMPERIAL CREDIT INDUSTRIES	Riverside	7	Independent Mortgage Company
PROVIDENT SAVINGS BANK	Riverside	4	Commercial/Savings Bank
WEYERHAEUSER MORTGAGE CO.	Riverside	7	Independent Mortgage Company
GMAC MORTGAGE CORPORATION OF P	Riverside	7	Independent Mortgage Company
THE PRUDENTIAL HOME MORTGAGE C	Riverside	7	Independent Mortgage Company
VINEYARD NATIONAL BANK	Riverside	1	Commercial/Savings Bank
COUNTRYWIDE FUNDING CORPORATIO	Riverside	7	Independent Mortgage Company
FLEET MORTGAGE CORP.	Riverside	2	Bank Related Mortgage Company
CITIZENS NATIONAL MORTGAGE COR	Riverside	7	Independent Mortgage Company
WESTERN CITIES MORTGAGE CORPOR	Riverside	7	Independent Mortgage Company
CAL COAST MORTGAGE CORPORATION	San Diego	7	Independent Mortgage Company
FLAGSHIP FEDERAL SAVINGS BANK	San Diego	4	Commercial/Savings Bank
FIRST FRANKLIN	San Diego	7	Independent Mortgage Company
GN MORTGAGE	San Diego	3	Bank Related Mortgage Company
AMERICAN RESIDENTIAL MORTGAGE	San Diego	7	Independent Mortgage Company
THE PRUDENTIAL HOME MORTGAGE C	San Diego	7	Independent Mortgage Company
PROVIDENT SAVINGS BANK	San Diego	4	Commercial/Savings Bank
DOLLAR MORTGAGE CORPORATION	San Diego	7	Independent Mortgage Company
COUNTRYWIDE FUNDING CORPORATIO	San Diego	7	Independent Mortgage Company
SAN DIEGO FUNDING	San Diego	7	Independent Mortgage Company
HOME FEDERAL SAVINGS BANK OF M	St. Louis	4	Commercial/Savings Bank
MIDLAND FINANCIAL MORTGAGES	St. Louis	7	Independent Mortgage Company
REPUBLIC BANK	St. Louis	3	Commercial/Savings Bank
CITIBANK F.S.B.	St. Louis	4	Commercial/Savings Bank
COUNTRYWIDE FUNDING CORPORATIO	St. Louis	7	Independent Mortgage Company
CRESTAR MORTGAGE CORPORATION	St. Louis	2	Bank Related Mortgage Company
THE COLONIAL BANK	St. Louis	3	Commercial/Savings Bank
JAMES B. NUTTER & COMPANY	St. Louis	7	Independent Mortgage Company

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TABLE III. B.1 **THE WORST LENDERS IN 1993**

LENDER	MSA	AGENCY	TYPE OF INSTITUTION
AMERICAN RESIDENTIAL MORTGAGE	St. Louis	7	Independent Mortgage Company
TMC MORTGAGE CO.	Tampa	7	Independent Mortgage Company
MARGARETTEN & COMPANY	Tampa	7	Independent Mortgage Company
SUNCOAST SAVINGS & LOAN ASSOC.	Tampa	4	Commercial/Savings Bank
AMERICAN HOME FUNDING	Tampa	3	Bank Related Mortgage Company
FIRST UNION MORT. CORP.	Tampa	2	Bank Related Mortgage Company
BANCBOSTON MORTGAGE CORP.	Tampa	1	Bank Related Mortgage Company
GREENTREE MORTGAGE COMPANY LP	Tampa	7	Independent Mortgage Company
SOUTHTRUST MORTGAGE CORP.	Tampa	1	Bank Related Mortgage Company
HORIZON SAVINGS BANK	Tampa	4	Commercial/Savings Bank
CARL I. BROWN AND COMPANY	Tampa	7	Independent Mortgage Company
SOURCE ONE MORTGAGE	Tampa	7	Independent Mortgage Company
THE PRUDENTIAL HOME MORTGAGE C	Tampa	7	Independent Mortgage Company
BANCBOSTON MORTGAGE CORP.	Washington	1	Bank Related Mortgage Company
COUNTRYWIDE FUNDING CORPORATIO	Washington	7	Independent Mortgage Company
SOURCE ONE MORTGAGE	Washington	7	Independent Mortgage Company
GE CAPITAL MORTGAGE SERVICES	Washington	7	Independent Mortgage Company
THE PRUDENTIAL HOME MORTGAGE C	Washington	7	Independent Mortgage Company
FRANKLIN MORTGAGE CAPITAL	Washington	7	Independent Mortgage Company
CHASE HOME MORTGAGE CORP.	Washington	1	Bank Related Mortgage Company
MELLON BANK (MD)	Washington	2	Commercial/Savings Bank
NAVY FEDERAL CREDIT UNION	Washington	5	Credit Union
CTX MORTGAGE COMPANY	Washington	7	Independent Mortgage Company
TMC MORTGAGE CO.	Washington	7	Independent Mortgage Company

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TABLE III. B.2 THE WORST LENDERS IN 1993: MARKETING TO MINORITIES

LENDER	MSA	Total Applications	Share of Applications	White Applications	White % of Applications	Minority Applications	Minority % of Applications	MSA Minority Average
UNION SECURITY MORTGAGE	Anaheim	1238	0.91%	1171	94.59%	67	5.41%	12.50%
RSL MORTGAGE CORPORATION	Anaheim	1054	0.78%	990	93.93%	64	6.07%	12.50%
THE PRUDENTIAL HOME MORTGAGE C	Anaheim	7317	5.40%	7023	95.98%	294	4.02%	12.50%
PIB MORTGAGE COMPANY	Anaheim	943	0.70%	869	92.15%	74	7.85%	12.50%
METROPOLITAN SERVICE CORP.	Anaheim	2338	1.73%	2186	93.50%	152	6.50%	12.50%
GN MORTGAGE	Anaheim	1052	0.78%	1013	96.29%	39	3.71%	12.50%
SOUTHERN CALIFORNIA FEDERAL SA	Anaheim	719	0.53%	688	95.69%	31	4.31%	12.50%
HEADLANDS MORTGAGE COMPANY	Anaheim	748	0.55%	690	92.25%	58	7.75%	12.50%
LOAN AMERICA FINANCE CORP	Anaheim	1266	0.93%	1165	92.02%	101	7.98%	12.50%
AMERICAN RESIDENTIAL MORTGAGE	Anaheim	2138	1.58%	2010	94.01%	128	5.99%	12.50%
WEYERHAEUSER MORTGAGE CO.	Anaheim	742	0.55%	685	92.32%	57	7.68%	12.50%
COLONIAL MORTGAGE COMPANY	Atlanta	3433	2.27%	3281	95.57%	152	4.43%	12.46%
ALLATOONA FEDERAL SAVINGS BANK	Atlanta	1561	1.03%	1461	93.59%	100	6.41%	12.46%
PINE STATE MORTGAGE CORPORATIO	Atlanta	1189	0.79%	1093	91.93%	96	8.07%	12.46%
NORWEST MORTGAGE	Atlanta	1643	1.09%	1553	94.52%	90	5.48%	12.46%
ENTRUST FINANCIAL CORPORATION	Atlanta	1235	0.82%	1179	95.47%	56	4.53%	12.46%
MT VERNON FEDERAL SAVINGS BANK	Atlanta	1153	0.76%	1069	92.71%	84	7.29%	12.46%
EAGLE SERVICE CORP D/B/A ATLAN	Atlanta	912	0.60%	854	93.64%	58	6.36%	12.46%
FIRST LIBERTY BANK	Atlanta	1319	0.87%	1239	93.93%	80	6.07%	12.46%
METRO BANK	Atlanta	760	0.50%	733	96.45%	27	3.55%	12.46%
COUNTRYWIDE FUNDING CORPORATIO	Atlanta	3576	2.36%	3392	94.85%	184	5.15%	12.46%
AMERICAN HOME MORTGAGE	Atlanta	2135	1.41%	2076	97.24%	59	2.76%	12.46%
WACHOVIA MORTGAGE CO	Atlanta	2484	1.64%	2304	92.75%	180	7.25%	12.46%
THE PRUDENTIAL HOME MORTGAGE C	Atlanta	3328	2.20%	3121	93.78%	207	6.22%	12.46%
MELLON BANK (MD)	Baltimore	664	0.65%	635	95.63%	29	4.37%	11.79%
B.F.SAUL MORTGAGE COMPANY	Baltimore	1677	1.65%	1561	93.08%	116	6.92%	11.79%
ATLANTIC RESIDENTIAL MORTGAGE	Baltimore	2147	2.11%	2034	94.74%	113	5.26%	11.79%
REISTERSTOWN FEDERAL SAVINGS B	Baltimore	1469	1.44%	1427	97.14%	42	2.86%	11.79%
ENTRUST FINANCIAL CORPORATION	Baltimore	550	0.54%	511	92.91%	39	7.09%	11.79%
FRANKLIN MORTGAGE CAPITAL	Baltimore	600	0.59%	582	97.00%	18	3.00%	11.79%
GE CAPITAL MORTGAGE SERVICES	Baltimore	733	0.72%	688	93.86%	45	6.14%	11.79%
LEEDS FEDERAL SAVINGS & LOAN	Baltimore	630	0.62%	610	96.83%	20	3.17%	11.79%
THE PRUDENTIAL HOME MORTGAGE C	Baltimore	1914	1.88%	1846	96.45%	68	3.55%	11.79%
CTX MORTGAGE COMPANY	Baltimore	1079	1.06%	1019	94.44%	60	5.56%	11.79%
FIRST UNION MORT. CORP.	Baltimore	615	0.60%	586	95.28%	29	4.72%	11.79%
J.I. KISLAK MORTGAGE CORP.	Boston	1441	1.18%	1423	98.75%	18	1.25%	3.50%
EAST CAMBRIDGE SAVINGS BANK	Boston	635	0.52%	628	98.90%	7	1.10%	3.50%
GE CAPITAL MORTGAGE SERVICES	Boston	985	0.81%	967	98.17%	18	1.83%	3.50%
DEDHAM INSTITUTION FOR SAVINGS	Boston	627	0.51%	623	99.36%	4	0.64%	3.50%
THE PRUDENTIAL HOME MORTGAGE C	Boston	2434	2.00%	2403	98.73%	31	1.27%	3.50%
ASSURANCE MORTGAGE CORP OF AME	Boston	1606	1.32%	1585	98.69%	21	1.31%	3.50%
SUBURBAN MORTGAGE CO.	Boston	684	0.56%	663	96.93%	21	3.07%	3.50%
COUNTRYWIDE FUNDING CORPORATIO	Boston	4929	4.05%	4867	98.74%	62	1.26%	3.50%
CHASE HOME MORTGAGE CORP.	Boston	820	0.67%	808	98.54%	12	1.46%	3.50%
THE HUNTINGTON MORTGAGE CO	Boston	6437	5.29%	6349	98.63%	88	1.37%	3.50%
SUNCOAST SAVINGS & LOAN ASSOC.	Boston	686	0.56%	672	97.96%	14	2.04%	3.50%
OLD COLONY MORTGAGE CORPORATIO	Boston	867	0.71%	860	99.19%	7	0.81%	3.50%
THE PRUDENTIAL HOME MORTGAGE C	Chicago	2432	0.89%	2300	94.57%	132	5.43%	16.37%
WASHTENAW MORTGAGE COMPANY #2	Chicago	2810	1.03%	2659	94.63%	151	5.37%	16.37%
HOUSEHOLD BANK	Chicago	5605	2.06%	5265	93.93%	340	6.07%	16.37%
LOAN AMERICA FINANCE CORP	Chicago	1649	0.61%	1527	92.60%	122	7.40%	16.37%
PRINCIPAL MUTUAL LIFE INS CO	Chicago	3263	1.20%	3057	93.69%	206	6.31%	16.37%
MIDLAND FINANCIAL MORTGAGES	Chicago	2330	0.86%	2189	93.95%	141	6.05%	16.37%
CHASE HOME MORTGAGE CORP.	Chicago	2901	1.07%	2777	95.73%	124	4.27%	16.37%
GE CAPITAL MORTGAGE SERVICES	Chicago	2038	0.75%	1871	91.81%	167	8.19%	16.37%
NBD MORTGAGE COMPANY	Chicago	4832	1.78%	4700	97.27%	132	2.73%	16.37%
FRANKLIN MORTGAGE CAPITAL	Dallas	1356	1.53%	1324	97.64%	32	2.36%	12.35%
CHASE U.S. CONSUMER SERVICES	Dallas	520	0.59%	513	98.65%	7	1.35%	12.35%
GE CAPITAL MORTGAGE SERVICES	Dallas	469	0.53%	450	95.95%	19	4.05%	12.35%
PROGRESSIVE SOUTHERN MORTGAGE	Dallas	639	0.72%	591	92.49%	48	7.51%	12.35%
COLONIAL MORTGAGE COMPANY	Dallas	1477	1.66%	1435	97.16%	42	2.84%	12.35%

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TABLE III. B.2 THE WORST LENDERS IN 1993: MARKETING TO MINORITIES

LENDER	MSA	Total Applications	Share of Applications	White Applications	White % of Applications	Minority Applications	Minority % of Applications	MSA Minority Average
THE PRUDENTIAL HOME MORTGAGE C	Dallas	2156	2.43%	2098	97.31%	58	2.69%	12.35%
CROSSLAND MORTGAGE CORP.	Dallas	1311	1.48%	1277	97.41%	34	2.59%	12.35%
MERCANTILE BANK & TRUST	Dallas	1294	1.46%	1273	98.38%	21	1.62%	12.35%
MELLON MORTGAGE COMPANY	Dallas	507	0.57%	475	93.69%	32	6.31%	12.35%
BARCLAYS AMERICAN MORTGAGE COR	Dallas	638	0.72%	619	97.02%	19	2.98%	12.35%
ST. JAMES SERVICING CORP	Detroit	1322	0.56%	1302	98.49%	20	1.51%	7.38%
ROCK FINANCIAL CORPORATION	Detroit	7664	3.22%	7467	97.43%	197	2.57%	7.38%
GUARDIAN MORTGAGE COMPANY	Detroit	1230	0.52%	1215	98.78%	15	1.22%	7.38%
THE HUNTINGTON MORTGAGE CO	Detroit	1926	0.81%	1882	97.72%	44	2.28%	7.38%
STANDARD FEDERAL BANK	Detroit	36603	15.37%	35325	96.51%	1278	3.49%	7.38%
SOURCE ONE MORTGAGE	Detroit	2226	0.93%	2162	97.12%	64	2.88%	7.38%
REPUBLIC BANK	Detroit	9380	3.94%	9229	98.39%	151	1.61%	7.38%
WORLDWIDE FINANCIAL SERVICES	Detroit	1987	0.83%	1965	98.89%	22	1.11%	7.38%
SOURCE ONE MORTGAGE	Houston	537	0.56%	505	94.04%	32	5.96%	16.42%
MITCHELL MORTGAGE COMPANY	Houston	552	0.58%	526	95.29%	26	4.71%	16.42%
COLONIAL MORTGAGE COMPANY	Houston	918	0.96%	884	96.30%	34	3.70%	16.42%
THE PRUDENTIAL HOME MORTGAGE C	Houston	2127	2.22%	2035	95.67%	92	4.33%	16.42%
BANCBOSTON MORTGAGE CORP.	Houston	699	0.73%	670	95.85%	29	4.15%	16.42%
CORNERSTONE MORTGAGE COMPANY	Houston	1181	1.23%	1097	92.89%	84	7.11%	16.42%
SUNBELT NATIONAL MORTGAGE CORP	Houston	597	0.62%	553	92.63%	44	7.37%	16.42%
CROSSLAND MORTGAGE CORP.	Houston	1629	1.70%	1555	95.46%	74	4.54%	16.42%
GE CAPITAL MORTGAGE SERVICES	Houston	652	0.68%	615	94.33%	37	5.67%	16.42%
FIRST HEIGHTS BANK	Houston	1709	1.78%	1596	93.39%	113	6.61%	16.42%
BARCLAYS AMERICAN MORTGAGE COR	Houston	608	0.63%	579	95.23%	29	4.77%	16.42%
FIRST FRANKLIN	Los Angeles	3584	1.14%	3092	86.27%	492	13.73%	33.10%
CALIFORNIA UNITED BANK	Los Angeles	1718	0.55%	1639	95.40%	79	4.60%	33.10%
THE PRUDENTIAL HOME MORTGAGE C	Los Angeles	14538	4.64%	13613	93.64%	925	6.36%	33.10%
TEMPLE-INLAND MORTGAGE CO.	Los Angeles	1840	0.59%	1569	85.27%	271	14.73%	33.10%
AMERICAN RESIDENTIAL MORTGAGE	Los Angeles	4511	1.44%	3777	83.73%	734	16.27%	33.10%
GN MORTGAGE	Los Angeles	3429	1.09%	2884	84.11%	545	15.89%	33.10%
METROPOLITAN SERVICE CORP.	Los Angeles	2519	0.80%	2114	83.92%	405	16.08%	33.10%
PNC MORTGAGE CORP. OF AMERICA	Los Angeles	1560	0.50%	1262	80.90%	298	19.10%	33.10%
UNION SECURITY MORTGAGE	Los Angeles	1968	0.63%	1708	86.79%	260	13.21%	33.10%
CHASE HOME MORTGAGE CORP.	Los Angeles	1928	0.61%	1863	96.63%	65	3.37%	33.10%
WASHTENAW MORTGAGE COMPANY #2	Minneapolis	1031	0.51%	1022	99.13%	9	0.87%	1.69%
LOAN AMERICA FINANCE CORP	Minneapolis	1019	0.51%	1007	98.82%	12	1.18%	1.69%
GMAC MORTGAGE CORPORATION OF P	Minneapolis	2434	1.21%	2402	98.69%	32	1.31%	1.69%
HOMESTEAD MORTGAGE CORPORATION	Minneapolis	2986	1.49%	2959	99.10%	27	0.90%	1.69%
LAKELAND MORTGAGE CORP.	Minneapolis	3393	1.69%	3358	98.97%	35	1.03%	1.69%
KNUTSON MORTGAGE CORPORATION	Minneapolis	4175	2.08%	4143	99.23%	32	0.77%	1.69%
HEIGL MORT. & FINANCIAL CORP.	Minneapolis	3174	1.58%	3140	98.93%	34	1.07%	1.69%
THE PRUDENTIAL HOME MORTGAGE C	Minneapolis	2211	1.10%	2192	99.14%	19	0.86%	1.69%
EMIGRANT SAVINGS BANK	Nassau-Suffolk	1010	1.21%	973	96.34%	37	3.66%	6.86%
SUNRISE FEDERAL SAVINGS BANK	Nassau-Suffolk	425	0.51%	409	96.24%	16	3.76%	6.86%
ROOSEVELT SAVINGS BANK	Nassau-Suffolk	1708	2.05%	1617	94.67%	91	5.33%	6.86%
CHASE HOME MORTGAGE CORP.	Nassau-Suffolk	973	1.17%	943	96.92%	30	3.08%	6.86%
THE PRUDENTIAL HOME MORTGAGE C	Nassau-Suffolk	5128	6.14%	5006	97.62%	122	2.38%	6.86%
MIDCOAST MORTGAGE CORPORATION	Nassau-Suffolk	2788	3.34%	2647	94.94%	141	5.06%	6.86%
COUNTRYWIDE FUNDING CORPORATIO	Nassau-Suffolk	1635	1.96%	1568	95.90%	67	4.10%	6.86%
REPUBLIC BANK FOR SAVINGS	Nassau-Suffolk	1135	1.36%	1095	96.48%	40	3.52%	6.86%
RIDGEWOOD SAVINGS BANK	Nassau-Suffolk	1035	1.24%	993	95.94%	42	4.06%	6.86%
TEMPLE-INLAND MORTGAGE CO.	Nassau-Suffolk	550	0.66%	527	95.82%	23	4.18%	6.86%
KEYCORP MORTGAGE INC.	Nassau-Suffolk	1383	1.66%	1343	97.11%	40	2.89%	6.86%
CHASE HOME MORTGAGE CORP.	New York	2431	2.27%	2283	93.91%	148	6.09%	20.81%
ROOSEVELT SAVINGS BANK	New York	695	0.65%	642	92.37%	53	7.63%	20.81%
PNC MORTGAGE CORP. OF AMERICA	New York	674	0.63%	598	88.72%	76	11.28%	20.81%
SIBLEY MORTGAGE CORPORATION	New York	890	0.83%	851	95.62%	39	4.38%	20.81%
PEOPLES WESTCHESTER	New York	1574	1.47%	1469	93.33%	105	6.67%	20.81%
PROVIDENT SAVINGS BANK	New York	750	0.70%	706	94.13%	44	5.87%	20.81%
INDEPENDENCE SAVINGS BANK	New York	1456	1.36%	1338	91.90%	118	8.10%	20.81%
THE PRUDENTIAL HOME MORTGAGE C	New York	5508	5.14%	5161	93.70%	347	6.30%	20.81%
EMIGRANT SAVINGS BANK	New York	1314	1.23%	1221	92.92%	93	7.08%	20.81%

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TABLE III. B.2 THE WORST LENDERS IN 1993: MARKETING TO MINORITIES

LENDER	MSA	Total Applications	Share of Applications	White Applications	White % of Applications	Minority Applications	Minority % of Applications	MSA Minority Average
BROOKSAMERICA MORTGAGE CORP.	Oakland	710	0.62%	650	91.55%	60	8.45%	15.21%
PIB MORTGAGE COMPANY	Oakland	932	0.82%	841	90.24%	91	9.76%	15.21%
HEADLANDS MORTGAGE COMPANY	Oakland	1444	1.26%	1300	90.03%	144	9.97%	15.21%
AMERICAN RESIDENTIAL MORTGAGE	Oakland	2212	1.94%	2047	92.54%	165	7.46%	15.21%
GN MORTGAGE	Oakland	950	0.83%	905	95.26%	45	4.74%	15.21%
RYLAND MORTGAGE COMPANY	Oakland	626	0.55%	568	90.73%	58	9.27%	15.21%
ALLIED SAVINGS BANK	Oakland	1768	1.55%	1634	92.42%	134	7.58%	15.21%
GE CAPITAL MORTGAGE SERVICES	Oakland	913	0.80%	859	94.09%	54	5.91%	15.21%
FIRST FRANKLIN	Oakland	1409	1.23%	1282	90.99%	127	9.01%	15.21%
THE PRUDENTIAL HOME MORTGAGE C	Oakland	6770	5.93%	6462	95.45%	308	4.55%	15.21%
SOVEREIGN BANK. A FED SAVINGS	Philadelphia	1896	0.95%	1856	97.89%	40	2.11%	8.86%
THE PRUDENTIAL HOME MORTGAGE C	Philadelphia	3569	1.79%	3438	96.33%	131	3.67%	8.86%
GE CAPITAL MORTGAGE SERVICES	Philadelphia	6755	3.40%	6525	96.60%	230	3.40%	8.86%
BANCORP MORTGAGE INC	Philadelphia	2030	1.02%	2005	98.77%	25	1.23%	8.86%
THE BRYN MAWR TRUST CO.	Philadelphia	1324	0.67%	1286	97.13%	38	2.87%	8.86%
MAIN LINE FEDERAL SAVINGS BANK	Philadelphia	3078	1.55%	3040	98.77%	38	1.23%	8.86%
INTEGRA MORTGAGE COMPANY	Philadelphia	1053	0.53%	1011	96.01%	42	3.99%	8.86%
PINNACLE MORTGAGE INVEST. CORP	Philadelphia	2633	1.32%	2583	98.10%	50	1.90%	8.86%
PROGRESS FEDERAL SAVINGS BANK	Philadelphia	1003	0.50%	985	98.21%	18	1.79%	8.86%
NORTH AMERICAN MORTGAGE CO	Philadelphia	1215	0.61%	1195	98.35%	20	1.65%	8.86%
PHILADELPHIA MORTGAGE CORP.	Philadelphia	3181	1.60%	3128	98.33%	53	1.67%	8.86%
CHARLES F CURRY COMPANY	Phoenix	1240	0.88%	1104	89.03%	136	10.97%	9.33%
UDC MORTGAGE CORPORATION	Phoenix	785	0.56%	734	93.50%	51	6.50%	9.33%
VENTURE FINANCIAL SERVICES	Phoenix	2756	1.97%	2493	90.46%	263	9.54%	9.33%
STATE SAVINGS BANK	Phoenix	2978	2.12%	2814	94.49%	164	5.51%	9.33%
THE PRUDENTIAL HOME MORTGAGE C	Phoenix	985	0.70%	963	97.77%	22	2.23%	9.33%
MEDALLION MORTGAGE COMPANY	Phoenix	2028	1.45%	1935	95.41%	93	4.59%	9.33%
RICHARDS-WOODBURY MORTG. CORP.	Phoenix	707	0.50%	668	94.48%	39	5.52%	9.33%
SUNBELT NATIONAL MORTGAGE CORP	Phoenix	1263	0.90%	1175	93.03%	88	6.97%	9.33%
METMOR FINANCIAL	Phoenix	822	0.59%	771	93.80%	51	6.20%	9.33%
MELLON MORTGAGE COMPANY	Phoenix	2066	1.47%	1994	96.52%	72	3.48%	9.33%
METROPOLITAN SERVICE CORP.	Riverside	687	0.53%	581	84.57%	106	15.43%	27.15%
FIRST FRANKLIN	Riverside	735	0.56%	645	87.76%	90	12.24%	27.15%
MICAL MORTGAGE	Riverside	2136	1.64%	1519	71.11%	617	28.89%	27.15%
IMPERIAL CREDIT INDUSTRIES	Riverside	1582	1.22%	1290	81.54%	292	18.46%	27.15%
PROVIDENT SAVINGS BANK	Riverside	1351	1.04%	1142	84.53%	209	15.47%	27.15%
WEYERHAEUSER MORTGAGE CO.	Riverside	1070	0.82%	827	77.29%	243	22.71%	27.15%
GMAC MORTGAGE CORPORATION OF P	Riverside	1279	0.98%	1038	81.16%	241	18.84%	27.15%
THE PRUDENTIAL HOME MORTGAGE C	Riverside	1679	1.29%	1503	89.52%	176	10.48%	27.15%
VINEYARD NATIONAL BANK	Riverside	698	0.54%	599	85.82%	99	14.18%	27.15%
COUNTRYWIDE FUNDING CORPORATIO	Riverside	5287	4.06%	4313	81.58%	974	18.42%	27.15%
FLEET MORTGAGE CORP.	Riverside	1006	0.77%	721	71.67%	285	28.33%	27.15%
CITIZENS NATIONAL MORTGAGE COR	Riverside	2214	1.70%	1604	72.45%	610	27.55%	27.15%
WESTERN CITIES MORTGAGE CORPOR	Riverside	1725	1.33%	1331	77.16%	394	22.84%	27.15%
CAL COAST MORTGAGE CORPORATION	San Diego	1602	1.28%	1394	87.02%	208	12.98%	13.35%
FLAGSHIP FEDERAL SAVINGS BANK	San Diego	752	0.60%	704	93.62%	48	6.38%	13.35%
FIRST FRANKLIN	San Diego	1436	1.15%	1343	93.52%	93	6.48%	13.35%
GN MORTGAGE	San Diego	681	0.55%	636	93.39%	45	6.61%	13.35%
AMERICAN RESIDENTIAL MORTGAGE	San Diego	3174	2.54%	2929	92.28%	245	7.72%	13.35%
THE PRUDENTIAL HOME MORTGAGE C	San Diego	4197	3.36%	4032	96.07%	165	3.93%	13.35%
PROVIDENT SAVINGS BANK	San Diego	1014	0.81%	945	93.20%	69	6.80%	13.35%
DOLLAR MORTGAGE CORPORATION	San Diego	641	0.51%	576	89.86%	65	10.14%	13.35%
COUNTRYWIDE FUNDING CORPORATIO	San Diego	9231	7.39%	8553	92.66%	678	7.34%	13.35%
SAN DIEGO FUNDING	San Diego	2256	1.81%	2052	90.96%	204	9.04%	13.35%
HOME FEDERAL SAVINGS BANK OF M	St. Louis	3051	2.33%	3017	98.89%	34	1.11%	8.29%
MIDLAND FINANCIAL MORTGAGES	St. Louis	1388	1.06%	1373	98.92%	15	1.08%	8.29%
REPUBLIC BANK	St. Louis	2486	1.90%	2430	97.75%	56	2.25%	8.29%
CITIBANK F.S.B.	St. Louis	681	0.52%	654	96.04%	27	3.96%	8.29%
COUNTRYWIDE FUNDING CORPORATIO	St. Louis	1020	0.78%	990	97.06%	30	2.94%	8.29%
CRESTAR MORTGAGE CORPORATION	St. Louis	957	0.73%	943	98.54%	14	1.46%	8.29%
THE COLONIAL BANK	St. Louis	1255	0.96%	1240	98.80%	15	1.20%	8.29%
JAMES B. NUTTER & COMPANY	St. Louis	1006	0.77%	991	98.51%	15	1.49%	8.29%

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TABLE III. B.2 THE WORST LENDERS IN 1993: MARKETING TO MINORITIES

LENDER	MSA	Total Applications	Share of Applications	White Applications	White % of Applications	Minority Applications	Minority % of Applications	MSA Minority Average
AMERICAN RESIDENTIAL MORTGAGE	St. Louis	1058	0.81%	1011	95.56%	47	4.44%	8.29%
TMC MORTGAGE CO.	Tampa	688	0.79%	678	98.55%	10	1.45%	8.68%
MARGARETTEN & COMPANY	Tampa	1665	1.91%	1589	95.44%	76	4.56%	8.68%
SUNCOAST SAVINGS & LOAN ASSOC.	Tampa	479	0.55%	463	96.66%	16	3.34%	8.68%
AMERICAN HOME FUNDING	Tampa	555	0.64%	519	93.51%	36	6.49%	8.68%
FIRST UNION MORT. CORP.	Tampa	738	0.85%	703	95.26%	35	4.74%	8.68%
BANCBOSTON MORTGAGE CORP.	Tampa	619	0.71%	578	93.38%	41	6.62%	8.68%
GREENTREE MORTGAGE COMPANY LP	Tampa	770	0.88%	741	96.23%	29	3.77%	8.68%
SOUTHTRUST MORTGAGE CORP.	Tampa	470	0.54%	454	96.60%	16	3.40%	8.68%
HORIZON SAVINGS BANK	Tampa	564	0.65%	529	93.79%	35	6.21%	8.68%
CARL I. BROWN AND COMPANY	Tampa	1094	1.26%	1047	95.70%	47	4.30%	8.68%
SOURCE ONE MORTGAGE	Tampa	1683	1.93%	1595	94.77%	88	5.23%	8.68%
THE PRUDENTIAL HOME MORTGAGE C	Tampa	958	1.10%	923	96.35%	35	3.65%	8.68%
BANCBOSTON MORTGAGE CORP.	Washington	1916	0.82%	1798	93.84%	118	6.16%	16.80%
COUNTRYWIDE FUNDING CORPORATIO	Washington	2687	1.15%	2397	89.21%	290	10.79%	16.80%
SOURCE ONE MORTGAGE	Washington	1228	0.52%	1125	91.61%	103	8.39%	16.80%
GE CAPITAL MORTGAGE SERVICES	Washington	3373	1.44%	3104	92.02%	269	7.98%	16.80%
THE PRUDENTIAL HOME MORTGAGE C	Washington	5328	2.27%	4967	93.22%	361	6.78%	16.80%
FRANKLIN MORTGAGE CAPITAL	Washington	3992	1.70%	3718	93.14%	274	6.86%	16.80%
CHASE HOME MORTGAGE CORP.	Washington	1937	0.83%	1753	90.50%	184	9.50%	16.80%
MELLON BANK (MD)	Washington	1898	0.81%	1673	88.15%	225	11.85%	16.80%
NAVY FEDERAL CREDIT UNION	Washington	5511	2.35%	4862	88.22%	649	11.78%	16.80%
CTX MORTGAGE COMPANY	Washington	1941	0.83%	1797	92.58%	144	7.42%	16.80%
TMC MORTGAGE CO.	Washington	2327	0.99%	2273	97.68%	54	2.32%	16.80%

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TABLE III. B.3 THE WORST BANKS IN 1993: DENIAL RATIOS

LENDER	MSA	Total Applications	Minority Applications	Minority Denials	Minority Denial Rate	White Denial Rate	Minority to White Denial Ratio
UNION SECURITY MORTGAGE	Anaheim	1238	67	22	32.84	19.39	1.69
RSL MORTGAGE CORPORATION	Anaheim	1054	64	18	28.13	20.51	1.37
THE PRUDENTIAL HOME MORTGAGE C	Anaheim	7317	294	63	21.43	15.81	1.36
PIB MORTGAGE COMPANY	Anaheim	943	74	19	25.68	14.96	1.72
METROPOLITAN SERVICE CORP.	Anaheim	2338	152	29	19.08	10.34	1.85
GN MORTGAGE	Anaheim	1052	39	12	30.77	26.36	1.17
SOUTHERN CALIFORNIA FEDERAL SA	Anaheim	719	31	11	35.48	14.97	2.37
HEADLANDS MORTGAGE COMPANY	Anaheim	748	58	29	50.00	26.52	1.89
LOAN AMERICA FINANCE CORP	Anaheim	1266	101	16	15.84	9.44	1.68
AMERICAN RESIDENTIAL MORTGAGE	Anaheim	2138	128	26	20.31	11.54	1.76
WEYERHAEUSER MORTGAGE CO.	Anaheim	742	57	7	12.28	5.40	2.27
COLONIAL MORTGAGE COMPANY	Atlanta	3433	152	10	6.58	3.44	1.91
ALLATOONA FEDERAL SAVINGS BANK	Atlanta	1561	100	18	18.00	2.74	6.57
PINE STATE MORTGAGE CORPORATIO	Atlanta	1189	96	15	15.63	3.75	4.17
NORWEST MORTGAGE	Atlanta	1643	90	24	26.67	6.37	4.19
ENTRUST FINANCIAL CORPORATION	Atlanta	1235	56	6	10.71	2.46	4.35
MT VERNON FEDERAL SAVINGS BANK	Atlanta	1153	84	14	16.67	5.14	3.24
EAGLE SERVICE CORP D/B/A ATLAN	Atlanta	912	58	6	10.34	2.11	4.90
FIRST LIBERTY BANK	Atlanta	1319	80	12	15.00	4.20	3.57
METRO BANK	Atlanta	760	27	3	11.11	4.64	2.39
COUNTRYWIDE FUNDING CORPORATIO	Atlanta	3576	184	28	15.22	8.67	1.76
AMERICAN HOME MORTGAGE	Atlanta	2135	59	1	1.69	1.25	1.35
WACHOVIA MORTGAGE CO	Atlanta	2484	180	12	6.67	1.74	3.83
THE PRUDENTIAL HOME MORTGAGE C	Atlanta	3328	207	34	16.43	9.32	1.76
MELLON BANK (MD)	Baltimore	664	29	4	13.79	9.29	1.48
B.F.SAUL MORTGAGE COMPANY	Baltimore	1677	116	15	12.93	4.48	2.89
ATLANTIC RESIDENTIAL MORTGAGE	Baltimore	2147	113	12	10.62	3.88	2.74
REISTERSTOWN FEDERAL SAVINGS B	Baltimore	1469	42	2	4.76	2.52	1.89
ENTRUST FINANCIAL CORPORATION	Baltimore	550	39	3	7.69	1.57	4.90
FRANKLIN MORTGAGE CAPITAL	Baltimore	600	18	4	22.22	10.31	2.16
GE CAPITAL MORTGAGE SERVICES	Baltimore	733	45	7	15.56	5.96	2.61
LEEDS FEDERAL SAVINGS & LOAN	Baltimore	630	20	3	15.00	3.44	4.36
THE PRUDENTIAL HOME MORTGAGE C	Baltimore	1914	68	12	17.65	11.86	1.49
CTX MORTGAGE COMPANY	Baltimore	1079	60	11	18.33	4.22	4.34
FIRST UNION MORT. CORP.	Baltimore	615	29	5	17.24	7.68	2.24
J.I. KISLAK MORTGAGE CORP.	Boston	1441	18	1	5.56	1.55	3.59
EAST CAMBRIDGE SAVINGS BANK	Boston	635	7	4	57.14	18.15	3.15
GE CAPITAL MORTGAGE SERVICES	Boston	985	18	3	16.67	6.83	2.44
DEDHAM INSTITUTION FOR SAVINGS	Boston	627	4	1	25.00	8.51	2.94
THE PRUDENTIAL HOME MORTGAGE C	Boston	2434	31	5	16.13	11.32	1.42
ASSURANCE MORTGAGE CORP OF AME	Boston	1606	21	0	0.00	0.95	0.00
SUBURBAN MORTGAGE CO.	Boston	684	21	15	71.43	19.91	3.59
COUNTRYWIDE FUNDING CORPORATIO	Boston	4929	62	4	6.45	3.76	1.72
CHASE HOME MORTGAGE CORP.	Boston	820	12	4	33.33	3.34	9.98
THE HUNTINGTON MORTGAGE CO	Boston	6437	88	7	7.95	2.11	3.77
SUNCOAST SAVINGS & LOAN ASSOC.	Boston	686	14	7	50.00	25.15	1.99
OLD COLONY MORTGAGE CORPORATIO	Boston	867	7	3	42.86	7.56	5.67
THE PRUDENTIAL HOME MORTGAGE C	Chicago	2432	132	24	18.18	13.52	1.34
WASHTENAW MORTGAGE COMPANY #2	Chicago	2810	151	4	2.65	2.44	1.09
HOUSEHOLD BANK	Chicago	5605	340	69	20.29	9.08	2.23
LOAN AMERICA FINANCE CORP	Chicago	1649	122	21	17.21	6.61	2.60
PRINCIPAL MUTUAL LIFE INS CO	Chicago	3263	206	25	12.14	4.02	3.02
MIDLAND FINANCIAL MORTGAGES	Chicago	2330	141	24	17.02	8.22	2.07
CHASE HOME MORTGAGE CORP.	Chicago	2901	124	6	4.84	3.49	1.39
GE CAPITAL MORTGAGE SERVICES	Chicago	2038	167	47	28.14	4.54	6.20
NBD MORTGAGE COMPANY	Chicago	4832	132	15	11.36	3.98	2.85
FRANKLIN MORTGAGE CAPITAL	Dallas	1356	32	0	0.00	0.53	0.00
CHASE U.S. CONSUMER SERVICES	Dallas	520	7	0	0.00	10.14	0.00
GE CAPITAL MORTGAGE SERVICES	Dallas	469	19	6	31.58	11.33	2.79
PROGRESSIVE SOUTHERN MORTGAGE	Dallas	639	48	22	45.83	19.63	2.33
COLONIAL MORTGAGE COMPANY	Dallas	1477	42	5	11.90	3.00	3.97

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TABLE III. B.3 THE WORST BANKS IN 1993: DENIAL RATIOS

LENDER	MSA	Total Applications	Minority Applications	Minority Denials	Minority Denial Rate	White Denial Rate	Minority to White. Denial Ratio
THE PRUDENTIAL HOME MORTGAGE C	Dallas	2156	58	14	24.14	10.72	2.25
CROSSLAND MORTGAGE CORP.	Dallas	1311	34	2	5.88	2.35	2.50
MERCANTILE BANK & TRUST	Dallas	1294	21	0	0.00	1.57	0.00
MELLON MORTGAGE COMPANY	Dallas	507	32	7	21.88	5.89	3.71
BARCLAYS AMERICAN MORTGAGE COR	Dallas	638	19	2	10.53	4.85	2.17
ST. JAMES SERVICING CORP	Detroit	1322	20	1	5.00	1.38	3.62
ROCK FINANCIAL CORPORATION	Detroit	7664	197	31	15.74	4.08	3.86
GUARDIAN MORTGAGE COMPANY	Detroit	1230	15	0	0.00	1.07	0.00
THE HUNTINGTON MORTGAGE CO	Detroit	1926	44	16	36.36	7.60	4.78
STANDARD FEDERAL BANK	Detroit	36603	1278	91	7.12	1.71	4.16
SOURCE ONE MORTGAGE	Detroit	2226	64	4	6.25	1.53	4.08
REPUBLIC BANK	Detroit	9380	151	18	11.92	3.80	3.14
WORLDWIDE FINANCIAL SERVICES	Detroit	1987	22	0	0.00	1.83	0.00
SOURCE ONE MORTGAGE	Houston	537	32	3	9.38	3.37	2.78
MITCHELL MORTGAGE COMPANY	Houston	552	26	10	38.46	14.15	2.72
COLONIAL MORTGAGE COMPANY	Houston	918	34	1	2.94	2.26	1.30
THE PRUDENTIAL HOME MORTGAGE C	Houston	2127	92	25	27.17	8.50	3.20
BANCBOSTON MORTGAGE CORP.	Houston	699	29	8	27.59	12.24	2.25
CORNERSTONE MORTGAGE COMPANY	Houston	1181	84	26	30.95	4.65	6.66
SUNBELT NATIONAL MORTGAGE CORP	Houston	597	44	3	6.82	1.08	6.31
CROSSLAND MORTGAGE CORP.	Houston	1629	74	6	8.11	3.34	2.43
GE CAPITAL MORTGAGE SERVICES	Houston	652	37	6	16.22	6.50	2.50
FIRST HEIGHTS BANK	Houston	1709	113	34	30.09	7.39	4.07
BARCLAYS AMERICAN MORTGAGE COR	Houston	608	29	4	13.79	7.43	1.86
FIRST FRANKLIN	Los Angeles	3584	492	113	22.97	15.39	1.49
CALIFORNIA UNITED BANK	Los Angeles	1718	79	18	22.78	14.15	1.61
THE PRUDENTIAL HOME MORTGAGE C	Los Angeles	14538	925	249	26.92	17.81	1.51
TEMPLE-INLAND MORTGAGE CO.	Los Angeles	1840	271	54	19.93	15.17	1.31
AMERICAN RESIDENTIAL MORTGAGE	Los Angeles	4511	734	175	23.84	15.99	1.49
GN MORTGAGE	Los Angeles	3429	545	171	31.38	23.47	1.34
METROPOLITAN SERVICE CORP.	Los Angeles	2519	405	89	21.98	12.25	1.79
PNC MORTGAGE CORP. OF AMERICA	Los Angeles	1560	298	62	20.81	10.62	1.96
UNION SECURITY MORTGAGE	Los Angeles	1968	260	90	34.62	22.60	1.53
CHASE HOME MORTGAGE CORP.	Los Angeles	1928	65	27	41.54	18.46	2.25
WASHTENAW MORTGAGE COMPANY #2	Minneapolis	1031	9	2	22.22	1.57	14.15
LOAN AMERICA FINANCE CORP	Minneapolis	1019	12	3	25.00	5.66	4.42
GMAC MORTGAGE CORPORATION OF P	Minneapolis	2434	32	9	28.13	3.46	8.13
HOMESTEAD MORTGAGE CORPORATION	Minneapolis	2986	27	1	3.70	0.95	3.89
LAKELAND MORTGAGE CORP.	Minneapolis	3393	35	0	0.00	0.00	ERR
KNUTSON MORTGAGE CORPORATION	Minneapolis	4175	32	3	9.38	4.34	2.16
HEIGL MORT. & FINANCIAL CORP.	Minneapolis	3174	34	0	0.00	2.04	0.00
THE PRUDENTIAL HOME MORTGAGE C	Minneapolis	2211	19	4	21.05	12.23	1.72
EMIGRANT SAVINGS BANK	Nassau-Suffolk	1010	37	6	16.22	9.35	1.73
SUNRISE FEDERAL SAVINGS BANK	Nassau-Suffolk	425	16	1	6.25	2.93	2.13
ROOSEVELT SAVINGS BANK	Nassau-Suffolk	1708	91	16	17.58	7.11	2.47
CHASE HOME MORTGAGE CORP.	Nassau-Suffolk	973	30	6	20.00	12.83	1.56
THE PRUDENTIAL HOME MORTGAGE C	Nassau-Suffolk	5128	122	19	15.57	12.66	1.23
MIDCOAST MORTGAGE CORPORATION	Nassau-Suffolk	2788	141	29	20.57	7.14	2.88
COUNTRYWIDE FUNDING CORPORATIO	Nassau-Suffolk	1635	67	9	13.43	5.80	2.32
REPUBLIC BANK FOR SAVINGS	Nassau-Suffolk	1135	40	6	15.00	8.13	1.85
RIDGEWOOD SAVINGS BANK	Nassau-Suffolk	1035	42	8	19.05	7.85	2.43
TEMPLE-INLAND MORTGAGE CO.	Nassau-Suffolk	550	23	4	17.39	6.45	2.70
KEYCORP MORTGAGE INC.	Nassau-Suffolk	1383	40	5	12.50	7.22	1.73
CHASE HOME MORTGAGE CORP.	New York	2431	148	39	26.35	10.42	2.53
ROOSEVELT SAVINGS BANK	New York	695	53	15	28.30	11.21	2.52
PNC MORTGAGE CORP. OF AMERICA	New York	674	76	13	17.11	6.69	2.56
SIBLEY MORTGAGE CORPORATION	New York	890	39	1	2.56	4.82	0.53
PEOPLES WESTCHESTER	New York	1574	105	40	38.10	17.43	2.19
PROVIDENT SAVINGS BANK	New York	750	44	5	11.36	6.23	1.82
INDEPENDENCE SAVINGS BANK	New York	1456	118	53	44.92	24.81	1.81
THE PRUDENTIAL HOME MORTGAGE C	New York	5508	347	90	25.94	15.54	1.67
EMIGRANT SAVINGS BANK	New York	1314	93	21	22.58	11.79	1.92

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TABLE III. B.3 THE WORST BANKS IN 1993: DENIAL RATIOS

LENDER	MSA	Total Applications	Minority Applications	Minority Denials	Minority Denial Rate	White Denial Rate	Minority to White Denial Ratio
BROOKSAMERICA MORTGAGE CORP.	Oakland	710	60	19	31.67	16.92	1.87
PIB MORTGAGE COMPANY	Oakland	932	91	22	24.18	10.46	2.31
HEADLANDS MORTGAGE COMPANY	Oakland	1444	144	37	25.69	10.69	2.40
AMERICAN RESIDENTIAL MORTGAGE	Oakland	2212	165	38	23.03	14.46	1.59
GN MORTGAGE	Oakland	950	45	7	15.56	12.38	1.26
RYLAND MORTGAGE COMPANY	Oakland	626	58	16	27.59	15.49	1.78
ALLIED SAVINGS BANK	Oakland	1768	134	17	12.69	7.10	1.79
GE CAPITAL MORTGAGE SERVICES	Oakland	913	54	10	18.52	7.10	2.61
FIRST FRANKLIN	Oakland	1409	127	22	17.32	9.52	1.82
THE PRUDENTIAL HOME MORTGAGE C	Oakland	6770	308	39	12.66	9.66	1.31
SOVEREIGN BANK. A FED SAVINGS	Philadelphia	1896	40	8	20.00	9.59	2.09
THE PRUDENTIAL HOME MORTGAGE C	Philadelphia	3569	131	30	22.90	11.37	2.01
GE CAPITAL MORTGAGE SERVICES	Philadelphia	6755	230	39	16.96	5.66	3.00
BANCORP MORTGAGE INC	Philadelphia	2030	25	4	16.00	9.53	1.68
THE BRYN MAWR TRUST CO.	Philadelphia	1324	38	4	10.53	2.41	4.37
MAIN LINE FEDERAL SAVINGS BANK	Philadelphia	3078	38	7	18.42	4.84	3.81
INTEGRA MORTGAGE COMPANY	Philadelphia	1053	42	6	14.29	2.87	4.98
PINNACLE MORTGAGE INVEST. CORP	Philadelphia	2633	50	1	2.00	0.62	3.23
PROGRESS FEDERAL SAVINGS BANK	Philadelphia	1003	18	10	55.56	3.76	14.78
NORTH AMERICAN MORTGAGE CO	Philadelphia	1215	20	2	10.00	5.44	1.84
PHILADELPHIA MORTGAGE CORP.	Philadelphia	3181	53	8	15.09	8.57	1.76
CHARLES F CURRY COMPANY	Phoenix	1240	136	6	4.41	1.00	4.41
UDC MORTGAGE CORPORATION	Phoenix	785	51	7	13.73	3.81	3.60
VENTURE FINANCIAL SERVICES	Phoenix	2756	263	29	11.03	3.49	3.16
STATE SAVINGS BANK	Phoenix	2978	164	8	4.88	4.37	1.12
THE PRUDENTIAL HOME MORTGAGE C	Phoenix	985	22	7	31.82	19.21	1.66
MEDALLION MORTGAGE COMPANY	Phoenix	2028	93	1	1.08	4.91	0.22
RICHARDS-WOODBURY MORTG. CORP.	Phoenix	707	39	1	2.56	0.30	8.53
SUNBELT NATIONAL MORTGAGE CORP	Phoenix	1263	88	22	25.00	6.98	3.58
METMOR FINANCIAL	Phoenix	822	51	5	9.80	2.85	3.44
MELLON MORTGAGE COMPANY	Phoenix	2066	72	8	11.11	1.86	5.97
METROPOLITAN SERVICE CORP.	Riverside	687	106	24	22.64	15.49	1.46
FIRST FRANKLIN	Riverside	735	90	19	21.11	14.57	1.45
MICAL MORTGAGE	Riverside	2136	617	88	14.26	10.93	1.30
IMPERIAL CREDIT INDUSTRIES	Riverside	1582	292	76	26.03	19.69	1.32
PROVIDENT SAVINGS BANK	Riverside	1351	209	72	34.45	21.02	1.64
WEYERHAEUSER MORTGAGE CO.	Riverside	1070	243	29	11.93	6.41	1.86
GMAC MORTGAGE CORPORATION OF P	Riverside	1279	241	49	20.33	9.44	2.15
THE PRUDENTIAL HOME MORTGAGE C	Riverside	1679	176	47	26.70	24.28	1.10
VINEYARD NATIONAL BANK	Riverside	698	99	18	18.18	13.69	1.33
COUNTRYWIDE FUNDING CORPORATIO	Riverside	5287	974	137	14.07	13.68	1.03
FLEET MORTGAGE CORP.	Riverside	1006	285	34	11.93	7.49	1.59
CITIZENS NATIONAL MORTGAGE COR	Riverside	2214	610	143	23.44	17.71	1.32
WESTERN CITIES MORTGAGE CORPOR	Riverside	1725	394	68	17.26	8.79	1.96
CAL COAST MORTGAGE CORPORATION	San Diego	1602	208	52	25.00	10.11	2.47
FLAGSHIP FEDERAL SAVINGS BANK	San Diego	752	48	12	25.00	12.22	2.05
FIRST FRANKLIN	San Diego	1436	93	17	18.28	12.06	1.52
GN MORTGAGE	San Diego	681	45	15	33.33	26.57	1.25
AMERICAN RESIDENTIAL MORTGAGE	San Diego	3174	245	32	13.06	8.74	1.49
THE PRUDENTIAL HOME MORTGAGE C	San Diego	4197	165	33	20.00	17.56	1.14
PROVIDENT SAVINGS BANK	San Diego	1014	69	26	37.68	24.66	1.53
DOLLAR MORTGAGE CORPORATION	San Diego	641	65	15	23.08	18.58	1.24
COUNTRYWIDE FUNDING CORPORATIO	San Diego	9231	678	107	15.78	13.26	1.19
SAN DIEGO FUNDING	San Diego	2256	204	9	4.41	1.32	3.34
HOME FEDERAL SAVINGS BANK OF M	St. Louis	3051	34	4	11.76	4.54	2.59
MIDLAND FINANCIAL MORTGAGES	St. Louis	1388	15	2	13.33	5.68	2.35
REPUBLIC BANK	St. Louis	2486	56	14	25.00	6.17	4.05
CITIBANK F.S.B.	St. Louis	681	27	13	48.15	12.08	3.99
COUNTRYWIDE FUNDING CORPORATIO	St. Louis	1020	30	5	16.67	5.15	3.24
CRESTAR MORTGAGE CORPORATION	St. Louis	957	14	0	0.00	2.33	0.00
THE COLONIAL BANK	St. Louis	1255	15	1	6.67	3.95	1.69
JAMES B. NUTTER & COMPANY	St. Louis	1006	15	5	33.33	8.17	4.08

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TABLE III. B.3 THE WORST BANKS IN 1993: DENIAL RATIOS

LENDER	MSA	Total Applications	Minority Applications	Minority Denials	Minority Denial Rate	White Denial Rate	Minority to White Denial Ratio
AMERICAN RESIDENTIAL MORTGAGE	St. Louis	1058	47	16	34.04	9.59	3.55
TMC MORTGAGE CO.	Tampa	688	10	3	30.00	6.64	4.52
MARGARETTEN & COMPANY	Tampa	1665	76	14	18.42	7.43	2.48
SUNCOAST SAVINGS & LOAN ASSOC.	Tampa	479	16	2	12.50	20.30	0.62
AMERICAN HOME FUNDING	Tampa	555	36	9	25.00	7.71	3.24
FIRST UNION MORT. CORP.	Tampa	738	35	3	8.57	4.41	1.94
BANCBOSTON MORTGAGE CORP.	Tampa	619	41	6	14.63	5.02	2.91
GREENTREE MORTGAGE COMPANY LP	Tampa	770	29	10	34.48	18.49	1.86
SOUTHTRUST MORTGAGE CORP.	Tampa	470	16	2	12.50	3.96	3.16
HORIZON SAVINGS BANK	Tampa	564	35	3	8.57	3.97	2.16
CARL I. BROWN AND COMPANY	Tampa	1094	47	14	29.79	18.43	1.62
SOURCE ONE MORTGAGE	Tampa	1683	88	12	13.64	3.64	3.75
THE PRUDENTIAL HOME MORTGAGE C	Tampa	958	35	10	28.57	19.28	1.48
BANCBOSTON MORTGAGE CORP.	Washington	1916	118	11	9.32	3.56	2.62
COUNTRYWIDE FUNDING CORPORATIO	Washington	2687	290	43	14.83	5.34	2.78
SOURCE ONE MORTGAGE	Washington	1228	103	13	12.62	2.93	4.31
GE CAPITAL MORTGAGE SERVICES	Washington	3373	269	37	13.75	3.22	4.27
THE PRUDENTIAL HOME MORTGAGE C	Washington	5328	361	79	21.88	9.91	2.21
FRANKLIN MORTGAGE CAPITAL	Washington	3992	274	33	12.04	4.57	2.63
CHASE HOME MORTGAGE CORP.	Washington	1937	184	37	20.11	9.93	2.03
MELLON BANK (MD)	Washington	1898	225	54	24.00	6.22	3.86
NAVY FEDERAL CREDIT UNION	Washington	5511	649	48	7.40	0.68	10.88
CTX MORTGAGE COMPANY	Washington	1941	144	19	13.19	2.78	4.74
TMC MORTGAGE CO.	Washington	2327	54	5	9.26	2.38	3.89

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TABLE III. B.4 THE WORST LENDERS IN 1993: MINORITY APPROVALS

LENDER	MSA	Total Approvals	White Approvals	White % of Approvals	Minority Approvals	Minority % of Approvals	MSA Minority Average
UNION SECURITY MORTGAGE	Anaheim	989	944	95.45%	45	4.55%	11.37%
RSL MORTGAGE CORPORATION	Anaheim	833	787	94.48%	46	5.52%	11.37%
THE PRUDENTIAL HOME MORTGAGE C	Anaheim	6144	5913	96.24%	231	3.76%	11.37%
PIB MORTGAGE COMPANY	Anaheim	794	739	93.07%	55	6.93%	11.37%
METROPOLITAN SERVICE CORP.	Anaheim	2083	1960	94.10%	123	5.90%	11.37%
GN MORTGAGE	Anaheim	773	746	96.51%	27	3.49%	11.37%
SOUTHERN CALIFORNIA FEDERAL SA	Anaheim	605	585	96.69%	20	3.31%	11.37%
HEADLANDS MORTGAGE COMPANY	Anaheim	536	507	94.59%	29	5.41%	11.37%
LOAN AMERICA FINANCE CORP	Anaheim	1140	1055	92.54%	85	7.46%	11.37%
AMERICAN RESIDENTIAL MORTGAGE	Anaheim	1880	1778	94.57%	102	5.43%	11.37%
WEYERHAEUSER MORTGAGE CO.	Anaheim	698	648	92.84%	50	7.16%	11.37%
COLONIAL MORTGAGE COMPANY	Atlanta	3310	3168	95.71%	142	4.29%	10.82%
ALLATOONA FEDERAL SAVINGS BANK	Atlanta	1503	1421	94.54%	82	5.46%	10.82%
PINE STATE MORTGAGE CORPORATIO	Atlanta	1133	1052	92.85%	81	7.15%	10.82%
NORWEST MORTGAGE	Atlanta	1520	1454	95.66%	66	4.34%	10.82%
ENTRUST FINANCIAL CORPORATION	Atlanta	1200	1150	95.83%	50	4.17%	10.82%
MT VERNON FEDERAL SAVINGS BANK	Atlanta	1084	1014	93.54%	70	6.46%	10.82%
EAGLE SERVICE CORP D/B/A ATLAN	Atlanta	888	836	94.14%	52	5.86%	10.82%
FIRST LIBERTY BANK	Atlanta	1255	1187	94.58%	68	5.42%	10.82%
METRO BANK	Atlanta	723	699	96.68%	24	3.32%	10.82%
COUNTRYWIDE FUNDING CORPORATIO	Atlanta	3254	3098	95.21%	156	4.79%	10.82%
AMERICAN HOME MORTGAGE	Atlanta	2108	2050	97.25%	58	2.75%	10.82%
WACHOVIA MORTGAGE CO	Atlanta	2432	2264	93.09%	168	6.91%	10.82%
THE PRUDENTIAL HOME MORTGAGE C	Atlanta	3003	2830	94.24%	173	5.76%	10.82%
MELLON BANK (MD)	Baltimore	601	576	95.84%	25	4.16%	9.53%
B.F.SAUL MORTGAGE COMPANY	Baltimore	1592	1491	93.66%	101	6.34%	9.53%
ATLANTIC RESIDENTIAL MORTGAGE	Baltimore	2056	1955	95.09%	101	4.91%	9.53%
REISTERSTOWN FEDERAL SAVINGS B	Baltimore	1431	1391	97.20%	40	2.80%	9.53%
ENTRUST FINANCIAL CORPORATION	Baltimore	539	503	93.32%	36	6.68%	9.53%
FRANKLIN MORTGAGE CAPITAL	Baltimore	536	522	97.39%	14	2.61%	9.53%
GE CAPITAL MORTGAGE SERVICES	Baltimore	685	647	94.45%	38	5.55%	9.53%
LEEDS FEDERAL SAVINGS & LOAN	Baltimore	606	589	97.19%	17	2.81%	9.53%
THE PRUDENTIAL HOME MORTGAGE C	Baltimore	1683	1627	96.67%	56	3.33%	9.53%
CTX MORTGAGE COMPANY	Baltimore	1025	976	95.22%	49	4.78%	9.53%
FIRST UNION MORT. CORP.	Baltimore	565	541	95.75%	24	4.25%	9.53%
J.I. KISLAK MORTGAGE CORP.	Boston	1418	1401	98.80%	17	1.20%	3.05%
EAST CAMBRIDGE SAVINGS BANK	Boston	517	514	99.42%	3	0.58%	3.05%
GE CAPITAL MORTGAGE SERVICES	Boston	916	901	98.36%	15	1.64%	3.05%
DEDHAM INSTITUTION FOR SAVINGS	Boston	573	570	99.48%	3	0.52%	3.05%
THE PRUDENTIAL HOME MORTGAGE C	Boston	2157	2131	98.79%	26	1.21%	3.05%
ASSURANCE MORTGAGE CORP OF AME	Boston	1591	1570	98.68%	21	1.32%	3.05%
SUBURBAN MORTGAGE CO.	Boston	537	531	98.88%	6	1.12%	3.05%
COUNTRYWIDE FUNDING CORPORATIO	Boston	4742	4684	98.78%	58	1.22%	3.05%
CHASE HOME MORTGAGE CORP.	Boston	789	781	98.99%	8	1.01%	3.05%
THE HUNTINGTON MORTGAGE CO	Boston	6296	6215	98.71%	81	1.29%	3.05%
SUNCOAST SAVINGS & LOAN ASSOC.	Boston	510	503	98.63%	7	1.37%	3.05%
OLD COLONY MORTGAGE CORPORATIO	Boston	799	795	99.50%	4	0.50%	3.05%
THE PRUDENTIAL HOME MORTGAGE C	Chicago	2097	1989	94.85%	108	5.15%	14.81%
WASHTENAW MORTGAGE COMPANY #2	Chicago	2741	2594	94.64%	147	5.36%	14.81%
HOUSEHOLD BANK	Chicago	5058	4787	94.64%	271	5.36%	14.81%
LOAN AMERICA FINANCE CORP	Chicago	1527	1426	93.39%	101	6.61%	14.81%
PRINCIPAL MUTUAL LIFE INS CO	Chicago	3115	2934	94.19%	181	5.81%	14.81%
MIDLAND FINANCIAL MORTGAGES	Chicago	2126	2009	94.50%	117	5.50%	14.81%
CHASE HOME MORTGAGE CORP.	Chicago	2798	2680	95.78%	118	4.22%	14.81%
GE CAPITAL MORTGAGE SERVICES	Chicago	1906	1786	93.70%	120	6.30%	14.81%
NBD MORTGAGE COMPANY	Chicago	4630	4513	97.47%	117	2.53%	14.81%
FRANKLIN MORTGAGE CAPITAL	Dallas	1349	1317	97.63%	32	2.37%	10.23%
CHASE U.S. CONSUMER SERVICES	Dallas	468	461	98.50%	7	1.50%	10.23%
GE CAPITAL MORTGAGE SERVICES	Dallas	412	399	96.84%	13	3.16%	10.23%
PROGRESSIVE SOUTHERN MORTGAGE	Dallas	501	475	94.81%	26	5.19%	10.23%
COLONIAL MORTGAGE COMPANY	Dallas	1429	1392	97.41%	37	2.59%	10.23%

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TABLE III. B.4 THE WORST LENDERS IN 1993: MINORITY APPROVALS

LENDER	MSA	Total Approvals	White Approvals	White % of Approvals	Minority Approvals	Minority % of Approvals	MSA Minority Average
THE PRUDENTIAL HOME MORTGAGE C	Dallas	1917	1873	97.70%	44	2.30%	10.23%
CROSSLAND MORTGAGE CORP.	Dallas	1279	1247	97.50%	32	2.50%	10.23%
MERCANTILE BANK & TRUST	Dallas	1274	1253	98.35%	21	1.65%	10.23%
MELLON MORTGAGE COMPANY	Dallas	472	447	94.70%	25	5.30%	10.23%
BARCLAYS AMERICAN MORTGAGE COR	Dallas	606	589	97.19%	17	2.81%	10.23%
ST. JAMES SERVICING CORP	Detroit	1303	1284	98.54%	19	1.46%	6.15%
ROCK FINANCIAL CORPORATION	Detroit	7328	7162	97.73%	166	2.27%	6.15%
GUARDIAN MORTGAGE COMPANY	Detroit	1217	1202	98.77%	15	1.23%	6.15%
THE HUNTINGTON MORTGAGE CO	Detroit	1767	1739	98.42%	28	1.58%	6.15%
STANDARD FEDERAL BANK	Detroit	35908	34721	96.69%	1187	3.31%	6.15%
SOURCE ONE MORTGAGE	Detroit	2189	2129	97.26%	60	2.74%	6.15%
REPUBLIC BANK	Detroit	9011	8878	98.52%	133	1.48%	6.15%
WORLDWIDE FINANCIAL SERVICES	Detroit	1951	1929	98.87%	22	1.13%	6.15%
SOURCE ONE MORTGAGE	Houston	517	488	94.39%	29	5.61%	13.51%
MITCHELL MORTGAGE COMPANY	Houston	466	450	96.57%	16	3.43%	13.51%
COLONIAL MORTGAGE COMPANY	Houston	897	864	96.32%	33	3.68%	13.51%
THE PRUDENTIAL HOME MORTGAGE C	Houston	1929	1862	96.53%	67	3.47%	13.51%
BANCBOSTON MORTGAGE CORP.	Houston	609	588	96.55%	21	3.45%	13.51%
CORNERSTONE MORTGAGE COMPANY	Houston	1104	1046	94.75%	58	5.25%	13.51%
SUNBELT NATIONAL MORTGAGE CORP	Houston	588	547	93.03%	41	6.97%	13.51%
CROSSLAND MORTGAGE CORP.	Houston	1571	1503	95.67%	68	4.33%	13.51%
GE CAPITAL MORTGAGE SERVICES	Houston	606	575	94.88%	31	5.12%	13.51%
FIRST HEIGHTS BANK	Houston	1557	1478	94.93%	79	5.07%	13.51%
BARCLAYS AMERICAN MORTGAGE COR	Houston	561	536	95.54%	25	4.46%	13.51%
FIRST FRANKLIN	Los Angeles	2995	2616	87.35%	379	12.65%	30.40%
CALIFORNIA UNITED BANK	Los Angeles	1468	1407	95.84%	61	4.16%	30.40%
THE PRUDENTIAL HOME MORTGAGE C	Los Angeles	11864	11188	94.30%	676	5.70%	30.40%
TEMPLE-INLAND MORTGAGE CO.	Los Angeles	1548	1331	85.98%	217	14.02%	30.40%
AMERICAN RESIDENTIAL MORTGAGE	Los Angeles	3732	3173	85.02%	559	14.98%	30.40%
GN MORTGAGE	Los Angeles	2581	2207	85.51%	374	14.49%	30.40%
METROPOLITAN SERVICE CORP.	Los Angeles	2171	1855	85.44%	316	14.56%	30.40%
PNC MORTGAGE CORP. OF AMERICA	Los Angeles	1364	1128	82.70%	236	17.30%	30.40%
UNION SECURITY MORTGAGE	Los Angeles	1492	1322	88.61%	170	11.39%	30.40%
CHASE HOME MORTGAGE CORP.	Los Angeles	1557	1519	97.56%	38	2.44%	30.40%
WASHTENAW MORTGAGE COMPANY #2	Minneapolis	1013	1006	99.31%	7	0.69%	1.52%
LOAN AMERICA FINANCE CORP	Minneapolis	959	950	99.06%	9	0.94%	1.52%
GMAC MORTGAGE CORPORATION OF P	Minneapolis	2342	2319	99.02%	23	0.98%	1.52%
HOMESTEAD MORTGAGE CORPORATION	Minneapolis	2957	2931	99.12%	26	0.88%	1.52%
LAKELAND MORTGAGE CORP.	Minneapolis	3393	3358	98.97%	35	1.03%	1.52%
KNUTSON MORTGAGE CORPORATION	Minneapolis	3992	3963	99.27%	29	0.73%	1.52%
HEIGL MORT. & FINANCIAL CORP.	Minneapolis	3110	3076	98.91%	34	1.09%	1.52%
THE PRUDENTIAL HOME MORTGAGE C	Minneapolis	1939	1924	99.23%	15	0.77%	1.52%
EMIGRANT SAVINGS BANK	Nassau-Suffolk	913	882	96.60%	31	3.40%	5.91%
SUNRISE FEDERAL SAVINGS BANK	Nassau-Suffolk	412	397	96.36%	15	3.64%	5.91%
ROOSEVELT SAVINGS BANK	Nassau-Suffolk	1577	1502	95.24%	75	4.76%	5.91%
CHASE HOME MORTGAGE CORP.	Nassau-Suffolk	846	822	97.16%	24	2.84%	5.91%
THE PRUDENTIAL HOME MORTGAGE C	Nassau-Suffolk	4475	4372	97.70%	103	2.30%	5.91%
MIDCOAST MORTGAGE CORPORATION	Nassau-Suffolk	2570	2458	95.64%	112	4.36%	5.91%
COUNTRYWIDE FUNDING CORPORATIO	Nassau-Suffolk	1535	1477	96.22%	58	3.78%	5.91%
REPUBLIC BANK FOR SAVINGS	Nassau-Suffolk	1040	1006	96.73%	34	3.27%	5.91%
RIDGEWOOD SAVINGS BANK	Nassau-Suffolk	949	915	96.42%	34	3.58%	5.91%
TEMPLE-INLAND MORTGAGE CO.	Nassau-Suffolk	512	493	96.29%	19	3.71%	5.91%
KEYCORP MORTGAGE INC.	Nassau-Suffolk	1281	1246	97.27%	35	2.73%	5.91%
CHASE HOME MORTGAGE CORP.	New York	2154	2045	94.94%	109	5.06%	18.30%
ROOSEVELT SAVINGS BANK	New York	608	570	93.75%	38	6.25%	18.30%
PNC MORTGAGE CORP. OF AMERICA	New York	621	558	89.86%	63	10.14%	18.30%
SIBLEY MORTGAGE CORPORATION	New York	848	810	95.52%	38	4.48%	18.30%
PEOPLES WESTCHESTER	New York	1278	1213	94.91%	65	5.09%	18.30%
PROVIDENT SAVINGS BANK	New York	701	662	94.44%	39	5.56%	18.30%
INDEPENDENCE SAVINGS BANK	New York	1071	1006	93.93%	65	6.07%	18.30%
THE PRUDENTIAL HOME MORTGAGE C	New York	4616	4359	94.43%	257	5.57%	18.30%
EMIGRANT SAVINGS BANK	New York	1149	1077	93.73%	72	6.27%	18.30%

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TABLE III. B.4 THE WORST LENDERS IN 1993: MINORITY APPROVALS

LENDER	MSA	Total Approvals	White Approvals	White % of Approvals	Minority Approvals	Minority % of Approvals	MSA Minority Average
BROOKSAMERICA MORTGAGE CORP.	Oakland	581	540	92.94%	41	7.06%	13.48%
PIB MORTGAGE COMPANY	Oakland	822	753	91.61%	69	8.39%	13.48%
HEADLANDS MORTGAGE COMPANY	Oakland	1268	1161	91.56%	107	8.44%	13.48%
AMERICAN RESIDENTIAL MORTGAGE	Oakland	1878	1751	93.24%	127	6.76%	13.48%
GN MORTGAGE	Oakland	831	793	95.43%	38	4.57%	13.48%
RYLAND MORTGAGE COMPANY	Oakland	522	480	91.95%	42	8.05%	13.48%
ALLIED SAVINGS BANK	Oakland	1635	1518	92.84%	117	7.16%	13.48%
GE CAPITAL MORTGAGE SERVICES	Oakland	842	798	94.77%	44	5.23%	13.48%
FIRST FRANKLIN	Oakland	1265	1160	91.70%	105	8.30%	13.48%
THE PRUDENTIAL HOME MORTGAGE C	Oakland	6107	5838	95.60%	269	4.40%	13.48%
SOVEREIGN BANK. A FED SAVINGS	Philadelphia	1710	1678	98.13%	32	1.87%	7.12%
THE PRUDENTIAL HOME MORTGAGE C	Philadelphia	3148	3047	96.79%	101	3.21%	7.12%
GE CAPITAL MORTGAGE SERVICES	Philadelphia	6347	6156	96.99%	191	3.01%	7.12%
BANCORP MORTGAGE INC	Philadelphia	1835	1814	98.86%	21	1.14%	7.12%
THE BRYN MAWR TRUST CO.	Philadelphia	1289	1255	97.36%	34	2.64%	7.12%
MAIN LINE FEDERAL SAVINGS BANK	Philadelphia	2924	2893	98.94%	31	1.06%	7.12%
INTEGRA MORTGAGE COMPANY	Philadelphia	1018	982	96.46%	36	3.54%	7.12%
PINNACLE MORTGAGE INVEST. CORP	Philadelphia	2616	2567	98.13%	49	1.87%	7.12%
PROGRESS FEDERAL SAVINGS BANK	Philadelphia	956	948	99.16%	8	0.84%	7.12%
NORTH AMERICAN MORTGAGE CO	Philadelphia	1148	1130	98.43%	18	1.57%	7.12%
PHILADELPHIA MORTGAGE CORP.	Philadelphia	2905	2860	98.45%	45	1.55%	7.12%
CHARLES F CURRY COMPANY	Phoenix	1223	1093	89.37%	130	10.63%	7.97%
UDC MORTGAGE CORPORATION	Phoenix	750	706	94.13%	44	5.87%	7.97%
VENTURE FINANCIAL SERVICES	Phoenix	2640	2406	91.14%	234	8.86%	7.97%
STATE SAVINGS BANK	Phoenix	2847	2691	94.52%	156	5.48%	7.97%
THE PRUDENTIAL HOME MORTGAGE C	Phoenix	793	778	98.11%	15	1.89%	7.97%
MEDALLION MORTGAGE COMPANY	Phoenix	1932	1840	95.24%	92	4.76%	7.97%
RICHARDS-WOODBURY MORTG. CORP.	Phoenix	704	666	94.60%	38	5.40%	7.97%
SUNBELT NATIONAL MORTGAGE CORP	Phoenix	1159	1093	94.31%	66	5.69%	7.97%
METMOR FINANCIAL	Phoenix	795	749	94.21%	46	5.79%	7.97%
MELLON MORTGAGE COMPANY	Phoenix	2021	1957	96.83%	64	3.17%	7.97%
METROPOLITAN SERVICE CORP.	Riverside	573	491	85.69%	82	14.31%	26.03%
FIRST FRANKLIN	Riverside	622	551	88.59%	71	11.41%	26.03%
MICAL MORTGAGE	Riverside	1882	1353	71.89%	529	28.11%	26.03%
IMPERIAL CREDIT INDUSTRIES	Riverside	1252	1036	82.75%	216	17.25%	26.03%
PROVIDENT SAVINGS BANK	Riverside	1039	902	86.81%	137	13.19%	26.03%
WEYERHAEUSER MORTGAGE CO.	Riverside	988	774	78.34%	214	21.66%	26.03%
GMAC MORTGAGE CORPORATION OF P	Riverside	1132	940	83.04%	192	16.96%	26.03%
THE PRUDENTIAL HOME MORTGAGE C	Riverside	1267	1138	89.82%	129	10.18%	26.03%
VINEYARD NATIONAL BANK	Riverside	598	517	86.45%	81	13.55%	26.03%
COUNTRYWIDE FUNDING CORPORATIO	Riverside	4560	3723	81.64%	837	18.36%	26.03%
FLEET MORTGAGE CORP.	Riverside	918	667	72.66%	251	27.34%	26.03%
CITIZENS NATIONAL MORTGAGE COR	Riverside	1787	1320	73.87%	467	26.13%	26.03%
WESTERN CITIES MORTGAGE CORPOR	Riverside	1540	1214	78.83%	326	21.17%	26.03%
CAL COAST MORTGAGE CORPORATION	San Diego	1409	1253	88.93%	156	11.07%	12.23%
FLAGSHIP FEDERAL SAVINGS BANK	San Diego	654	618	94.50%	36	5.50%	12.23%
FIRST FRANKLIN	San Diego	1257	1181	93.95%	76	6.05%	12.23%
GN MORTGAGE	San Diego	497	467	93.96%	30	6.04%	12.23%
AMERICAN RESIDENTIAL MORTGAGE	San Diego	2886	2673	92.62%	213	7.38%	12.23%
THE PRUDENTIAL HOME MORTGAGE C	San Diego	3456	3324	96.18%	132	3.82%	12.23%
PROVIDENT SAVINGS BANK	San Diego	755	712	94.30%	43	5.70%	12.23%
DOLLAR MORTGAGE CORPORATION	San Diego	519	469	90.37%	50	9.63%	12.23%
COUNTRYWIDE FUNDING CORPORATIO	San Diego	7990	7419	92.85%	571	7.15%	12.23%
SAN DIEGO FUNDING	San Diego	2220	2025	91.22%	195	8.78%	12.23%
HOME FEDERAL SAVINGS BANK OF M	St. Louis	2910	2880	98.97%	30	1.03%	6.94%
MIDLAND FINANCIAL MORTGAGES	St. Louis	1308	1295	99.01%	13	0.99%	6.94%
REPUBLIC BANK	St. Louis	2322	2280	98.19%	42	1.81%	6.94%
CITIBANK F.S.B.	St. Louis	589	575	97.62%	14	2.38%	6.94%
COUNTRYWIDE FUNDING CORPORATIO	St. Louis	964	939	97.41%	25	2.59%	6.94%
CRESTAR MORTGAGE CORPORATION	St. Louis	935	921	98.50%	14	1.50%	6.94%
THE COLONIAL BANK	St. Louis	1205	1191	98.84%	14	1.16%	6.94%
JAMES B. NUTTER & COMPANY	St. Louis	920	910	98.91%	10	1.09%	6.94%

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TABLE III. B.4 THE WORST LENDERS IN 1993: MINORITY APPROVALS

LENDER	MSA	Total Approvals	White Approvals	White % of Approvals	Minority Approvals	Minority % of Approvals	MSA Minority Average
AMERICAN RESIDENTIAL MORTGAGE	St. Louis	945	914	96.72%	31	3.28%	6.94%
TMC MORTGAGE CO.	Tampa	640	633	98.91%	7	1.09%	7.69%
MARGARETTEN & COMPANY	Tampa	1533	1471	95.96%	62	4.04%	7.69%
SUNCOAST SAVINGS & LOAN ASSOC.	Tampa	383	369	96.34%	14	3.66%	7.69%
AMERICAN HOME FUNDING	Tampa	506	479	94.66%	27	5.34%	7.69%
FIRST UNION MORT. CORP.	Tampa	704	672	95.45%	32	4.55%	7.69%
BANCBOSTON MORTGAGE CORP.	Tampa	584	549	94.01%	35	5.99%	7.69%
GREENTREE MORTGAGE COMPANY LP	Tampa	623	604	96.95%	19	3.05%	7.69%
SOUTHTRUST MORTGAGE CORP.	Tampa	450	436	96.89%	14	3.11%	7.69%
HORIZON SAVINGS BANK	Tampa	540	508	94.07%	32	5.93%	7.69%
CARL I. BROWN AND COMPANY	Tampa	887	854	96.28%	33	3.72%	7.69%
SOURCE ONE MORTGAGE	Tampa	1613	1537	95.29%	76	4.71%	7.69%
THE PRUDENTIAL HOME MORTGAGE C	Tampa	770	745	96.75%	25	3.25%	7.69%
BANCBOSTON MORTGAGE CORP.	Washington	1841	1734	94.19%	107	5.81%	15.30%
COUNTRYWIDE FUNDING CORPORATIO	Washington	2516	2269	90.18%	247	9.82%	15.30%
SOURCE ONE MORTGAGE	Washington	1182	1092	92.39%	90	7.61%	15.30%
GE CAPITAL MORTGAGE SERVICES	Washington	3236	3004	92.83%	232	7.17%	15.30%
THE PRUDENTIAL HOME MORTGAGE C	Washington	4757	4475	94.07%	282	5.93%	15.30%
FRANKLIN MORTGAGE CAPITAL	Washington	3789	3548	93.64%	241	6.36%	15.30%
CHASE HOME MORTGAGE CORP.	Washington	1726	1579	91.48%	147	8.52%	15.30%
MELLON BANK (MD)	Washington	1740	1569	90.17%	171	9.83%	15.30%
NAVY FEDERAL CREDIT UNION	Washington	5430	4829	88.93%	601	11.07%	15.30%
CTX MORTGAGE COMPANY	Washington	1872	1747	93.32%	125	6.68%	15.30%
TMC MORTGAGE CO.	Washington	2268	2219	97.84%	49	2.16%	15.30%

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TABLE III. B.5 THE WORST LENDERS IN 1993: LOW/MOD INCOME APPLICATIONS

LENDER	MSA	Total Applications	Low/Mod Income Applications	Low/Mod Income % of Application	MSA Low/Mod Industry Average
UNION SECURITY MORTGAGE	Anaheim	1238	130	10.50%	18.73%
RSL MORTGAGE CORPORATION	Anaheim	1054	108	10.25%	18.73%
THE PRUDENTIAL HOME MORTGAGE C	Anaheim	7317	237	3.24%	18.73%
PIB MORTGAGE COMPANY	Anaheim	943	113	11.98%	18.73%
METROPOLITAN SERVICE CORP.	Anaheim	2338	238	10.18%	18.73%
GN MORTGAGE	Anaheim	1052	120	11.41%	18.73%
SOUTHERN CALIFORNIA FEDERAL SA	Anaheim	719	84	11.68%	18.73%
HEADLANDS MORTGAGE COMPANY	Anaheim	748	67	8.96%	18.73%
LOAN AMERICA FINANCE CORP	Anaheim	1266	151	11.93%	18.73%
AMERICAN RESIDENTIAL MORTGAGE	Anaheim	2138	379	17.73%	18.73%
WEYERHAEUSER MORTGAGE CO.	Anaheim	742	112	15.09%	18.73%
COLONIAL MORTGAGE COMPANY	Atlanta	3433	225	6.55%	22.62%
ALLATOONA FEDERAL SAVINGS BANK	Atlanta	1561	294	18.83%	22.62%
PINE STATE MORTGAGE CORPORATIO	Atlanta	1189	138	11.61%	22.62%
NORWEST MORTGAGE	Atlanta	1643	351	21.36%	22.62%
ENTRUST FINANCIAL CORPORATION	Atlanta	1235	212	17.17%	22.62%
MT VERNON FEDERAL SAVINGS BANK	Atlanta	1153	184	15.96%	22.62%
EAGLE SERVICE CORP D/B/A ATLAN	Atlanta	912	112	12.28%	22.62%
FIRST LIBERTY BANK	Atlanta	1319	193	14.63%	22.62%
METRO BANK	Atlanta	760	108	14.21%	22.62%
COUNTRYWIDE FUNDING CORPORATIO	Atlanta	3576	514	14.37%	22.62%
AMERICAN HOME MORTGAGE	Atlanta	2135	94	4.40%	22.62%
WACHOVIA MORTGAGE CO	Atlanta	2484	393	15.82%	22.62%
THE PRUDENTIAL HOME MORTGAGE C	Atlanta	3328	187	5.62%	22.62%
MELLON BANK (MD)	Baltimore	664	51	7.68%	22.96%
B.F.SAUL MORTGAGE COMPANY	Baltimore	1677	260	15.50%	22.96%
ATLANTIC RESIDENTIAL MORTGAGE	Baltimore	2147	381	17.75%	22.96%
REISTERSTOWN FEDERAL SAVINGS B	Baltimore	1469	184	12.53%	22.96%
ENTRUST FINANCIAL CORPORATION	Baltimore	550	83	15.09%	22.96%
FRANKLIN MORTGAGE CAPITAL	Baltimore	600	62	10.33%	22.96%
GE CAPITAL MORTGAGE SERVICES	Baltimore	733	60	8.19%	22.96%
LEEDS FEDERAL SAVINGS & LOAN	Baltimore	630	78	12.38%	22.96%
THE PRUDENTIAL HOME MORTGAGE C	Baltimore	1914	167	8.73%	22.96%
CTX MORTGAGE COMPANY	Baltimore	1079	185	17.15%	22.96%
FIRST UNION MORT. CORP.	Baltimore	615	51	8.29%	22.96%
J.I. KISLAK MORTGAGE CORP.	Boston	1441	152	10.55%	17.82%
EAST CAMBRIDGE SAVINGS BANK	Boston	635	133	20.94%	17.82%
GE CAPITAL MORTGAGE SERVICES	Boston	985	53	5.38%	17.82%
DEDHAM INSTITUTION FOR SAVINGS	Boston	627	120	19.14%	17.82%
THE PRUDENTIAL HOME MORTGAGE C	Boston	2434	124	5.09%	17.82%
ASSURANCE MORTGAGE CORP OF AME	Boston	1606	60	3.74%	17.82%
SUBURBAN MORTGAGE CO.	Boston	684	86	12.57%	17.82%
COUNTRYWIDE FUNDING CORPORATIO	Boston	4929	386	7.83%	17.82%
CHASE HOME MORTGAGE CORP.	Boston	820	44	5.37%	17.82%
THE HUNTINGTON MORTGAGE CO	Boston	6437	459	7.13%	17.82%
SUNCOAST SAVINGS & LOAN ASSOC.	Boston	686	54	7.87%	17.82%
OLD COLONY MORTGAGE CORPORATIO	Boston	867	92	10.61%	17.82%
THE PRUDENTIAL HOME MORTGAGE C	Chicago	2432	191	7.85%	22.74%
WASHTENAW MORTGAGE COMPANY #2	Chicago	2810	266	9.47%	22.74%
HOUSEHOLD BANK	Chicago	5605	874	15.59%	22.74%
LOAN AMERICA FINANCE CORP	Chicago	1649	224	13.58%	22.74%
PRINCIPAL MUTUAL LIFE INS CO	Chicago	3263	490	15.02%	22.74%
MIDLAND FINANCIAL MORTGAGES	Chicago	2330	286	12.27%	22.74%
CHASE HOME MORTGAGE CORP.	Chicago	2901	299	10.31%	22.74%
GE CAPITAL MORTGAGE SERVICES	Chicago	2038	245	12.02%	22.74%
NBD MORTGAGE COMPANY	Chicago	4832	616	12.75%	22.74%
FRANKLIN MORTGAGE CAPITAL	Dallas	1356	109	8.04%	21.48%
CHASE U.S. CONSUMER SERVICES	Dallas	520	3	0.58%	21.48%
GE CAPITAL MORTGAGE SERVICES	Dallas	469	16	3.41%	21.48%
PROGRESSIVE SOUTHERN MORTGAGE	Dallas	639	36	5.63%	21.48%
COLONIAL MORTGAGE COMPANY	Dallas	1477	54	3.66%	21.48%

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TABLE III. B.5 THE WORST LENDERS IN 1993: LOW/MOD INCOME APPLICATIONS

LENDER	MSA	Total Applications	Low/Mod Income Applications	Low/Mod Income % of Applications	MSA Low/Mod Industry Average
THE PRUDENTIAL HOME MORTGAGE C	Dallas	2156	76	3.53%	21.48%
CROSSLAND MORTGAGE CORP.	Dallas	1311	119	9.08%	21.48%
MERCANTILE BANK & TRUST	Dallas	1294	63	4.87%	21.48%
MELLON MORTGAGE COMPANY	Dallas	507	54	10.65%	21.48%
BARCLAYS AMERICAN MORTGAGE COR	Dallas	638	26	4.08%	21.48%
ST. JAMES SERVICING CORP	Detroit	1322	119	9.00%	26.78%
ROCK FINANCIAL CORPORATION	Detroit	7664	743	9.69%	26.78%
GUARDIAN MORTGAGE COMPANY	Detroit	1230	81	6.59%	26.78%
THE HUNTINGTON MORTGAGE CO	Detroit	1926	427	22.17%	26.78%
STANDARD FEDERAL BANK	Detroit	36603	7816	21.35%	26.78%
SOURCE ONE MORTGAGE	Detroit	2226	341	15.32%	26.78%
REPUBLIC BANK	Detroit	9380	1273	13.57%	26.78%
WORLDWIDE FINANCIAL SERVICES	Detroit	1987	80	4.03%	26.78%
SOURCE ONE MORTGAGE	Houston	537	36	6.70%	18.32%
MITCHELL MORTGAGE COMPANY	Houston	552	40	7.25%	18.32%
COLONIAL MORTGAGE COMPANY	Houston	918	19	2.07%	18.32%
THE PRUDENTIAL HOME MORTGAGE C	Houston	2127	40	1.88%	18.32%
BANCBOSTON MORTGAGE CORP.	Houston	699	14	2.00%	18.32%
CORNERSTONE MORTGAGE COMPANY	Houston	1181	80	6.77%	18.32%
SUNBELT NATIONAL MORTGAGE CORP	Houston	597	58	9.72%	18.32%
CROSSLAND MORTGAGE CORP.	Houston	1629	85	5.22%	18.32%
GE CAPITAL MORTGAGE SERVICES	Houston	652	30	4.60%	18.32%
FIRST HEIGHTS BANK	Houston	1709	104	6.09%	18.32%
BARCLAYS AMERICAN MORTGAGE COR	Houston	608	4	0.66%	18.32%
FIRST FRANKLIN	Los Angeles	3584	202	5.64%	13.59%
CALIFORNIA UNITED BANK	Los Angeles	1718	49	2.85%	13.59%
THE PRUDENTIAL HOME MORTGAGE C	Los Angeles	14538	226	1.55%	13.59%
TEMPLE-INLAND MORTGAGE CO.	Los Angeles	1840	119	6.47%	13.59%
AMERICAN RESIDENTIAL MORTGAGE	Los Angeles	4511	342	7.58%	13.59%
GN MORTGAGE	Los Angeles	3429	224	6.53%	13.59%
METROPOLITAN SERVICE CORP.	Los Angeles	2519	109	4.33%	13.59%
PNC MORTGAGE CORP. OF AMERICA	Los Angeles	1560	115	7.37%	13.59%
UNION SECURITY MORTGAGE	Los Angeles	1968	126	6.40%	13.59%
CHASE HOME MORTGAGE CORP.	Los Angeles	1928	21	1.09%	13.59%
WASHTENAW MORTGAGE COMPANY #2	Minneapolis	1031	197	19.11%	24.22%
LOAN AMERICA FINANCE CORP	Minneapolis	1019	172	16.88%	24.22%
GMAC MORTGAGE CORPORATION OF P	Minneapolis	2434	511	20.99%	24.22%
HOMESTEAD MORTGAGE CORPORATION	Minneapolis	2986	505	16.91%	24.22%
LAKELAND MORTGAGE CORP.	Minneapolis	3393	267	7.87%	24.22%
KNUTSON MORTGAGE CORPORATION	Minneapolis	4175	814	19.50%	24.22%
HEIGL MORT. & FINANCIAL CORP.	Minneapolis	3174	273	8.60%	24.22%
THE PRUDENTIAL HOME MORTGAGE C	Minneapolis	2211	337	15.24%	24.22%
EMIGRANT SAVINGS BANK	Nassau-Suffolk	1010	68	6.73%	16.13%
SUNRISE FEDERAL SAVINGS BANK	Nassau-Suffolk	425	50	11.76%	16.13%
ROOSEVELT SAVINGS BANK	Nassau-Suffolk	1708	164	9.60%	16.13%
CHASE HOME MORTGAGE CORP.	Nassau-Suffolk	973	68	6.99%	16.13%
THE PRUDENTIAL HOME MORTGAGE C	Nassau-Suffolk	5128	312	6.08%	16.13%
MIDCOAST MORTGAGE CORPORATION	Nassau-Suffolk	2788	375	13.45%	16.13%
COUNTRYWIDE FUNDING CORPORATIO	Nassau-Suffolk	1635	182	11.13%	16.13%
REPUBLIC BANK FOR SAVINGS	Nassau-Suffolk	1135	122	10.75%	16.13%
RIDGEWOOD SAVINGS BANK	Nassau-Suffolk	1035	141	13.62%	16.13%
TEMPLE-INLAND MORTGAGE CO.	Nassau-Suffolk	550	64	11.64%	16.13%
KEYCORP MORTGAGE INC.	Nassau-Suffolk	1383	152	10.99%	16.13%
CHASE HOME MORTGAGE CORP.	New York	2431	32	1.32%	7.23%
ROOSEVELT SAVINGS BANK	New York	695	40	5.76%	7.23%
PNC MORTGAGE CORP. OF AMERICA	New York	674	22	3.26%	7.23%
SIBLEY MORTGAGE CORPORATION	New York	890	14	1.57%	7.23%
PEOPLES WESTCHESTER	New York	1574	94	5.97%	7.23%
PROVIDENT SAVINGS BANK	New York	750	19	2.53%	7.23%
INDEPENDENCE SAVINGS BANK	New York	1456	53	3.64%	7.23%
THE PRUDENTIAL HOME MORTGAGE C	New York	5508	119	2.16%	7.23%
EMIGRANT SAVINGS BANK	New York	1314	40	3.04%	7.23%

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TABLE III. B.5 THE WORST LENDERS IN 1993: LOW/MOD INCOME APPLICATIONS

LENDER	MSA	Total Applications	Low/Mod Income Applications	Low/Mod Income % of Application	MSA Low/Mod Industry Average
BROOKSAMERICA MORTGAGE CORP.	Oakland	710	91	12.82%	16.79%
PIB MORTGAGE COMPANY	Oakland	932	62	6.65%	16.79%
HEADLANDS MORTGAGE COMPANY	Oakland	1444	147	10.18%	16.79%
AMERICAN RESIDENTIAL MORTGAGE	Oakland	2212	259	11.71%	16.79%
GN MORTGAGE	Oakland	950	73	7.68%	16.79%
RYLAND MORTGAGE COMPANY	Oakland	626	44	7.03%	16.79%
ALLIED SAVINGS BANK	Oakland	1768	176	9.95%	16.79%
GE CAPITAL MORTGAGE SERVICES	Oakland	913	17	1.86%	16.79%
FIRST FRANKLIN	Oakland	1409	158	11.21%	16.79%
THE PRUDENTIAL HOME MORTGAGE C	Oakland	6770	141	2.08%	16.79%
SOVEREIGN BANK. A FED SAVINGS	Philadelphia	1896	174	9.18%	24.69%
THE PRUDENTIAL HOME MORTGAGE C	Philadelphia	3569	266	7.45%	24.69%
GE CAPITAL MORTGAGE SERVICES	Philadelphia	6755	963	14.26%	24.69%
BANCORP MORTGAGE INC	Philadelphia	2030	226	11.13%	24.69%
THE BRYN MAWR TRUST CO.	Philadelphia	1324	189	14.27%	24.69%
MAIN LINE FEDERAL SAVINGS BANK	Philadelphia	3078	296	9.62%	24.69%
INTEGRA MORTGAGE COMPANY	Philadelphia	1053	148	14.06%	24.69%
PINNACLE MORTGAGE INVEST. CORP	Philadelphia	2633	253	9.61%	24.69%
PROGRESS FEDERAL SAVINGS BANK	Philadelphia	1003	116	11.57%	24.69%
NORTH AMERICAN MORTGAGE CO	Philadelphia	1215	152	12.51%	24.69%
PHILADELPHIA MORTGAGE CORP.	Philadelphia	3181	382	12.01%	24.69%
CHARLES F CURRY COMPANY	Phoenix	1240	5	0.40%	23.10%
UDC MORTGAGE CORPORATION	Phoenix	785	82	10.45%	23.10%
VENTURE FINANCIAL SERVICES	Phoenix	2756	128	4.64%	23.10%
STATE SAVINGS BANK	Phoenix	2978	122	4.10%	23.10%
THE PRUDENTIAL HOME MORTGAGE C	Phoenix	985	98	9.95%	23.10%
MEDALLION MORTGAGE COMPANY	Phoenix	2028	177	8.73%	23.10%
RICHARDS-WOODBURY MORTG. CORP.	Phoenix	707	87	12.31%	23.10%
SUNBELT NATIONAL MORTGAGE CORP	Phoenix	1263	206	16.31%	23.10%
METMOR FINANCIAL	Phoenix	822	118	14.36%	23.10%
MELLON MORTGAGE COMPANY	Phoenix	2066	149	7.21%	23.10%
METROPOLITAN SERVICE CORP.	Riverside	687	56	8.15%	16.40%
FIRST FRANKLIN	Riverside	735	58	7.89%	16.40%
MICAL MORTGAGE	Riverside	2136	61	2.86%	16.40%
IMPERIAL CREDIT INDUSTRIES	Riverside	1582	152	9.61%	16.40%
PROVIDENT SAVINGS BANK	Riverside	1351	171	12.66%	16.40%
WEYERHAEUSER MORTGAGE CO.	Riverside	1070	98	9.16%	16.40%
GMAC MORTGAGE CORPORATION OF P	Riverside	1279	111	8.68%	16.40%
THE PRUDENTIAL HOME MORTGAGE C	Riverside	1679	65	3.87%	16.40%
VINEYARD NATIONAL BANK	Riverside	698	101	14.47%	16.40%
COUNTRYWIDE FUNDING CORPORATIO	Riverside	5287	503	9.51%	16.40%
FLEET MORTGAGE CORP.	Riverside	1006	45	4.47%	16.40%
CITIZENS NATIONAL MORTGAGE COR	Riverside	2214	2	0.09%	16.40%
WESTERN CITIES MORTGAGE CORPOR	Riverside	1725	185	10.72%	16.40%
CAL COAST MORTGAGE CORPORATION	San Diego	1602	125	7.80%	15.17%
FLAGSHIP FEDERAL SAVINGS BANK	San Diego	752	84	11.17%	15.17%
FIRST FRANKLIN	San Diego	1436	101	7.03%	15.17%
GN MORTGAGE	San Diego	681	79	11.60%	15.17%
AMERICAN RESIDENTIAL MORTGAGE	San Diego	3174	257	8.10%	15.17%
THE PRUDENTIAL HOME MORTGAGE C	San Diego	4197	136	3.24%	15.17%
PROVIDENT SAVINGS BANK	San Diego	1014	52	5.13%	15.17%
DOLLAR MORTGAGE CORPORATION	San Diego	641	42	6.55%	15.17%
COUNTRYWIDE FUNDING CORPORATIO	San Diego	9231	914	9.90%	15.17%
SAN DIEGO FUNDING	San Diego	2256	278	12.32%	15.17%
HOME FEDERAL SAVINGS BANK OF M	St. Louis	3051	474	15.54%	23.85%
MIDLAND FINANCIAL MORTGAGES	St. Louis	1388	134	9.65%	23.85%
REPUBLIC BANK	St. Louis	2486	265	10.66%	23.85%
CITIBANK F.S.B.	St. Louis	681	99	14.54%	23.85%
COUNTRYWIDE FUNDING CORPORATIO	St. Louis	1020	155	15.20%	23.85%
CRESTAR MORTGAGE CORPORATION	St. Louis	957	92	9.61%	23.85%
THE COLONIAL BANK	St. Louis	1255	134	10.68%	23.85%
JAMES B. NUTTER & COMPANY	St. Louis	1006	146	14.51%	23.85%

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TABLE III. B.5 THE WORST LENDERS IN 1993: LOW/MOD INCOME APPLICATIONS

LENDER	MSA	Total Applications	Low/Mod Income Applications	Low/Mod Income % of Application:	MSA Low/Mod Industry Average
AMERICAN RESIDENTIAL MORTGAGE	St. Louis	1058	136	12.85%	23.85%
TMC MORTGAGE CO.	Tampa	688	17	2.47%	23.55%
MARGARETTEN & COMPANY	Tampa	1665	197	11.83%	23.55%
SUNCOAST SAVINGS & LOAN ASSOC.	Tampa	479	42	8.77%	23.55%
AMERICAN HOME FUNDING	Tampa	555	74	13.33%	23.55%
FIRST UNION MORT. CORP.	Tampa	738	92	12.47%	23.55%
BANCBOSTON MORTGAGE CORP.	Tampa	619	62	10.02%	23.55%
GREENTREE MORTGAGE COMPANY LP	Tampa	770	43	5.58%	23.55%
SOUTHTRUST MORTGAGE CORP.	Tampa	470	39	8.30%	23.55%
HORIZON SAVINGS BANK	Tampa	564	53	9.40%	23.55%
CARL I. BROWN AND COMPANY	Tampa	1094	28	2.56%	23.55%
SOURCE ONE MORTGAGE	Tampa	1683	268	15.92%	23.55%
THE PRUDENTIAL HOME MORTGAGE C	Tampa	958	97	10.13%	23.55%
BANCBOSTON MORTGAGE CORP.	Washington	1916	279	14.56%	25.30%
COUNTRYWIDE FUNDING CORPORATIO	Washington	2687	396	14.74%	25.30%
SOURCE ONE MORTGAGE	Washington	1228	216	17.59%	25.30%
GE CAPITAL MORTGAGE SERVICES	Washington	3373	255	7.56%	25.30%
THE PRUDENTIAL HOME MORTGAGE C	Washington	5328	348	6.53%	25.30%
FRANKLIN MORTGAGE CAPITAL	Washington	3992	695	17.41%	25.30%
CHASE HOME MORTGAGE CORP.	Washington	1937	222	11.46%	25.30%
MELLON BANK (MD)	Washington	1898	247	13.01%	25.30%
NAVY FEDERAL CREDIT UNION	Washington	5511	1029	18.67%	25.30%
CTX MORTGAGE COMPANY	Washington	1941	400	20.61%	25.30%
TMC MORTGAGE CO.	Washington	2327	229	9.84%	25.30%

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TABLE III. B.6 THE WORST LENDERS IN 1993: LOW/MOD INCOME APPROVALS

LENDER	MSA	Total Approvals	Low/Mod Income Approvals	Low/Mod Income % of Approvals	MSA Low/Mod Industry Average
UNION SECURITY MORTGAGE	Anaheim	989	101	10.21%	18.05%
RSL MORTGAGE CORPORATION	Anaheim	833	83	9.96%	18.05%
THE PRUDENTIAL HOME MORTGAGE C	Anaheim	6144	178	2.90%	18.05%
PIB MORTGAGE COMPANY	Anaheim	794	92	11.59%	18.05%
METROPOLITAN SERVICE CORP.	Anaheim	2083	210	10.08%	18.05%
GN MORTGAGE	Anaheim	773	95	12.29%	18.05%
SOUTHERN CALIFORNIA FEDERAL SA	Anaheim	605	68	11.24%	18.05%
HEADLANDS MORTGAGE COMPANY	Anaheim	536	48	8.96%	18.05%
LOAN AMERICA FINANCE CORP	Anaheim	1140	132	11.58%	18.05%
AMERICAN RESIDENTIAL MORTGAGE	Anaheim	1880	325	17.29%	18.05%
WEYERHAEUSER MORTGAGE CO.	Anaheim	698	100	14.33%	18.05%
COLONIAL MORTGAGE COMPANY	Atlanta	3310	213	6.44%	20.73%
ALLATOONA FEDERAL SAVINGS BANK	Atlanta	1503	273	18.16%	20.73%
PINE STATE MORTGAGE CORPORATIO	Atlanta	1133	128	11.30%	20.73%
NORWEST MORTGAGE	Atlanta	1520	314	20.66%	20.73%
ENTRUST FINANCIAL CORPORATION	Atlanta	1200	204	17.00%	20.73%
MT VERNON FEDERAL SAVINGS BANK	Atlanta	1084	164	15.13%	20.73%
EAGLE SERVICE CORP D/B/A ATLAN	Atlanta	888	104	11.71%	20.73%
FIRST LIBERTY BANK	Atlanta	1255	176	14.02%	20.73%
METRO BANK	Atlanta	723	104	14.38%	20.73%
COUNTRYWIDE FUNDING CORPORATIO	Atlanta	3254	407	12.51%	20.73%
AMERICAN HOME MORTGAGE	Atlanta	2108	90	4.27%	20.73%
WACHOVIA MORTGAGE CO	Atlanta	2432	376	15.46%	20.73%
THE PRUDENTIAL HOME MORTGAGE C	Atlanta	3003	146	4.86%	20.73%
MELLON BANK (MD)	Baltimore	601	40	6.66%	21.32%
B.F.SAUL MORTGAGE COMPANY	Baltimore	1592	239	15.01%	21.32%
ATLANTIC RESIDENTIAL MORTGAGE	Baltimore	2056	352	17.12%	21.32%
REISTERSTOWN FEDERAL SAVINGS B	Baltimore	1431	176	12.30%	21.32%
ENTRUST FINANCIAL CORPORATION	Baltimore	539	78	14.47%	21.32%
FRANKLIN MORTGAGE CAPITAL	Baltimore	536	56	10.45%	21.32%
GE CAPITAL MORTGAGE SERVICES	Baltimore	685	57	8.32%	21.32%
LEEDS FEDERAL SAVINGS & LOAN	Baltimore	606	74	12.21%	21.32%
THE PRUDENTIAL HOME MORTGAGE C	Baltimore	1683	138	8.20%	21.32%
CTX MORTGAGE COMPANY	Baltimore	1025	172	16.78%	21.32%
FIRST UNION MORT. CORP.	Baltimore	565	44	7.79%	21.32%
J.I. KISLAK MORTGAGE CORP.	Boston	1418	147	10.37%	16.77%
EAST CAMBRIDGE SAVINGS BANK	Boston	517	90	17.41%	16.77%
GE CAPITAL MORTGAGE SERVICES	Boston	916	42	4.59%	16.77%
DEDHAM INSTITUTION FOR SAVINGS	Boston	573	101	17.63%	16.77%
THE PRUDENTIAL HOME MORTGAGE C	Boston	2157	104	4.82%	16.77%
ASSURANCE MORTGAGE CORP OF AME	Boston	1591	57	3.58%	16.77%
SUBURBAN MORTGAGE CO.	Boston	537	55	10.24%	16.77%
COUNTRYWIDE FUNDING CORPORATIO	Boston	4742	351	7.40%	16.77%
CHASE HOME MORTGAGE CORP.	Boston	789	42	5.32%	16.77%
THE HUNTINGTON MORTGAGE CO	Boston	6296	436	6.93%	16.77%
SUNCOAST SAVINGS & LOAN ASSOC.	Boston	510	34	6.67%	16.77%
OLD COLONY MORTGAGE CORPORATIO	Boston	799	78	9.76%	16.77%
THE PRUDENTIAL HOME MORTGAGE C	Chicago	2097	149	7.11%	21.49%
WASHTENAW MORTGAGE COMPANY #2	Chicago	2741	246	8.97%	21.49%
HOUSEHOLD BANK	Chicago	5058	701	13.86%	21.49%
LOAN AMERICA FINANCE CORP	Chicago	1527	198	12.97%	21.49%
PRINCIPAL MUTUAL LIFE INS CO	Chicago	3115	454	14.57%	21.49%
MIDLAND FINANCIAL MORTGAGES	Chicago	2126	238	11.19%	21.49%
CHASE HOME MORTGAGE CORP.	Chicago	2798	285	10.19%	21.49%
GE CAPITAL MORTGAGE SERVICES	Chicago	1906	213	11.18%	21.49%
NBD MORTGAGE COMPANY	Chicago	4630	562	12.14%	21.49%
FRANKLIN MORTGAGE CAPITAL	Dallas	1349	108	8.01%	18.54%
CHASE U.S. CONSUMER SERVICES	Dallas	468	1	0.21%	18.54%
GE CAPITAL MORTGAGE SERVICES	Dallas	412	12	2.91%	18.54%
PROGRESSIVE SOUTHERN MORTGAGE	Dallas	501	27	5.39%	18.54%
COLONIAL MORTGAGE COMPANY	Dallas	1429	52	3.64%	18.54%

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TABLE III. B.6 THE WORST LENDERS IN 1993: LOW/MOD INCOME APPROVALS

LENDER	MSA	Total Approvals	Low/Mod Income Approvals	Low/Mod Income % of Approvals	MSA Low/Mod Industry Average
THE PRUDENTIAL HOME MORTGAGE C	Dallas	1917	67	3.50%	18.54%
CROSSLAND MORTGAGE CORP.	Dallas	1279	114	8.91%	18.54%
MERCANTILE BANK & TRUST	Dallas	1274	60	4.71%	18.54%
MELLON MORTGAGE COMPANY	Dallas	472	43	9.11%	18.54%
BARCLAYS AMERICAN MORTGAGE COR	Dallas	606	23	3.80%	18.54%
ST. JAMES SERVICING CORP	Detroit	1303	111	8.52%	24.05%
ROCK FINANCIAL CORPORATION	Detroit	7328	684	9.33%	24.05%
GUARDIAN MORTGAGE COMPANY	Detroit	1217	79	6.49%	24.05%
THE HUNTINGTON MORTGAGE CO	Detroit	1767	369	20.88%	24.05%
STANDARD FEDERAL BANK	Detroit	35908	7519	20.94%	24.05%
SOURCE ONE MORTGAGE	Detroit	2189	331	15.12%	24.05%
REPUBLIC BANK	Detroit	9011	1186	13.16%	24.05%
WORLDWIDE FINANCIAL SERVICES	Detroit	1951	73	3.74%	24.05%
SOURCE ONE MORTGAGE	Houston	517	31	6.00%	15.31%
MITCHELL MORTGAGE COMPANY	Houston	466	30	6.44%	15.31%
COLONIAL MORTGAGE COMPANY	Houston	897	19	2.12%	15.31%
THE PRUDENTIAL HOME MORTGAGE C	Houston	1929	31	1.61%	15.31%
BANCBOSTON MORTGAGE CORP.	Houston	609	12	1.97%	15.31%
CORNERSTONE MORTGAGE COMPANY	Houston	1104	66	5.98%	15.31%
SUNBELT NATIONAL MORTGAGE CORP	Houston	588	58	9.86%	15.31%
CROSSLAND MORTGAGE CORP.	Houston	1571	73	4.65%	15.31%
GE CAPITAL MORTGAGE SERVICES	Houston	606	27	4.46%	15.31%
FIRST HEIGHTS BANK	Houston	1557	65	4.17%	15.31%
BARCLAYS AMERICAN MORTGAGE COR	Houston	561	3	0.53%	15.31%
FIRST FRANKLIN	Los Angeles	2995	176	5.88%	12.81%
CALIFORNIA UNITED BANK	Los Angeles	1468	37	2.52%	12.81%
THE PRUDENTIAL HOME MORTGAGE C	Los Angeles	11864	157	1.32%	12.81%
TEMPLE-INLAND MORTGAGE CO.	Los Angeles	1548	102	6.59%	12.81%
AMERICAN RESIDENTIAL MORTGAGE	Los Angeles	3732	251	6.73%	12.81%
GN MORTGAGE	Los Angeles	2581	171	6.63%	12.81%
METROPOLITAN SERVICE CORP.	Los Angeles	2171	88	4.05%	12.81%
PNC MORTGAGE CORP. OF AMERICA	Los Angeles	1364	98	7.18%	12.81%
UNION SECURITY MORTGAGE	Los Angeles	1492	98	6.57%	12.81%
CHASE HOME MORTGAGE CORP.	Los Angeles	1557	12	0.77%	12.81%
WASHTENAW MORTGAGE COMPANY #2	Minneapolis	1013	189	18.66%	22.85%
LOAN AMERICA FINANCE CORP	Minneapolis	959	150	15.64%	22.85%
GMAC MORTGAGE CORPORATION OF P	Minneapolis	2342	479	20.45%	22.85%
HOMESTEAD MORTGAGE CORPORATION	Minneapolis	2957	493	16.67%	22.85%
LAKELAND MORTGAGE CORP.	Minneapolis	3393	267	7.87%	22.85%
KNUTSON MORTGAGE CORPORATION	Minneapolis	3992	759	19.01%	22.85%
HEIGL MORT. & FINANCIAL CORP.	Minneapolis	3110	257	8.26%	22.85%
THE PRUDENTIAL HOME MORTGAGE C	Minneapolis	1939	268	13.82%	22.85%
EMIGRANT SAVINGS BANK	Nassau-Suffolk	913	54	5.91%	14.60%
SUNRISE FEDERAL SAVINGS BANK	Nassau-Suffolk	412	49	11.89%	14.60%
ROOSEVELT SAVINGS BANK	Nassau-Suffolk	1577	129	8.18%	14.60%
CHASE HOME MORTGAGE CORP.	Nassau-Suffolk	846	55	6.50%	14.60%
THE PRUDENTIAL HOME MORTGAGE C	Nassau-Suffolk	4475	275	6.15%	14.60%
MIDCOAST MORTGAGE CORPORATION	Nassau-Suffolk	2570	334	13.00%	14.60%
COUNTRYWIDE FUNDING CORPORATIO	Nassau-Suffolk	1535	158	10.29%	14.60%
REPUBLIC BANK FOR SAVINGS	Nassau-Suffolk	1040	106	10.19%	14.60%
RIDGEWOOD SAVINGS BANK	Nassau-Suffolk	949	117	12.33%	14.60%
TEMPLE-INLAND MORTGAGE CO.	Nassau-Suffolk	512	58	11.33%	14.60%
KEYCORP MORTGAGE INC.	Nassau-Suffolk	1281	139	10.85%	14.60%
CHASE HOME MORTGAGE CORP.	New York	2154	22	1.02%	5.76%
ROOSEVELT SAVINGS BANK	New York	608	25	4.11%	5.76%
PNC MORTGAGE CORP. OF AMERICA	New York	621	18	2.90%	5.76%
SIBLEY MORTGAGE CORPORATION	New York	848	13	1.53%	5.76%
PEOPLES WESTCHESTER	New York	1278	54	4.23%	5.76%
PROVIDENT SAVINGS BANK	New York	701	18	2.57%	5.76%
INDEPENDENCE SAVINGS BANK	New York	1071	30	2.80%	5.76%
THE PRUDENTIAL HOME MORTGAGE C	New York	4616	80	1.73%	5.76%
EMIGRANT SAVINGS BANK	New York	1149	30	2.61%	5.76%

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TABLE III. B.6 THE WORST LENDERS IN 1993: LOW/MOD INCOME APPROVALS

LENDER	MSA	Total Approvals	Low/Mod Income Approvals	Low/Mod Income % of Approvals	MSA Low/Mod Industry Average
BROOKSAMERICA MORTGAGE CORP.	Oakland	581	67	11.53%	15.51%
PIB MORTGAGE COMPANY	Oakland	822	46	5.60%	15.51%
HEADLANDS MORTGAGE COMPANY	Oakland	1268	112	8.83%	15.51%
AMERICAN RESIDENTIAL MORTGAGE	Oakland	1878	198	10.54%	15.51%
GN MORTGAGE	Oakland	831	64	7.70%	15.51%
RYLAND MORTGAGE COMPANY	Oakland	522	41	7.85%	15.51%
ALLIED SAVINGS BANK	Oakland	1635	144	8.81%	15.51%
GE CAPITAL MORTGAGE SERVICES	Oakland	842	12	1.43%	15.51%
FIRST FRANKLIN	Oakland	1265	135	10.67%	15.51%
THE PRUDENTIAL HOME MORTGAGE C	Oakland	6107	113	1.85%	15.51%
SOVEREIGN BANK. A FED SAVINGS	Philadelphia	1710	149	8.71%	22.63%
THE PRUDENTIAL HOME MORTGAGE C	Philadelphia	3148	212	6.73%	22.63%
GE CAPITAL MORTGAGE SERVICES	Philadelphia	6347	895	14.10%	22.63%
BANCORP MORTGAGE INC	Philadelphia	1835	211	11.50%	22.63%
THE BRYN MAWR TRUST CO.	Philadelphia	1289	179	13.89%	22.63%
MAIN LINE FEDERAL SAVINGS BANK	Philadelphia	2924	263	8.99%	22.63%
INTEGRA MORTGAGE COMPANY	Philadelphia	1018	135	13.26%	22.63%
PINNACLE MORTGAGE INVEST. CORP	Philadelphia	2616	248	9.48%	22.63%
PROGRESS FEDERAL SAVINGS BANK	Philadelphia	956	101	10.56%	22.63%
NORTH AMERICAN MORTGAGE CO	Philadelphia	1148	140	12.20%	22.63%
PHILADELPHIA MORTGAGE CORP.	Philadelphia	2905	338	11.64%	22.63%
CHARLES F CURRY COMPANY	Phoenix	1223	3	0.25%	20.78%
UDC MORTGAGE CORPORATION	Phoenix	750	76	10.13%	20.78%
VENTURE FINANCIAL SERVICES	Phoenix	2640	109	4.13%	20.78%
STATE SAVINGS BANK	Phoenix	2847	113	3.97%	20.78%
THE PRUDENTIAL HOME MORTGAGE C	Phoenix	793	73	9.21%	20.78%
MEDALLION MORTGAGE COMPANY	Phoenix	1932	166	8.59%	20.78%
RICHARDS-WOODBURY MORTG. CORP.	Phoenix	704	87	12.36%	20.78%
SUNBELT NATIONAL MORTGAGE CORP	Phoenix	1159	178	15.36%	20.78%
METMOR FINANCIAL	Phoenix	795	108	13.58%	20.78%
MELLON MORTGAGE COMPANY	Phoenix	2021	134	6.63%	20.78%
METROPOLITAN SERVICE CORP.	Riverside	573	52	9.08%	15.31%
FIRST FRANKLIN	Riverside	622	49	7.88%	15.31%
MICAL MORTGAGE	Riverside	1882	47	2.50%	15.31%
IMPERIAL CREDIT INDUSTRIES	Riverside	1252	122	9.74%	15.31%
PROVIDENT SAVINGS BANK	Riverside	1039	118	11.36%	15.31%
WEYERHAEUSER MORTGAGE CO.	Riverside	988	87	8.81%	15.31%
GMAC MORTGAGE CORPORATION OF P	Riverside	1132	99	8.75%	15.31%
THE PRUDENTIAL HOME MORTGAGE C	Riverside	1267	41	3.24%	15.31%
VINEYARD NATIONAL BANK	Riverside	598	70	11.71%	15.31%
COUNTRYWIDE FUNDING CORPORATIO	Riverside	4560	389	8.53%	15.31%
FLEET MORTGAGE CORP.	Riverside	918	34	3.70%	15.31%
CITIZENS NATIONAL MORTGAGE COR	Riverside	1787	2	0.11%	15.31%
WESTERN CITIES MORTGAGE CORPOR	Riverside	1540	157	10.19%	15.31%
CAL COAST MORTGAGE CORPORATION	San Diego	1602	106	6.62%	14.03%
FLAGSHIP FEDERAL SAVINGS BANK	San Diego	752	62	8.24%	14.03%
FIRST FRANKLIN	San Diego	1436	85	5.92%	14.03%
GN MORTGAGE	San Diego	681	54	7.93%	14.03%
AMERICAN RESIDENTIAL MORTGAGE	San Diego	3174	216	6.81%	14.03%
THE PRUDENTIAL HOME MORTGAGE C	San Diego	4197	106	2.53%	14.03%
PROVIDENT SAVINGS BANK	San Diego	1014	42	4.14%	14.03%
DOLLAR MORTGAGE CORPORATION	San Diego	641	35	5.46%	14.03%
COUNTRYWIDE FUNDING CORPORATIO	San Diego	9231	726	7.86%	14.03%
SAN DIEGO FUNDING	San Diego	2256	274	12.15%	14.03%
HOME FEDERAL SAVINGS BANK OF M	St. Louis	2910	428	14.71%	21.10%
MIDLAND FINANCIAL MORTGAGES	St. Louis	1308	118	9.02%	21.10%
REPUBLIC BANK	St. Louis	2322	226	9.73%	21.10%
CITIBANK F.S.B.	St. Louis	589	77	13.07%	21.10%
COUNTRYWIDE FUNDING CORPORATIO	St. Louis	964	134	13.90%	21.10%
CRESTAR MORTGAGE CORPORATION	St. Louis	935	88	9.41%	21.10%
THE COLONIAL BANK	St. Louis	1205	127	10.54%	21.10%
JAMES B. NUTTER & COMPANY	St. Louis	920	125	13.59%	21.10%

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TABLE III. B.6 THE WORST LENDERS IN 1993: LOW/MOD INCOME APPROVALS

LENDER	MSA	Total Approvals	Low/Mod Income Approvals	Low/Mod Income % of Approvals	MSA Low/Mod Industry Average
AMERICAN RESIDENTIAL MORTGAGE	St. Louis	945	107	11.32%	21.10%
TMC MORTGAGE CO.	Tampa	640	11	1.72%	21.49%
MARGARETTEN & COMPANY	Tampa	1533	166	10.83%	21.49%
SUNCOAST SAVINGS & LOAN ASSOC.	Tampa	383	17	4.44%	21.49%
AMERICAN HOME FUNDING	Tampa	506	59	11.66%	21.49%
FIRST UNION MORT. CORP.	Tampa	704	83	11.79%	21.49%
BANCBOSTON MORTGAGE CORP.	Tampa	584	49	8.39%	21.49%
GREENTREE MORTGAGE COMPANY LP	Tampa	623	32	5.14%	21.49%
SOUTHTRUST MORTGAGE CORP.	Tampa	450	37	8.22%	21.49%
HORIZON SAVINGS BANK	Tampa	540	46	8.52%	21.49%
CARL I. BROWN AND COMPANY	Tampa	887	22	2.48%	21.49%
SOURCE ONE MORTGAGE	Tampa	1613	249	15.44%	21.49%
THE PRUDENTIAL HOME MORTGAGE C	Tampa	770	76	9.87%	21.49%
BANCBOSTON MORTGAGE CORP.	Washington	1841	262	14.23%	24.06%
COUNTRYWIDE FUNDING CORPORATIO	Washington	2516	341	13.55%	24.06%
SOURCE ONE MORTGAGE	Washington	1182	209	17.68%	24.06%
GE CAPITAL MORTGAGE SERVICES	Washington	3236	225	6.95%	24.06%
THE PRUDENTIAL HOME MORTGAGE C	Washington	4757	287	6.03%	24.06%
FRANKLIN MORTGAGE CAPITAL	Washington	3789	643	16.97%	24.06%
CHASE HOME MORTGAGE CORP.	Washington	1726	175	10.14%	24.06%
MELLON BANK (MD)	Washington	1740	202	11.61%	24.06%
NAVY FEDERAL CREDIT UNION	Washington	5430	969	17.85%	24.06%
CTX MORTGAGE COMPANY	Washington	1872	376	20.09%	24.06%
TMC MORTGAGE CO.	Washington	2268	215	9.48%	24.06%

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SECTION IV:

THE WORST LENDERS IN AMERICA 1990 -- 1993

MSA GRADES AND RANKINGS

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SECTION IV

MSA GRADES AND RANKINGS

This section contains the grades and ranks that were used to identify the worst lenders for the years 1990 through 1993. The tables are listed alphabetically by MSA. There are three sections to each table. The first section identifies the lenders, the second section shows the grades the lenders received from 1990 to 1993, and the third section shows the scores and ranks for 1993 only. Asterisks indicate that a lender did not receive enough applications that year to cross the .5% of application threshold, or that the lender was not yet in the market.

The third section indicates the total number of applications a lender received, the lender's percentage of all the applications in the MSA, and the total approvals by a lender. The scores and ranks follow. For the black/Hispanic marketing and approval scores, and for the low- and moderate-income application scores, a score greater than one means that the lender's performance is above the average for the industry. A score below one means that the lender is below the average. The lender with the highest score is awarded the rank of one and vice versa. Denial scores are the opposite of the other scores. If a lender has the *lowest* denial score (i.e. rejects minority applicants at a rate equal or lower to white applicants), a rank of one is awarded. A high denial score would result in a higher rank number. The overall rank is the average of the five rank numbers in each category and is the basis for assigning the letter grades.

Grades and ranks, and the accompanying data, for years earlier than 1993 are available upon request from NCRC.

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ANAHEIM MSA: GRADES AND RANKINGS

	GRADES: 1990-1993				1993 SCORES AND RANKS															
LENDER	1993 Grade	1992 Grade	1991 Grade	1990 Grade	Total Applications	% Share of Applications	Total Approvals	Black/ Hispanic Marketing Score	Black/ Hispanic Marketing Rank	Black/ Hispanic Denial Score	Black/ Hispanic Denial Rank	Black/ Hispanic Approval Score	Black/ Hispanic Approval Rank	Low/Mod Income Marketing Score	Low/Mod Income Marketing Rank	Low/Mod Income Lending Score	Low/Mod Income Lending Rank	Overall Rank
QUALITY MORTGAGE USA	A+	A+	•	•	1532	1.13%	1245	1.806	4	0.831	2	2.048	3	1.983	2	2.131	2	2.6
LONG BEACH BANK	A+	•	A+	A+	1289	0.95%	655	2.085	3	1.279	19	1.866	4	2.506	1	2.748	1	5.6
EMPIRE OF AMERICA REALTY CREDI	A+	•	•	•	836	0.62%	597	2.564	2	1.027	4	2.798	2	1.066	20	1.160	17	9.0
WORLD SAVINGS AND LOAN ASSOC.	A	A-	C	B+	2458	1.81%	2071	1.149	12	1.051	5	1.252	9	1.288	11	1.385	9	9.2
RNG MORTGAGE SERVICE	A	A-	•	•	787	0.58%	579	2.886	1	1.489	28	2.870	1	1.133	16	1.253	14	12.0
GREAT WESTERN BANK	A	A	A	A	4157	3.07%	3070	1.626	6	1.754	41	1.458	6	1.405	6	1.514	4	12.6
AMERICAN SAVINGS BNK	A	A	A+	A-	1632	1.21%	1230	1.695	5	1.776	43	1.544	5	1.374	8	1.414	7	13.6
FIRST INTERSTATE BANK OF CALIF	A-	B-	B-	C	1540	1.14%	1171	0.909	23	1.308	20	0.916	24	1.650	3	1.499	5	15.0
STATE BANK OF CHANHASSEN	A-	•	B+	C	4961	3.66%	3808	1.085	16	1.265	18	1.113	16	1.203	14	1.305	12	15.2
NORWEST MORTGAGE	A-	D+	•	•	873	0.64%	777	1.017	18	1.584	35	1.052	17	1.394	7	1.440	6	16.6
RURAL AMERICAN BANK - BRAHAM	B+	•	•	•	1418	1.05%	1023	1.010	19	1.517	29	0.928	23	1.337	9	1.386	8	17.6
WESTERN BANK	B+	A-	A	B	780	0.58%	697	1.261	9	2.719	53	1.198	10	1.273	12	1.303	13	19.4
WESTERN CITIES MORTGAGE CORPOR	B+	C	B+	C+	1667	1.23%	1540	1.276	7	1.629	37	1.347	7	1.012	24	1.039	24	19.8
WESTERN FINANCIAL SAVINGS BANK	B+	C	C+	B-	998	0.74%	812	0.905	24	1.216	13	0.953	21	1.059	21	1.071	21	20.0
BANK OF AMERICA NT & SA	B	B	C-	C+	7964	5.88%	5794	0.886	25	1.565	33	0.801	29	1.416	5	1.350	10	20.4
DIRECTORS MORTGAGE LOAN CORP	B	B-	C-	D	2547	1.88%	2200	1.146	13	1.538	31	1.175	13	1.029	23	1.070	22	20.4
COAST FEDERAL BANK	B	A-	B-	•	1151	0.85%	728	0.841	29	1.518	30	0.688	37	1.582	4	1.788	3	20.6
GENERAL AMERICAN FINANCIAL COR	B-	•	•	•	1254	0.93%	1079	1.161	11	1.860	45	1.141	15	1.128	17	1.165	16	20.8
COLONIAL BANCORP	B-	B-	•	•	1561	1.15%	1056	1.265	8	1.380	24	1.191	12	0.783	33	0.813	31	21.6
MISSION HILLS MORTGAGE CORP	B-	C-	•	A+	1550	1.14%	1386	1.104	15	1.455	27	1.161	14	0.840	30	0.891	27	22.6
NORTH AMERICAN MORTGAGE CO	B-	C+	•	•	3329	2.46%	2899	0.980	20	1.392	25	1.025	19	1.001	25	1.036	25	22.8
PLAZA SAVINGS & LOAN ASSOCIATI	C+	B-	C+	•	2923	2.16%	2359	1.144	14	1.260	17	1.193	11	0.740	37	0.733	37	23.2
MEDALLION MORTGAGE COMPANY	C+	B	•	•	1063	0.78%	784	0.955	21	1.057	6	1.032	18	0.728	38	0.699	38	24.2
FIRST FRANKLIN	C+	D	•	•	1731	1.28%	1558	0.508	47	1.098	7	0.553	45	1.206	13	1.308	11	24.6
ORANGE COUNTY TEACHERS FCU	C	C-	C	•	1125	0.83%	981	0.867	28	1.897	47	0.851	27	1.314	10	1.214	15	25.4
THE HAMMOND COMPANY	C	D-	•	•	1273	0.94%	1136	0.886	25	1.372	22	0.937	22	0.876	28	0.858	30	25.4
FRANKLIN MORTGAGE CAPITAL	C	•	•	•	1521	1.12%	1351	1.236	10	1.220	14	1.328	8	0.544	49	0.545	50	26.2
WELLS FARGO BANK	C	C	B	D	2254	1.66%	1555	0.674	37	1.424	26	0.616	40	1.153	15	1.104	19	27.4
CALIFORNIA MORTGAGE SERVICE	C-	D-	A-	•	1539	1.14%	1396	0.738	35	1.239	15	0.794	31	0.850	29	0.889	28	27.6
GMAC MORTGAGE CORPORATION OF P	C-	D+	D	A+	779	0.58%	722	0.657	38	0.621	1	0.743	33	0.754	34	0.790	34	28.0
NATIONAL HOME MORTGAGE CORP.	C-	•	•	•	1220	0.90%	1080	0.682	36	1.583	34	0.700	36	1.103	18	1.123	18	28.4
EXPRESS AMERICA MORTGAGE CORP.	D+	•	•	•	769	0.57%	686	0.780	34	0.987	3	0.859	26	0.666	39	0.678	41	28.6
DOWNEY SAVINGS AND LOAN ASSN.	D+	D+	C-	B	1643	1.21%	1280	0.565	44	1.186	12	0.591	44	1.040	22	1.060	23	29.0
TEMPLE-INLAND MORTGAGE CO.	D+	D	•	•	1178	0.87%	1034	0.916	22	1.246	16	0.978	20	0.625	43	0.627	45	29.2
ARCS MORTGAGE INC.	D+	•	•	•	690	0.51%	605	0.568	43	1.174	11	0.610	41	0.882	27	0.879	29	30.2
M-WEST MORTGAGE CORPORATION	D	A+	A	B+	975	0.72%	768	0.837	31	1.924	49	0.733	35	1.068	19	1.082	20	30.8
COUNTRYWIDE FUNDING CORPORATIO	D	F-	A	•	8559	6.32%	7457	0.559	45	1.113	8	0.605	43	0.826	31	0.799	32	31.8
IMPERIAL CREDIT INDUSTRIES	D	•	•	•	2190	1.62%	1846	0.803	33	1.595	36	0.800	30	0.753	35	0.759	35	33.8
PROVIDENT SAVINGS BANK	D-	F	•	•	841	0.62%	652	0.808	32	1.172	10	0.850	28	0.482	51	0.450	52	34.6
HAMILTON FINANCIAL CORPORATION	D-	•	•	•	1002	0.74%	726	1.069	17	1.916	48	0.860	25	0.623	45	0.687	39	34.8
BROOKSAMERICA MORTGAGE CORP.	D-	•	•	•	1303	0.96%	970	0.841	29	1.539	32	0.780	32	0.647	40	0.640	44	35.4
FRONTLINE MORTGAGE COMPANY	D-	C-	D-	•	948	0.70%	746	0.869	27	2.026	50	0.743	33	0.749	36	0.742	36	36.4
AMERICAN RESIDENTIAL MORTGAGE	F+	F+	D	•	2138	1.58%	1880	0.479	49	1.760	42	0.477	48	0.946	26	0.958	26	38.2
WEYERHAEUSER MORTGAGE CO.	F+	•	F	F+	742	0.55%	698	0.614	42	2.274	51	0.630	39	0.806	32	0.794	33	39.4
GN MORTGAGE	F	F+	F	F+	1052	0.78%	773	0.296	53	1.167	9	0.307	52	0.609	46	0.681	40	40.0
LOAN AMERICA FINANCE CORP	F	F+	•	D-	1266	0.93%	1140	0.638	39	1.678	38	0.656	38	0.637	42	0.641	43	40.0
PIB MORTGAGE COMPANY	F	B	D+	•	943	0.70%	794	0.628	40	1.716	40	0.609	42	0.640	41	0.642	42	41.0
RSL MORTGAGE CORPORATION	F	F-	F+	D+	1054	0.78%	833	0.486	48	1.372	22	0.486	47	0.547	48	0.552	49	42.8
THE PRUDENTIAL HOME MORTGAGE C	F	F-	D-	•	7317	5.40%	6144	0.321	52	1.356	21	0.331	51	0.173	53	0.160	53	46.0
UNION SECURITY MORTGAGE	F-	B-	B+	A-	1238	0.91%	989	0.433	50	1.694	39	0.400	50	0.561	47	0.566	47	46.6
METROPOLITAN SERVICE CORP.	F-	F	•	•	2338	1.73%	2083	0.520	46	1.845	44	0.519	46	0.543	50	0.558	48	46.8
HEADLANDS MORTGAGE COMPANY	F-	•	•	•	748	0.55%	536	0.620	41	1.885	46	0.476	49	0.478	52	0.496	51	47.8
SOUTHERN CALIFORNIA FEDERAL SA	F-	D	•	F	719	0.53%	605	0.345	51	2.370	52	0.291	53	0.624	44	0.623	46	49.2

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ATLANTA MSA: GRADES AND RANKINGS

NAME	GRADES: 1990-1993 1993 Grade	1992 Grade	1991 Grade	1990 Grade	1993 SCORES AND RANKINGS Total Applications	% Share of Applications	Total Approvals	Black/ Hispanic Marketing Score	Black/ Hispanic Marketing Rank	Black/ Hispanic Denial Score	Black/ Hispanic Denial Rank	Black/ Hispanic Approval Score	Black/ Hispanic Approval Rank	Low/Mod Income Marketing Score	Low/Mod Income Marketing Rank	Low/Mod Income Lending Score	Low/Mod Income Lending Rank	Overall Rank
GREEN TREE FINANCIAL CORP	A+	A+	A+	*	1250	0.83%	735	2.086	6	1.181	6	2.186	6	2.924	2	3.018	2	4.4
BANK UNITED OF TEXAS FSB	A+	B	*	*	1459	0.96%	1304	2.161	5	1.369	10	2.415	3	1.781	4	1.890	4	5.2
UNITY MORTGAGE CORP.	A+	A	A	*	1959	1.29%	933	3.214	1	1.230	7	3.187	1	1.241	14	1.168	16	7.8
NATIONSBANK OF GEORGIA	A+	A+	A-	*	1051	0.69%	876	2.343	4	2.451	29	2.309	4	2.145	3	2.147	3	8.6
ICM MORTGAGE CORPORATION	A	A-	C	*	1489	0.98%	1352	1.740	10	1.386	11	1.947	7	1.303	9	1.373	9	9.2
WACHOVIA BANK OF GEORGIA	A	*	*	*	823	0.54%	738	1.862	7	2.431	28	1.939	8	1.616	6	1.542	6	11.0
PARAGON MORTGAGE CORPORATION	A	*	A+	*	2161	1.43%	1915	2.513	2	5.403	57	2.421	2	1.509	7	1.481	7	15.0
SUN AMERICA MORTGAGE CORP.	A	*	B	B	3138	2.07%	2928	1.480	13	2.946	34	1.561	14	1.225	15	1.285	12	17.6
HOMESOUTH MORTGAGE CORPORATION	A-	*	*	*	2308	1.53%	2182	1.748	9	5.107	56	1.816	10	1.327	8	1.393	8	18.2
HAMILTON FINANCIAL CORPORATION	A-	*	*	*	989	0.65%	686	1.030	20	1.439	14	0.996	21	1.073	22	1.174	15	18.4
BOFA FEDERAL SAVINGS BANK	A-	*	*	*	771	0.51%	398	0.593	39	1.256	8	0.534	46	3.571	1	3.902	1	19.0
SUNTRUST MORTGAGE	A-	B	B-	B	1735	1.15%	1636	1.193	16	3.416	45	1.247	16	1.261	12	1.365	10	19.8
FIRST TOWN MORTGAGE CORP.	B+	B-	*	*	1301	0.86%	1269	0.728	34	1.432	13	0.830	28	1.175	16	1.266	13	20.8
GREAT WESTERN MORTGAGE CORP	B+	B+	C	C+	2038	1.35%	1471	0.878	24	1.475	15	0.854	26	1.071	23	1.148	18	21.2
WASHTENAW MORTGAGE COMPANY #2	B+	*	*	*	2484	1.64%	2299	0.862	26	1.063	5	0.988	22	1.027	28	1.038	26	21.4
PERIMETER MORTGAGE	B+	*	*	*	1101	0.73%	1101	1.020	21	0.000	1	1.174	17	0.799	35	0.872	34	21.6
SOUTHERN CRESCENT MORTGAGE	B	*	*	*	808	0.53%	775	1.042	19	6.301	60	1.060	20	1.641	5	1.749	5	21.8
GRIFFIN FEDERAL SAVINGS BANK	B	B	C-	C	4880	3.23%	4345	1.062	18	3.669	47	0.965	23	1.251	13	1.232	14	23.0
AMERICAN NATIONAL FINANCIAL	B	*	B	*	1888	1.25%	1771	0.807	30	2.812	33	0.845	27	1.135	17	1.138	20	25.4
BANK SOUTH	B-	B+	B+	A	810	0.54%	659	0.871	25	3.058	36	0.659	38	1.282	11	1.083	24	26.8
NATIONAL MTG. INVEST. CO.	B-	F+	*	*	2414	1.60%	2402	0.681	36	0.980	4	0.784	33	0.882	31	0.958	30	26.8
PNC MORTGAGE CORP. OF AMERICA	B-	*	*	*	2270	1.50%	2141	0.784	31	3.043	35	0.819	30	1.096	19	1.147	19	26.8
SUNSHINE MORTGAGE CORPORATION	B-	A-	A+	A	3056	2.02%	2735	1.761	8	1.931	21	1.884	9	0.690	46	0.667	50	26.8
RYLAND MORTGAGE COMPANY	B-	*	*	*	802	0.53%	798	1.130	17	0.000	1	1.308	15	0.551	53	0.604	51	27.4
FUNB OF GEORGIA	C+	*	*	*	4266	2.82%	3922	0.827	29	3.222	39	0.817	31	1.091	20	1.119	21	28.0
NATIONSBANC MORTGAGE CORP	C+	C-	*	*	6409	4.24%	5972	1.214	15	5.951	59	1.152	18	1.031	27	1.030	27	29.2
WIELAND FINANCIAL SERVICES	C+	*	*	C-	1032	0.68%	1001	1.523	11	6.753	62	1.633	12	0.801	34	0.848	35	30.8
FIRST UNION MORT. CORP.	C+	C+	*	*	1092	0.72%	1034	0.830	28	2.028	22	0.911	25	0.720	42	0.760	42	31.8
TRUST COMPANY BANK	C	B-	B-	B+	2119	1.40%	1838	0.927	23	3.373	44	0.799	32	0.953	29	0.876	32	32.0
HOMEBANC FEDERAL SAVINGS BANK	C	*	*	*	6571	4.34%	6207	0.715	35	3.355	43	0.738	34	1.047	26	1.099	23	32.2
BANK SOUTH MORTGAGE	C	B+	B-	B-	2819	1.86%	2718	1.426	14	3.162	38	1.563	13	0.660	48	0.671	49	32.4
TRADITIONAL MORTGAGE CORP	C	*	B	*	2707	1.79%	2662	0.859	27	3.764	48	0.957	24	0.854	32	0.920	31	32.4
FLEET MORTGAGE CORP.	C	*	*	*	767	0.51%	733	1.495	12	1.818	18	1.675	11	0.121	61	0.105	61	32.6
COLLATERAL MORTGAGE	C-	C+	C	A+	1167	0.77%	1092	0.777	33	2.529	30	0.820	29	0.761	38	0.791	38	33.6
GWINNETT FEDERAL BANK	C-	C-	D	F	1069	0.71%	959	0.128	62	2.335	25	0.125	62	1.286	10	1.308	11	34.0
MORTGAGE PLUS INCORPORATED	C-	*	*	*	804	0.53%	680	2.394	3	3.254	41	2.281	5	0.011	62	0.014	62	34.6
SOUTHTRUST BANK OF GEORGIA	C-	*	*	*	4523	2.99%	4202	0.779	32	5.779	58	0.694	36	1.070	24	1.080	25	35.0
GULF STATES MORTGAGE CO.	D+	C-	A-	A+	4394	2.90%	4218	0.989	22	3.062	37	1.071	19	0.570	52	0.589	53	36.6
NEWNAN SAVINGS BANK FSB	D+	D-	D+	*	850	0.56%	789	0.519	45	4.713	54	0.468	51	1.082	21	1.119	21	38.4
EXPRESS AMERICA MORTGAGE CORP.	D+	*	*	*	1788	1.18%	1613	0.502	49	2.378	26	0.504	48	0.796	36	0.837	36	39.0
GMAC MORTGAGE CORPORATION OF P	D+	F+	*	A-	794	0.52%	756	0.626	38	1.389	12	0.708	35	0.523	55	0.561	55	39.0
BARNETT BANK OF ATLANTA	D	D-	D+	F+	1220	0.81%	1109	0.500	50	3.308	42	0.466	52	1.065	25	0.992	29	39.6
FIDELITY NATIONAL BANK	D	*	*	*	2483	1.64%	2418	0.546	44	2.789	32	0.603	41	0.723	41	0.774	40	39.6
GE CAPITAL MORTGAGE SERVICES	D	*	*	*	850	0.56%	816	0.566	43	0.823	3	0.656	39	0.442	57	0.473	57	39.8
NORTH AMERICAN MORTGAGE CO	D	*	*	*	1274	0.84%	1189	0.573	42	2.563	31	0.598	42	0.694	45	0.730	44	40.8
LINCOLN SERVICE CORPORATION	D-	D+	*	*	1307	0.86%	1082	0.479	53	1.881	19	0.461	53	0.741	40	0.767	41	41.2
THE BANKERS BANK	D-	*	*	*	1084	0.72%	1017	0.289	59	4.701	53	0.263	60	1.105	18	1.167	17	41.4
CTX MORTGAGE COMPANY	D-	*	*	B-	1030	0.68%	975	0.374	56	2.046	23	0.407	55	0.764	37	0.791	38	41.8
THE HUNTINGTON MORTGAGE CO	D-	*	*	*	844	0.56%	813	0.504	48	2.211	24	0.557	44	0.686	47	0.718	46	41.8
MT VERNON FEDERAL SAVINGS BANK	F+	F+	D-	D+	1153	0.76%	1084	0.584	40	3.239	40	0.596	43	0.705	43	0.730	44	42.0
WACHOVIA MORTGAGE CO	F+	*	F-	*	2484	1.64%	2432	0.581	41	3.840	49	0.638	40	0.699	44	0.746	43	43.4
NORWEST MORTGAGE	F+	C	D+	B	1643	1.09%	1520	0.439	54	4.183	51	0.401	56	0.944	30	0.996	28	43.8
ALLATOONA FEDERAL SAVINGS BANK	F+	D-	F+	F+	1561	1.03%	1503	0.514	46	6.575	61	0.504	48	0.832	33	0.876	32	44.0
COUNTRYWIDE FUNDING CORPORATIO	F	F	*	*	3576	2.36%	3254	0.413	55	1.756	16	0.443	54	0.635	50	0.603	52	45.4
THE PRUDENTIAL HOME MORTGAGE C	F	D	F-	F	3328	2.20%	3003	0.499	51	1.762	17	0.532	47	0.248	59	0.234	59	46.6
PINE STATE MORTGAGE CORPORATIO	F	*	*	*	1189	0.79%	1133	0.648	37	4.165	50	0.660	37	0.513	56	0.545	56	47.2
ENTRUST FINANCIAL CORPORATION	F	F-	D-	F+	1235	0.82%	1200	0.364	57	4.356	52	0.385	58	0.759	39	0.820	37	48.6
METRO BANK	F-	D	F+	D+	760	0.50%	723	0.285	60	2.395	27	0.307	59	0.628	51	0.694	47	48.8
FIRST LIBERTY BANK	F-	*	*	*	1319	0.87%	1255	0.487	52	3.574	46	0.500	50	0.647	49	0.676	48	49.0
AMERICAN HOME MORTGAGE	F-	*	*	*	2135	1.41%	2108	0.222	61	1.353	9	0.254	61	0.195	60	0.206	60	50.2
COLONIAL MORTGAGE COMPANY	F-	*	*	D-	3433	2.27%	3310	0.355	58	1.910	20	0.396	57	0.290	58	0.310	58	50.2
EAGLE SERVICE CORP D/B/A ATLAN	F-	F	*	F-	912	0.60%	888	0.510	47	4.908	55	0.541	45	0.543	54	0.565	54	51.0

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BALTIMORE MSA: GRADES AND RANKINGS

LENDER	GRADES: 1990-1993 1993 Grade	1992 Grade	1991 Grade	1990 Grade	1993 SCORES AND RANKINGS Total Applications	% Share of Applications	Total Approvals	Black/ Hispanic Marketing Score	Black/ Hispanic Marketing Rank	Black/ Hispanic Denial Score	Black/ Hispanic Denial Rank	Black/ Hispanic Approval Score	Black/ Hispanic Approval Rank	Low/Mod Income Marketing Score	Low/Mod Income Marketing Rank	Low/Mod Income Lending Score	Low/Mod Income Lending Rank	Overall Rank
GREEN TREE FINANCIAL CORP	A+	A+	A+	*	1014	1.00%	522	3.179	4	1.338	3	3.236	4	2.801	1	2.687	1	2.6
THE BANK OF BALTIMORE	A+	A+	A	B	1096	1.08%	527	4.697	1	1.545	9	4.639	2	2.193	3	1.896	4	3.8
CARROLLTON BANK	A+	**	*	*	887	0.87%	664	3.471	3	2.133	16	3.635	3	1.890	5	1.851	5	6.4
NORWEST MORTGAGE	A	A-	A+	C+	1330	1.31%	1280	1.735	6	1.515	8	2.115	6	1.408	8	1.510	7	7.0
WESTVIEW FEDERAL SAVINGS & LOA	A	A+	A+	A	1640	1.61%	1191	4.685	2	2.496	26	4.996	1	1.931	4	1.957	3	7.2
GREAT WESTERN MORTGAGE CORP	A	B+	**	*	509	0.50%	411	1.033	17	1.303	2	1.200	17	1.326	11	1.438	8	11.0
INDEPENDENCE ONE MORTGAGE CORP	A	A	B+	A-	724	0.71%	620	2.343	5	2.830	34	2.471	5	1.654	6	1.604	6	11.2
MARYLAND NATIONAL MORTGAGE	A-	B	A-	A	4024	3.96%	3692	1.225	11	1.850	11	1.427	10	1.109	19	1.161	18	13.8
FIRST NATIONAL MORTGAGE CORP	A-	A-	B	F	4239	4.17%	4095	1.235	10	2.583	28	1.468	9	1.308	12	1.379	11	14.0
INLAND MORTGAGE CORPORATION	A-	A	A-	B+	1407	1.38%	1285	1.260	9	2.798	33	1.380	11	1.368	9	1.424	9	14.2
FAIRFAX MORTGAGE CORPORATION	A-	A	A-	B+	1132	1.11%	1025	1.454	8	2.156	19	1.648	8	1.143	17	1.158	19	14.2
FIRST TOWN MORTGAGE CORP.	B+	**	*	*	523	0.51%	520	1.038	16	3.545	44	1.272	15	2.298	2	2.480	2	15.8
ABERDEEN PROVING GROUND FEDERA	B+	B	*	**	553	0.54%	507	0.828	25	1.944	13	0.952	24	1.260	13	1.277	12	17.4
ATLANTIC HOME MORTGAGE CORPORA	B+	B-	A-	B+	732	0.72%	688	1.054	15	2.348	23	1.220	16	1.142	18	1.193	17	17.8
FIRST NATIONAL BANK OF MD	B	*	*	*	1199	1.18%	854	0.913	22	2.149	17	0.712	37	1.595	7	1.274	13	19.2
MERCANTILE MORTGAGE CORPORATIO	B	F+	C	A-	1407	1.38%	1302	0.892	23	2.255	22	1.016	21	1.062	21	1.099	22	21.8
RYLAND MORTGAGE COMPANY	B	C-	D	D	1631	1.60%	1612	1.098	14	3.087	40	1.335	12	1.020	23	1.100	21	22.0
EASTERN SAVINGS BANK	B	B	D+	C-	843	0.83%	765	0.604	38	1.491	7	0.714	36	1.178	15	1.239	15	22.2
MARGARETTEN & COMPANY	B-	B+	C+	C+	3501	3.44%	3359	1.115	12	3.066	39	1.296	13	0.928	27	0.992	24	23.0
NATIONSBANC MORTGAGE CORP	B-	C-	F+	*	1530	1.50%	1392	1.696	7	4.623	50	1.749	7	0.962	25	0.960	26	23.0
1ST WASHINGTON MORTGAGE CORP.	B-	A-	*	*	606	0.60%	585	1.106	13	4.101	47	1.274	14	1.035	22	1.098	23	23.8
THE HUNTINGTON MORTGAGE CO	B-	*	*	*	764	0.75%	737	0.932	20	1.408	4	1.139	18	0.707	39	0.758	38	23.8
PNC MORTGAGE CORP. OF AMERICA	C+	*	*	*	1569	1.54%	1508	0.757	31	3.040	38	0.877	29	1.180	14	1.250	14	25.2
TEMPLE-INLAND MORTGAGE CO.	C+	F+	*	*	1643	1.62%	1520	0.795	27	2.467	25	0.891	28	0.872	29	0.938	28	27.4
PROVIDENT MORTGAGE CORP.	C+	*	*	*	1851	1.82%	1759	0.770	30	2.434	24	0.895	27	0.812	31	0.845	31	28.6
NATIONAL CITY MORTGAGE CO.	C	C+	D+	**	563	0.55%	498	0.723	33	2.946	36	0.717	35	1.075	20	1.130	20	28.8
COLUMBIA NATIONAL	C	*	*	*	2548	2.50%	2474	0.818	26	3.012	37	0.967	23	0.853	30	0.897	29	29.0
SIGNET MORTGAGE CORPORATION	C	C	D-	B-	5186	5.10%	4765	0.712	34	2.104	15	0.808	31	0.808	32	0.815	33	29.0
UFSB OF INDIANAPOLIS	C-	C+	B-	D-	589	0.58%	551	0.590	40	3.567	45	0.629	41	1.353	10	1.396	10	29.2
ICM MORTGAGE CORPORATION	C-	B+	C	*	1517	1.49%	1462	0.783	28	3.356	42	0.905	26	0.916	28	0.975	25	29.8
FARMERS & MECHANICS NATL BANK	C-	*	*	*	523	0.51%	473	0.925	21	5.012	52	0.843	30	0.991	24	0.942	27	30.8
GMAC MORTGAGE CORPORATION OF P	C-	F	F+	C	566	0.56%	533	0.584	42	0.872	1	0.728	34	0.700	40	0.748	39	31.2
FIRST HOME MORTGAGE CORP.	D+	*	B	*	1248	1.23%	1197	0.496	44	1.752	10	0.596	43	0.803	33	0.831	32	32.4
LOYOLA FEDERAL SAVINGS BANK	D+	D+	D+	C	1790	1.76%	1743	0.953	19	6.372	53	1.084	19	0.762	35	0.786	36	32.4
NVR MORTAGE	D+	C-	D-	D-	1949	1.92%	1805	0.997	18	3.199	41	1.081	20	0.642	45	0.647	44	33.6
CARROLL COUNTY BANK & TRUST CO	D+	C-	D	C-	759	0.75%	693	0.101	54	2.605	29	0.106	54	1.148	16	1.198	16	33.8
NORTH AMERICAN MORTGAGE CO	D	D	*	*	2077	2.04%	2004	0.670	36	2.525	27	0.790	33	0.736	37	0.782	37	34.0
HOUSEHOLD BANK	D	D	*	*	3141	3.09%	2720	0.732	32	3.793	46	0.617	42	0.935	26	0.856	30	35.2
WEYERHAEUSER MORTGAGE CO.	D	**	F+	F	534	0.52%	520	0.779	29	2.696	31	0.929	25	0.497	49	0.505	49	36.6
AMERICAN HOME FUNDING	D-	F	B-	F+	2340	2.30%	2278	0.674	35	3.377	43	0.792	32	0.713	38	0.741	40	37.6
NAVY FEDERAL CREDIT UNION	D-	F	*	*	754	0.74%	737	0.889	24	9.571	54	0.997	22	0.653	43	0.643	45	37.6
CITIBANK F.S.B.	D-	D-	D	F+	670	0.66%	579	0.645	37	2.207	20	0.671	39	0.624	46	0.607	46	37.6
COUNTRYWIDE FUNDING CORPORATIO	D-	**	*	*	1902	1.87%	1777	0.468	46	1.987	14	0.544	45	0.648	44	0.662	43	38.4
ATLANTIC RESIDENTIAL MORTGAGE	F+	D+	C-	A-	2147	2.11%	2056	0.446	47	2.737	32	0.515	46	0.773	34	0.803	34	38.6
B.F.SAUL MORTGAGE COMPANY	F+	F+	F	*	1677	1.65%	1592	0.587	41	2.886	35	0.665	40	0.675	41	0.704	41	39.6
THE PRUDENTIAL HOME MORTGAGE C	F+	*	*	*	1914	1.88%	1683	0.301	50	1.488	6	0.349	50	0.380	51	0.385	52	41.8
CTX MORTGAGE COMPANY	F	F+	**	*	1079	1.06%	1025	0.472	45	4.344	48	0.502	47	0.747	36	0.787	35	42.2
REISTERSTOWN FEDERAL SAVINGS B	F	F-	D	F-	1469	1.44%	1431	0.243	53	1.889	12	0.294	52	0.546	47	0.577	47	42.2
MELLON BANK (MD)	F	**	*	*	664	0.65%	601	0.371	49	1.484	5	0.437	49	0.334	54	0.312	54	42.2
ENTRUST FINANCIAL CORPORATION	F	*	*	*	550	0.54%	539	0.601	39	4.898	51	0.701	38	0.657	42	0.679	42	42.4
GE CAPITAL MORTGAGE SERVICES	F-	**	**	F+	733	0.72%	685	0.521	43	2.611	30	0.582	44	0.357	53	0.390	51	44.2
FIRST UNION MORT. CORP.	F-	**	*	*	615	0.60%	565	0.400	48	2.245	21	0.446	48	0.361	52	0.365	53	44.4
FRANKLIN MORTGAGE CAPITAL	F-	*	*	*	600	0.59%	536	0.254	52	2.155	18	0.274	53	0.450	50	0.490	50	44.6
LEEDS FEDERAL SAVINGS & LOAN	F-	D	**	*	630	0.62%	606	0.269	51	4.360	49	0.295	51	0.539	48	0.573	48	49.4

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BOSTON MSA: GRADES AND RANKINGS

LENDER	GRADES: 1990-1993 1993 Grade	1992 Grade	1991 Grade	1990 Grade	1993 SCORES AND RANKINGS Total Applications	% Share of Applications	Total Approvals	Black/ Hispanic Marketing Score	Black/ Hispanic Marketing Rank	Black/ Hispanic Denial Score	Black/ Hispanic Denial Rank	Black/ Hispanic Approval Score	Black/ Hispanic Approval Rank	Low/Mod Income Marketing Score	Low/Mod Income Marketing Rank	Low/Mod Income Lending Score	Low/Mod Income Lending Rank	Overall Rank
CITIZENS BANK OF MASSACHUSETTS	A+	•	•	•	3120	0.0256	2787	2.023	4	1.790	27	2.128	3	1.476	6	1.502	5	9.0
PHH U.S. MORTGAGE CORPORATION	A+	B	•	•	653	0.0054	631	0.700	25	0.000	1	0.833	17	2.699	1	2.873	1	9.0
SHAWMUT BANK MASSACHUSETTS	A+	•	A	•	642	0.0053	458	2.983	1	2.308	38	2.003	4	2.089	2	1.901	3	9.6
EAST BOSTON SAVINGS BANK	A	A+	A	B+	652	0.0054	523	1.534	9	1.809	28	1.443	8	1.868	3	2.007	2	10.0
SHAWMUT MORTGAGE COMPANY	A	A	A+	A-	5083	0.0417	4529	2.726	3	1.647	25	2.918	1	1.363	12	1.426	11	10.4
FLEET BANK OF MASSACHUSETTS	A	A-	•	•	1424	0.0117	797	1.686	7	1.504	24	1.233	9	1.631	5	1.436	10	11.0
SOUTH BOSTON SAVINGS BANK	A	B-	C	•	974	0.0080	954	0.851	16	0.000	1	0.997	13	1.095	23	1.156	20	14.6
EASTERN BANK	A-	B	B	C-	1079	0.0089	935	0.769	21	1.850	29	0.770	19	1.701	4	1.690	4	15.4
NORWEST MORTGAGE	A-	B	B-	A	1802	0.0148	1655	1.666	8	2.843	44	1.646	7	1.414	10	1.398	12	16.2
FIRST EASTERN MORTGAGE CORP	A-	C+	B-	C-	2613	0.0215	2377	1.149	11	2.334	39	1.157	11	1.267	17	1.332	15	18.6
FLEET REAL ESTATE FUNDING	A-	B+	•	•	2130	0.0175	1874	1.986	5	2.262	35	1.941	5	1.096	22	1.044	26	18.6
GREAT WESTERN MORTGAGE CORP	B+	A+	A+	A-	1684	0.0138	1309	0.780	20	2.219	34	0.600	29	1.420	9	1.499	6	19.6
BANK UNITED OF TEXAS FSB	B+	•	•	•	980	0.0080	855	1.777	6	2.054	31	1.764	6	1.059	26	1.011	32	20.2
SALEM FIVE MORTGAGE CORP	B+	B-	D-	D	1740	0.0143	1541	0.706	24	1.439	22	0.767	20	1.177	18	1.219	18	20.4
BANCBOSTON MORTGAGE CORP.	B+	A+	B+	A-	3166	0.0260	2919	2.806	2	2.568	41	2.885	2	0.976	30	0.960	34	21.8
BAYBANK	B	D+	C+	C+	6184	0.0508	5626	1.009	13	1.124	18	1.141	12	0.937	34	0.935	35	22.4
BRISTOL MORTGAGE CORPORATION I	B	C	•	•	637	0.0052	551	0.809	18	1.243	20	0.892	16	0.960	32	1.017	31	23.4
MEDFORD SAVINGS BANK	B	B-	B+	•	726	0.0060	689	0.274	53	0.000	1	0.334	48	1.422	8	1.488	7	23.4
GRAYSTONE MORTGAGE CORPORATION	B	•	•	•	707	0.0058	669	1.211	10	4.228	54	1.177	10	1.080	24	1.123	22	24.0
ARBOR NATIONAL MORTGAGE	B-	•	•	•	834	0.0068	651	0.720	23	1.088	17	0.807	18	0.882	36	1.035	29	24.6
FIRST UNION MORT. CORP.	B-	C	B	F+	800	0.0066	730	0.609	29	2.062	32	0.630	26	1.122	21	1.193	19	25.4
INDEPENDENCE ONE MORTGAGE CORP	B-	A	F-	•	1445	0.0119	1302	0.791	19	1.011	15	0.905	15	0.710	42	0.751	39	26.0
ABINGTON SAVINGS BANK	B-	C+	F+	B	699	0.0057	653	0.206	55	0.000	1	0.252	52	1.333	13	1.379	13	26.8
PLYMOUTH MORTGAGE COMPANY	C+	A-	C-	F-	1335	0.0110	1196	0.514	36	3.336	49	0.439	38	1.463	7	1.456	9	27.8
MARGARETTEN & COMPANY	C+	C-	A-	•	1434	0.0118	1358	0.917	14	10.789	59	0.626	27	1.139	20	1.146	21	28.2
CAMBRIDGEPORT SAVINGS BANK	C+	B+	C+	D	1525	0.0125	1400	1.011	12	2.893	45	0.984	14	0.902	35	0.924	36	28.4
FIRST FEDERAL SVGS BANK OF AME	C+	C	•	•	697	0.0057	679	0.369	43	0.000	1	0.436	39	0.990	29	1.027	30	28.4
CUMEX MORTGAGE CORPORATION INC	C	•	•	•	780	0.0064	711	0.769	21	3.442	50	0.692	24	1.043	27	1.090	23	29.0
STONEHAM CO-OPERATIVE BANK	C	F+	D	F-	1011	0.0083	969	0.057	58	0.000	1	0.069	58	1.293	16	1.354	14	29.4
FARRAGUT MORTGAGE CO.	C	•	•	•	1017	0.0084	866	0.617	28	0.917	13	0.718	22	0.717	41	0.689	44	29.6
GMAC MORTGAGE CORPORATION OF P	C	C	C-	•	1046	0.0086	989	0.846	17	6.968	57	0.695	23	1.003	28	1.073	24	29.8
MEDALLION MORTGAGE COMPANY	C-	•	•	•	1197	0.0098	1146	0.646	27	0.867	12	0.744	21	0.619	47	0.651	46	30.6
QUINCY SAVINGS BANK	C-	F+	C-	F+	1259	0.0103	1179	0.317	50	2.279	36	0.334	48	1.324	15	1.310	17	33.2
KEARNY SERVICE CORP. DBA MMC	C-	•	•	•	671	0.0055	669	0.340	48	0.000	1	0.393	44	0.753	38	0.802	37	33.6
ROCKLAND TRUST COMPANY	C-	•	•	B-	934	0.0077	837	0.337	49	2.679	42	0.315	51	1.328	14	1.332	15	34.2
STERLING BANK	D+	F	D-	•	1093	0.0090	961	0.446	39	1.472	23	0.479	36	0.796	37	0.757	38	34.6
MIDDLESEX SAVINGS BANK	D+	D-	D+	F-	684	0.0056	656	0.083	57	0.000	1	0.098	57	0.968	31	1.036	28	34.8
PIONEER FINANCIAL COOP. BANK	D+	D-	•	D+	1150	0.0094	1033	0.349	47	5.165	55	0.223	53	1.401	11	1.484	8	34.8
BOSTON FEDERAL SAVINGS BANK	D	F+	F	C-	2137	0.0175	2073	0.454	38	0.980	14	0.521	35	0.683	45	0.694	43	35.0
PNC MORTGAGE CORP. OF AMERICA	D	•	•	•	1328	0.0109	1283	0.560	33	1.139	19	0.639	25	0.588	50	0.614	48	35.0
GROVE BANK	D	•	•	•	653	0.0054	594	0.657	26	3.094	47	0.607	28	0.731	40	0.733	41	36.4
MILFORD FEDERAL SAV&LOAN ASSOC	D	C-	F-	•	1494	0.0123	1416	0.037	59	0.000	1	0.046	59	0.943	33	1.002	33	37.0
CENTERBANK MORTGAGE COMPANY	D	F	•	•	1772	0.0146	1668	0.483	37	0.563	11	0.570	31	0.440	53	0.411	54	37.2
AMERICAN RESIDENTIAL MORTGAGE	D-	D	C	•	1342	0.0110	1226	0.554	34	2.281	37	0.561	32	0.677	46	0.701	42	38.2
THE CO-OPERATIVE BANK	D-	D	•	D	2500	0.0205	2408	0.297	52	1.046	16	0.341	47	0.738	39	0.743	40	38.8
HOUSEHOLD BANK	D-	•	•	•	1169	0.0096	1052	0.586	30	2.130	33	0.593	30	0.490	51	0.431	52	39.2
FIRST NH MORTGAGE CORP.	D-	D-	F+	•	2181	0.0179	1955	0.577	32	2.724	43	0.538	33	0.687	44	0.656	45	39.4
EAST CAMBRIDGE SAVINGS BANK	F+	•	•	•	635	0.0052	517	0.314	51	3.148	48	0.190	54	1.175	19	1.038	27	39.8
ASSURANCE MORTGAGE CORP OF AME	F+	•	•	•	1606	0.0132	1591	0.374	42	0.000	1	0.433	40	0.210	59	0.213	59	40.2
SUBURBAN MORTGAGE CO.	F+	•	•	•	684	0.0056	537	0.877	15	3.588	52	0.367	46	0.705	43	0.611	49	41.0
SUNCOAST SAVINGS & LOAN ASSOC.	F+	•	•	•	686	0.0056	510	0.583	31	1.988	30	0.449	37	0.442	52	0.398	55	41.0
DEDHAM INSTITUTION FOR SAVINGS	F	D+	D+	•	627	0.0051	573	0.183	56	2.938	46	0.170	55	1.074	25	1.051	25	41.4
COUNTRYWIDE FUNDING CORPORATIO	F	F-	•	•	4929	0.0405	4742	0.360	45	1.715	26	0.400	42	0.439	54	0.441	51	43.6
GE CAPITAL MORTGAGE SERVICES	F	D+	F-	F	985	0.0081	916	0.523	35	2.441	40	0.538	33	0.302	56	0.274	58	44.4
THE PRUDENTIAL HOME MORTGAGE C	F	F-	F-	F-	2434	0.0200	2157	0.363	44	1.425	21	0.397	43	0.286	58	0.287	57	44.6
J.I. KISLAK MORTGAGE CORP.	F-	•	•	•	1441	0.0118	1418	0.357	46	3.587	51	0.393	44	0.592	49	0.618	47	47.4
THE HUNTINGTON MORTGAGE CO	F-	C-	•	F+	6437	0.0529	6296	0.391	41	3.768	53	0.423	41	0.400	55	0.413	53	48.6
CHASE HOME MORTGAGE CORP.	F-	•	•	•	820	0.0067	789	0.417	40	9.979	58	0.331	50	0.301	57	0.317	56	52.2
OLD COLONY MORTGAGE CORPORATIO	F-	F-	•	•	867	0.0071	799	0.231	54	5.669	56	0.164	56	0.595	48	0.582	50	52.8

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CHICAGO MSA: GRADES AND RANKINGS

NAME	GRADES: 1990-1993				1993 SCORES AND RANKINGS														
	1993 Grade	1992 Grade	1991 Grade	1990 Grade	Total Applications	% Share of Applications	Total Approvals	Black/ Hispanic Marketing Score	Black/ Hispanic Marketing Rank	Black/ Hispanic Denial Score	Black/ Hispanic Denial Rank	Black/ Hispanic Approval Score	Black/ Hispanic Approval Rank	Low/Mod Income Marketing Score	Low/Mod Income Marketing Rank	Low/Mod Income Lending Score	Low/Mod Income Lending Rank	Overall Rank
PIONEER BANK & TRUST COMPANY	A+	A+	A+	A+	1379	0.51%	976	4.539	1	1.588	10	4.801	1	2.471	1	2.412	1	2.8
BANK UNITED OF TEXAS FSB	A+	A-	•	•	5672	2.08%	5247	2.469	5	1.567	9	2.669	5	1.612	4	1.693	3	5.2
INDEPENDENCE ONE MORTGAGE CORP	A+	A	B-	A-	3251	1.19%	3001	2.389	6	0.922	2	2.653	6	1.424	6	1.477	6	5.2
SOUTH CENTRAL BANK AND TRUST C	A	•	A	A+	1399	0.51%	1056	4.291	2	1.845	18	4.501	2	1.763	2	1.656	4	5.6
FIRST MORTGAGE CORPORATION	A	•	A-	A	1658	0.61%	1562	2.958	3	1.856	19	3.207	3	1.180	12	1.203	13	10.0
CROWN MORTGAGE COMPANY	A	A-	B+	C	3838	1.41%	3342	0.990	18	1.817	16	0.996	18	1.634	3	1.715	2	11.4
MIDWEST FUNDING CORPORATION	A-	A	•	A-	2772	1.02%	2609	2.591	4	3.452	43	2.741	4	1.513	5	1.564	5	12.2
TCF MORTGAGE CORPORATION	A-	B+	B+	C	1407	0.52%	1320	1.211	12	1.130	5	1.330	11	1.028	19	1.057	19	13.2
MARGARETTEN & COMPANY	A-	A-	D+	B-	7525	2.77%	7266	1.599	9	2.252	28	1.724	9	1.195	11	1.241	12	13.8
SGB CORP. WESTAMERICA MTG.	A-	A+	A	B+	1628	0.60%	1431	2.022	8	3.287	42	1.968	8	1.388	7	1.391	7	14.4
STATE BANK OF CHANHASSEN	B+	•	B-	D+	5979	2.20%	4920	1.056	16	1.926	20	1.002	16	1.208	9	1.184	14	15.0
CITIBANK F.S.B.	B+	B-	B	B	6510	2.39%	5263	1.319	11	2.159	25	1.207	12	1.000	20	0.933	25	18.6
FLEET MORTGAGE CORP.	B+	C+	•	A-	4403	1.62%	4099	2.157	7	2.553	31	2.270	7	0.818	29	0.806	31	21.0
BANCPLUS MORTGAGE CORPORATION	B	B-	C	D+	1866	0.69%	1788	0.743	24	3.019	39	0.770	24	1.206	10	1.267	9	21.2
FIRST NATIONWIDE BANK	B	C+	C+	•	2216	0.81%	2027	0.716	25	2.084	24	0.729	25	1.105	17	1.111	16	21.4
COLE TAYLOR BANK	B	B	B-	C+	1749	0.64%	1632	1.131	13	7.037	50	1.043	14	1.149	14	1.097	18	21.8
ST PAUL FEDERAL BANK FOR SVGS	B	C	D	D-	3195	1.17%	3043	1.003	17	3.699	46	1.023	15	1.106	16	1.150	15	21.8
WORLD SAVINGS AND LOAN ASSOC.	B	B-	C+	•	1582	0.58%	1385	0.525	31	2.218	26	0.497	31	1.178	13	1.276	8	21.8
CRAGIN FEDERAL BANK	B-	B	D-	D	3026	1.11%	2864	0.914	21	3.168	41	0.931	22	1.116	15	1.244	11	22.0
GN MORTGAGE	B-	•	•	•	2789	1.02%	2432	0.622	27	1.746	13	0.625	28	0.992	22	1.048	20	22.0
LASALLE TALMAN HOME MORTGAGE	C+	B	•	•	14204	5.22%	13798	1.074	14	3.622	45	1.136	13	0.999	21	1.042	21	22.8
NORWEST MORTGAGE	C+	B+	C	C-	3368	1.24%	3223	0.903	22	2.942	36	0.941	21	1.078	18	1.100	17	22.8
HAMILTON FINANCIAL CORPORATION	C+	•	•	•	1571	0.58%	1327	0.867	23	1.801	15	0.850	23	0.848	28	0.862	28	23.4
FIRST NATIONAL BANK OF CHICAGO	C	C	D-	•	9874	3.63%	9309	0.938	19	2.926	35	0.958	19	0.964	23	0.971	23	23.8
CARL I. BROWN AND COMPANY	C	•	•	•	2008	0.74%	1515	1.569	10	1.170	6	1.667	10	0.394	49	0.464	48	24.6
STANDARD FEDERAL BANK FOR SAVI	C	C	B	B-	2584	0.95%	2306	0.565	30	3.559	44	0.483	32	1.259	8	1.255	10	24.8
SOURCE ONE MORTGAGE	C-	C+	C+	•	2733	1.00%	2571	0.923	20	2.731	33	0.945	20	0.796	31	0.841	30	26.8
EXPRESS AMERICA MORTGAGE CORP.	C-	•	•	•	3218	1.18%	3015	0.693	26	2.421	29	0.710	26	0.868	27	0.875	27	27.0
MORTGAGE CAPITAL CORPORATION	C-	D+	F+	•	1817	0.67%	1650	0.460	35	1.122	4	0.503	30	0.757	34	0.756	36	27.8
PNC MORTGAGE CORP. OF AMERICA	C-	•	•	•	3971	1.46%	3815	0.587	29	2.055	22	0.627	27	0.783	33	0.801	32	28.6
GMAC MORTGAGE CORPORATION OF P	D+	C-	B	B+	1961	0.72%	1850	0.613	28	3.021	40	0.617	29	0.872	26	0.903	26	29.8
AMCORE MORTGAGE	D+	•	•	•	1488	0.55%	1362	0.361	42	1.989	21	0.367	41	0.934	25	0.963	24	30.6
MID AMERICA FEDERAL SAVINGS	D+	C-	F+	F+	5209	1.91%	5116	0.396	38	1.736	11	0.433	36	0.752	36	0.786	34	31.0
THE NORTHERN TRUST COMPANY	D	F+	D-	F+	2348	0.86%	2187	1.066	15	5.420	48	1.000	17	0.670	38	0.600	42	32.0
OLD KENT BANK	D	D-	•	•	1456	0.54%	1328	0.503	32	2.976	37	0.473	34	0.797	30	0.795	33	33.2
ACCUBANC MORTGAGE CORPORATION	D	D	•	•	2437	0.90%	2290	0.190	49	1.788	14	0.200	49	0.787	32	0.843	29	34.6
BANC ONE MORTGAGE CORPORATION	D-	•	•	•	8845	3.25%	8251	0.476	34	2.450	30	0.481	33	0.661	39	0.663	38	34.8
PREMIER HOME FINANCING	D-	•	•	•	1413	0.52%	1413	0.242	47	0.000	1	0.268	47	0.573	42	0.606	40	35.4
COUNTRYWIDE FUNDING CORPORATIO	D-	F-	C-	•	4646	1.71%	4332	0.398	37	1.740	12	0.419	38	0.479	46	0.467	47	36.0
HINSDALE FEDERAL BANK FOR SAVI	D-	D	C-	D-	2114	0.78%	2049	0.211	48	1.833	17	0.227	48	0.753	35	0.779	35	36.6
SHELTER MORTGAGE CORPORATION	D-	D	F	F-	1597	0.59%	1552	0.287	45	4.388	47	0.291	45	0.944	24	0.980	22	36.6
HOUSEHOLD BANK	F+	D+	•	•	5605	2.06%	5058	0.370	40	2.235	27	0.362	42	0.686	37	0.645	39	37.0
LOAN AMERICA FINANCE CORP	F+	C-	•	•	1649	0.61%	1527	0.452	36	2.602	32	0.447	35	0.597	41	0.603	41	37.0
WASHTENAW MORTGAGE COMPANY #2	F	D-	•	•	2810	1.03%	2741	0.328	44	1.084	3	0.362	42	0.416	48	0.418	49	37.2
MIDLAND FINANCIAL MORTGAGES	F	•	•	•	2330	0.86%	2126	0.370	40	2.070	23	0.372	40	0.540	44	0.521	44	38.2
CHASE HOME MORTGAGE CORP.	F	F-	F-	F-	2901	1.07%	2798	0.261	46	1.385	8	0.285	46	0.453	47	0.474	46	38.6
PRINCIPAL MUTUAL LIFE INS CO	F	F-	F-	•	3263	1.20%	3115	0.386	39	3.016	38	0.392	39	0.660	40	0.678	37	38.6
THE PRUDENTIAL HOME MORTGAGE C	F-	•	•	•	2432	0.89%	2097	0.331	43	1.345	7	0.348	44	0.345	50	0.331	50	38.8
GE CAPITAL MORTGAGE SERVICES	F-	•	•	F	2038	0.75%	1906	0.500	33	6.195	49	0.425	37	0.529	45	0.520	45	41.8
NBD MORTGAGE COMPANY	F-	F	F-	F	4832	1.78%	4630	0.167	50	2.856	34	0.171	50	0.561	43	0.565	43	44.0

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DALLAS MSA: GRADES AND RANKINGS

LENDER	GRADES: 1990-1993 1993 Grade	1992 Grade	1991 Grade	1990 Grade	1993 SCORES AND RANKINGS Total Applications	% Share of Applications	Total Approvals	Black/ Hispanic Marketing Score	Black/ Hispanic Marketing Rank	Black/ Hispanic Denial Score	Black/ Hispanic Denial Rank	Black/ Hispanic Approval Score	Black/ Hispanic Approval Rank	Low/Mod Income Marketing Score	Low/Mod Income Marketing Rank	Low/Mod Income Lending Score	Low/Mod Income Lending Rank	Overall Rank
WEYERHAEUSER MORTGAGE CO.	A+	A+	B-	B-	660	0.74%	563	3.901	1	1.242	9	4.619	1	2.151	5	2.405	5	4.2
OAKWOOD ACCEPTANCE CORPORATION	A+	••	•	•	543	0.61%	238	1.223	16	0.973	7	1.520	9	4.021	1	4.487	1	6.8
BANK UNITED OF TEXAS FSB	A+	B	•	•	2032	2.29%	1717	2.144	4	1.755	17	2.369	4	1.776	7	1.960	7	7.8
BANK OF AMERICA TEXAS	A	•	•	•	669	0.75%	355	1.949	6	1.678	15	1.432	12	2.122	6	2.036	6	9.0
GREEN TREE FINANCIAL CORP	A	A	A+	•	1842	2.07%	1097	1.363	13	1.373	12	1.319	14	2.388	3	2.542	3	9.0
KNUTSON MORTGAGE CORPORATION	A	A+	A+	•	568	0.64%	489	3.207	2	2.778	36	3.478	2	2.278	4	2.471	4	9.6
VANDERBILT HOMES	A-	•	•	•	538	0.61%	225	0.813	21	1.092	8	0.869	22	3.401	2	3.716	2	11.0
WATERFIELD FINANCIAL CORPORATI	A-	A	•	A	884	0.99%	790	1.310	15	2.088	23	1.435	11	1.585	9	1.734	8	13.2
BANC ONE MORTGAGE CORPORATION	A-	A	B+	A+	1554	1.75%	1392	2.324	3	3.705	47	2.451	3	1.552	10	1.659	9	14.4
FIRST INTERSTATE BANK OF TEXAS	A-	•	•	•	493	0.55%	346	1.659	10	2.389	30	1.272	15	1.587	8	1.310	14	15.4
NATIONSBANK OF TEXAS	B+	A-	B+	•	2441	2.75%	2003	2.090	5	3.120	44	1.962	5	1.333	12	1.300	15	16.2
BANK ONE	B+	A	C+	C+	2922	3.29%	1807	1.912	7	2.288	28	1.234	16	1.407	11	1.045	20	16.4
ICM MORTGAGE CORPORATION	B+	B+	B+	•	1462	1.65%	1284	1.739	8	2.919	42	1.789	6	1.305	14	1.336	13	16.6
TEXAS COMMERCE BANK	B	D+	D	C	1498	1.69%	1214	1.697	9	2.799	38	1.554	8	1.330	13	1.239	18	17.2
NATIONSBANC MORTGAGE CORP	B	A-	C	•	2395	2.70%	2158	1.495	12	2.855	41	1.581	7	1.275	16	1.362	12	17.6
F&A FEDERAL CREDIT UNION	B	C+	•	•	835	0.94%	663	1.522	11	2.085	22	1.489	10	1.032	22	0.976	24	17.8
SUNBELT NATIONAL MORTGAGE CORP	B-	F+	D-	B	1099	1.24%	1045	0.737	23	0.798	6	0.898	21	0.924	23	1.037	23	19.2
BANCPLUS MORTGAGE CORPORATION	B-	D+	C	D+	899	1.01%	863	0.847	20	2.445	31	0.975	20	1.238	17	1.375	11	19.8
PRINCIPAL MUTUAL LIFE INS CO	B-	A-	A	A	1006	1.13%	898	1.344	14	2.841	40	1.393	13	1.199	18	1.291	16	20.2
NORWEST MORTGAGE	B-	B+	B	A	1943	2.19%	1826	1.113	17	3.021	43	1.226	17	1.294	15	1.406	10	20.4
STATE BANK OF CHANHASSEN	C+	•	C+	C	1107	1.25%	829	0.753	22	1.497	14	0.778	25	0.904	24	1.041	22	21.4
TEMPLE-INLAND MORTGAGE CO.	C+	B-	•	•	2389	2.69%	2232	0.918	19	2.761	35	1.007	18	1.148	19	1.271	17	21.6
AMERICAN NATIONAL BANK	C+	C-	C-	C	538	0.61%	450	0.692	26	1.854	20	0.717	28	1.064	20	1.043	21	23.0
HARBOR FINANCIAL MORTGAGE CORP	C	C+	•	•	608	0.68%	571	0.719	25	2.832	39	0.788	24	1.049	21	1.181	19	25.6
TROY & NICHOLS	C	B	B+	A-	783	0.88%	698	0.641	28	1.912	21	0.700	29	0.862	25	0.873	27	26.0
STM MORTGAGE COMPANY	C	D-	•	•	885	1.00%	864	0.613	31	0.611	5	0.747	26	0.463	38	0.524	36	27.2
CTX MORTGAGE COMPANY	C-	C	C	A-	4444	5.00%	4076	0.956	18	3.390	45	0.983	19	0.770	28	0.839	29	27.8
AMERICAN FINANCIAL MORTGAGE CO	C-	•	•	•	1444	1.63%	1340	0.734	24	2.686	33	0.795	23	0.712	30	0.793	30	28.0
AMERICAN RESIDENTIAL MORTGAGE	C-	C+	C+	•	1293	1.46%	1124	0.620	29	1.805	18	0.670	30	0.634	33	0.653	33	28.6
WORLD SAVINGS AND LOAN ASSOC.	C-	••	•	•	482	0.54%	395	0.521	36	1.679	16	0.544	34	0.724	29	0.847	28	28.6
AMERICAN FEDERAL BANK	D+	•	D+	D-	589	0.66%	460	0.660	27	1.263	11	0.744	27	0.459	39	0.446	40	28.8
COMPASS BANK - DALLAS	D+	F-	•	•	556	0.63%	458	0.538	34	1.418	13	0.597	32	0.511	35	0.565	35	29.8
COUNTRYWIDE FUNDING CORPORATIO	D+	F-	A	•	3070	3.46%	2723	0.440	39	1.826	19	0.481	37	0.664	31	0.677	31	31.4
COLONIAL SAVINGS	D	C-	B	B+	3107	3.50%	2923	0.618	30	3.580	46	0.652	31	0.821	27	0.891	26	32.0
GREAT WESTERN MORTGAGE CORP	D	D+	F+	F-	1185	1.33%	1004	0.485	38	2.752	34	0.428	39	0.656	32	0.677	21	32.8
ACCUBANC MORTGAGE CORPORATION	D	D	D-	C+	2400	2.70%	2303	0.523	35	4.249	50	0.565	33	0.830	26	0.927	25	33.8
EXPRESS AMERICA MORTGAGE CORP.	D-	•	•	•	1419	1.60%	1320	0.331	41	1.247	10	0.393	41	0.410	41	0.462	39	34.4
NORTH AMERICAN MORTGAGE CO	D-	F	•	•	2659	2.99%	2472	0.417	40	2.205	26	0.462	38	0.520	34	0.591	34	34.4
GUARDIAN MORTGAGE COMPANY	D-	F-	F-	F-	2111	2.38%	2067	0.219	45	0.000	1	0.270	44	0.264	43	0.303	43	35.2
ST LANDRY BANK AND TRUST CO	D-	•	•	•	1635	1.84%	1199	0.540	33	2.191	25	0.408	40	0.475	37	0.306	42	35.4
FRANKLIN MORTGAGE CAPITAL	F+	•	•	•	1356	1.53%	1349	0.191	48	0.000	1	0.232	47	0.374	42	0.432	41	35.8
PROGRESSIVE SOUTHERN MORTGAGE	F+	•	•	•	639	0.72%	501	0.608	32	2.335	29	0.507	36	0.262	44	0.291	44	37.0
MERCANTILE BANK & TRUST	F+	F+	F	•	1294	1.46%	1274	0.131	49	0.000	1	0.161	49	0.227	45	0.254	45	37.8
MELLON MORTGAGE COMPANY	F	D	D	•	507	0.57%	472	0.511	37	3.715	48	0.518	35	0.496	36	0.491	37	38.6
CHASE U.S. CONSUMER SERVICES	F	F	F	F	520	0.59%	468	0.109	50	0.000	1	0.147	50	0.027	50	0.011	50	40.2
BARCLAYS AMERICAN MORTGAGE COR	F	F	••	•	638	0.72%	606	0.241	43	2.171	24	0.275	43	0.190	46	0.205	46	40.4
CROSSLAND MORTGAGE CORP.	F-	•	•	•	1311	1.48%	1279	0.210	47	2.502	32	0.244	46	0.423	40	0.431	38	40.6
THE PRUDENTIAL HOME MORTGAGE C	F-	F-	F-	F+	2156	2.43%	1917	0.218	46	2.252	27	0.225	48	0.164	48	0.159	48	43.4
GE CAPITAL MORTGAGE SERVICES	F-	•	•	•	469	0.53%	412	0.328	42	2.787	37	0.309	42	0.159	49	0.157	49	43.8
COLONIAL MORTGAGE COMPANY	F-	•	•	•	1477	1.66%	1429	0.230	44	3.967	49	0.253	45	0.170	47	0.196	47	46.4

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DETROIT MSA: GRADES AND RANKINGS

LENDER	GRADES: 1990-1993				1993 SCORES AND RANKINGS													
	1993 Grade	1992 Grade	1991 Grade	1990 Grade	Total Application	% Share of Application	Total Approvals	Black/ Hispanic Marketing Score	Black/ Hispanic Marketing Rank	Black/ Hispanic Denial Score	Black/ Hispanic Denial Rank	Black/ Hispanic Approval Score	Black/ Hispanic Approval Rank	Low/Mod Income Marketing Score	Low/Mod Income Marketing Rank	Low/Mod Income Lending Score	Low/Mod Income Lending Rank	Overall Rank
COMERICA BANK	A+	A+	A	C	5090	2.14%	3139	4.235	3	1.570	9	4.033	3	1.924	3	1.853	6	4.8
MARATHON MORTGAGE CORPORATION	A+	A+	A-	•	2606	1.09%	2322	5.581	1	1.509	7	6.494	1	1.498	9	1.590	7	5.0
GREEN TREE FINANCIAL CORP	A	A-	A+	•	3558	1.49%	1879	1.237	9	1.128	6	1.332	9	2.550	1	2.657	1	5.2
NBD BANK	A	A-	B+	A+	6326	2.66%	4333	1.757	8	1.518	8	1.699	8	2.100	2	2.046	2	5.6
FIRST OF AMERICA BANK-SOUTHEAS	A-	A	•	A-	10160	4.27%	7331	2.715	4	1.681	10	2.656	4	1.631	7	1.533	9	6.8
GEHRKE MORTGAGE CORPORATION	A-	•	A+	•	1461	0.61%	1291	4.458	2	3.460	28	4.708	2	1.906	5	1.987	3	8.0
MICHIGAN NATIONAL BANK	A-	B-	D+	A+	2500	1.05%	2212	2.318	6	2.778	22	2.373	5	1.559	8	1.564	8	9.8
TOWNE MORTGAGE COMPANY	B+	•	•	•	2187	0.92%	2022	1.071	10	2.278	16	1.173	11	1.372	10	1.517	10	11.4
MCA MORTGAGE CORPORATION	B+	•	•	•	1416	0.59%	1131	2.381	5	2.860	23	2.026	7	1.136	12	1.139	14	12.2
FLEET MORTGAGE CORP.	B	•	•	•	3126	1.31%	2931	1.048	11	2.082	13	1.181	10	0.955	16	1.017	16	13.2
FIRST OF AMERICA-SECURITY	B	B	•	•	1304	0.55%	1043	0.301	30	0.340	4	0.421	27	1.915	4	1.889	5	14.0
COMERICA MORTGAGE CORPORATION	B	C	C-	C-	8224	3.45%	7693	0.776	16	2.499	18	0.847	16	0.990	15	1.054	15	16.0
DMR FINANCIAL SERVICES	B-	D+	C	B	3091	1.30%	2968	0.596	21	2.134	15	0.684	19	1.087	14	1.186	13	16.4
MORTGAGE COPRORATION OF AMERIC	B-	•	A-	•	1386	0.58%	1378	1.817	7	0.000	1	2.193	6	0.310	34	0.344	34	16.4
HOMESTEAD MORTGAGE COMPANY	C+	•	•	•	1285	0.54%	1110	0.622	20	2.681	21	0.571	22	1.133	13	1.243	12	17.6
LIBERTY NATIONAL MORTGAGE CORP	C+	•	B-	•	1860	0.78%	1628	0.633	18	3.027	25	0.569	23	1.214	11	1.328	11	17.6
INDEPENDENCE ONE MORTGAGE CORP	C	B+	•	C	5401	2.27%	4953	1.045	12	2.638	20	1.102	12	0.798	22	0.841	23	17.8
FIRST FEDERAL OF MICHIGAN	C	B	D+	B	10549	4.43%	10096	0.793	15	3.499	29	0.864	14	0.932	17	0.994	17	18.4
NBD MORTGAGE COMPANY	C	B-	D	C	10501	4.41%	10236	0.993	13	6.499	36	1.080	13	0.913	18	0.985	19	19.8
WASHTENAW MORTGAGE COMPANY #2	C	B+	•	•	2412	1.01%	2297	0.488	23	0.963	5	0.587	21	0.718	25	0.764	25	19.8
CITIZENS FEDERAL SAVINGS BANK	C-	C+	C	D+	2006	0.84%	1724	0.135	36	2.528	19	0.123	36	1.824	6	1.922	4	20.2
COUNTRYWIDE FUNDING CORPORATIO	D+	F	•	•	2235	0.94%	2062	0.660	17	1.988	12	0.733	18	0.481	29	0.482	29	21.0
PEOPLES BANK AND TRUST COMPANY	D+	•	B-	B-	24936	10.47%	23904	0.556	22	2.425	17	0.629	20	0.734	24	0.791	24	21.4
CENTRAL MORTGAGE CORP.	D+	F-	D+	C-	1186	0.50%	1098	0.183	33	1.701	11	0.207	33	0.828	20	0.878	20	23.4
ROSS MORTGAGE CORPORATION	D	•	B	B-	2428	1.02%	2269	0.351	27	3.064	26	0.365	29	0.910	19	0.988	18	23.8
CAPITAL MORTGAGE FUNDING	D	•	•	•	1825	0.77%	1782	0.460	25	2.133	14	0.538	24	0.450	30	0.497	28	24.2
FIRST NATIONWIDE BANK	D-	D	F	F-	2518	1.06%	2383	0.871	14	5.288	35	0.859	15	0.485	28	0.476	30	24.4
GMAC MORTGAGE CORPORATION OF P	D-	C-	F-	F	4292	1.80%	4245	0.631	19	2.994	24	0.743	17	0.399	31	0.440	31	24.4
STANDARD FEDERAL BANK	F+	C	•	•	36603	15.37%	35908	0.473	24	4.164	33	0.537	25	0.797	23	0.871	21	25.2
THE HUNTINGTON MORTGAGE CO	F+	F	•	•	1926	0.81%	1767	0.309	29	4.786	34	0.257	30	0.828	20	0.868	22	27.0
SOURCE ONE MORTGAGE	F+	F+	D-	•	2226	0.93%	2189	0.389	26	4.095	32	0.445	26	0.572	26	0.629	26	27.2
GUARDIAN MORTGAGE COMPANY	F	F-	•	•	1230	0.52%	1217	0.165	34	0.000	1	0.200	34	0.246	35	0.270	35	27.8
REPUBLIC BANK	F	D-	F-	•	9380	3.94%	9011	0.218	31	3.134	27	0.240	31	0.507	27	0.547	27	28.6
WORLDWIDE FINANCIAL SERVICES	F	•	•	•	1987	0.83%	1951	0.150	35	0.000	1	0.183	35	0.150	36	0.156	36	28.6
ROCK FINANCIAL CORPORATION	F-	F+	•	•	7664	3.22%	7328	0.348	28	3.852	31	0.368	28	0.362	32	0.388	32	30.2
ST. JAMES SERVICING CORP	F-	•	•	•	1322	0.56%	1303	0.205	32	3.617	30	0.237	32	0.336	33	0.354	33	32.0

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HOUSTON MSA: GRADES AND RANKINGS

NAME	1993 Grade	1992 Grade	1991 Grade	1990 Grade	Total Applications	% Share of Applications	Total Approvals	Black/ Hispanic Marketing Score	Black/ Hispanic Marketing Rank	Black/ Hispanic Denial Score	Black/ Hispanic Denial Rank	Black/ Hispanic Approval Score	Black/ Hispanic Approval Rank	Low/Mod Income Marketing Score	Low/Mod Income Marketing Rank	Low/Mod Income Lending Score	Low/Mod Income Lending Rank	Overall Rank
SUMMIT MORTGAGE CORPORATION	A+	•	•	•	1537	1.60%	1331	3.285	1	1.938	16	3.815	1	5.331	1	6.370	1	4
GREEN TREE FINANCIAL CORP	A+	A-	A	•	1935	2.02%	1121	1.479	8	1.228	5	1.585	7	2.711	4	3.112	4	5.6
BANC ONE MORTGAGE CORPORATION	A+	A-	C-	C	1025	1.07%	924	2.157	2	1.936	15	2.491	2	1.874	5	2.177	5	5.8
VANDERBILT HOMES	A	•	•	•	561	0.58%	294	1.336	13	1.241	6	1.360	15	3.357	3	3.777	3	8
ICM MORTGAGE CORPORATION	A	A	B+	•	887	0.92%	784	1.579	7	2.048	19	1.765	4	1.354	9	1.516	6	9
OAKWOOD ACCEPTANCE CORPORATION	A	•	•	•	827	0.86%	382	0.957	20	0.984	4	1.182	17	3.927	2	4.462	2	9
ST LANDRY BANK AND TRUST CO	A-	•	•	•	850	0.89%	468	1.648	6	1.577	9	1.408	12	1.233	11	0.949	19	11.4
INDEPENDENCE ONE MORTGAGE CORP	A-	B-	B	B-	1183	1.23%	1025	1.462	9	2.098	21	1.596	6	1.168	13	1.319	9	11.6
BANK UNITED OF TEXAS FSB	A-	B+	•	•	2725	2.84%	2270	1.728	5	2.558	35	1.774	3	1.246	10	1.332	7	12
FLEET MORTGAGE CORP.	A-	C-	•	A-	561	0.58%	493	1.357	11	2.028	17	1.501	9	1.148	14	1.298	10	12.2
TEXAS COMMERCE BANK	B+	B+	B	D+	5532	5.77%	4326	1.733	4	2.642	37	1.636	5	1.367	8	1.264	11	13
BANK ONE	B+	A+	A-	C+	2220	2.31%	1510	1.797	3	2.542	34	1.417	11	1.660	6	1.263	12	13.2
COLONIAL SAVINGS	B+	C-	A-	B	641	0.67%	587	1.178	16	1.755	11	1.362	14	0.885	17	1.012	15	14.6
FIRST INTERSTATE BANK OF TEXAS	B	•	•	•	3089	3.22%	2342	1.246	15	2.398	26	1.097	19	1.391	7	1.250	13	16
NATIONSBANC MORTGAGE CORP	B	B	C	•	3799	3.96%	3365	1.297	14	2.570	36	1.388	13	1.223	12	1.326	8	16.6
AMERICAN RESIDENTIAL MORTGAGE	B	A-	B	•	1625	1.69%	1305	0.817	23	0.975	3	0.999	22	0.856	20	0.891	21	17.8
BANCPLUS MORTGAGE CORPORATION	B	C+	B-	A-	1142	1.19%	988	0.997	19	2.043	18	1.071	20	0.908	16	0.998	16	17.8
HAMMERSMITH FINANCIAL CORP.	B-	•	•	•	565	0.59%	458	1.347	12	1.784	12	1.438	10	0.705	26	0.685	31	18.2
WORLD SAVINGS AND LOAN ASSOC.	B-	B-	•	•	799	0.83%	704	0.915	21	1.606	10	1.041	21	0.820	21	0.974	18	18.2
TEMPLE-INLAND MORTGAGE CO.	B-	A-	•	•	980	1.02%	885	1.423	10	2.490	29	1.572	8	0.758	23	0.856	22	18.4
EMPIRE OF AMERICA REALTY CREDI	C+	B+	C+	C+	993	1.04%	860	0.509	36	0.795	2	0.637	31	0.945	15	1.040	14	19.6
NATIONSBANK OF TEXAS	C+	B-	C-	•	3882	4.05%	3260	1.160	17	2.726	39	1.126	18	0.879	18	0.894	20	22.4
STATE BANK OF CHANHASSEN	C+	•	C	B-	1496	1.56%	1205	0.725	25	2.088	20	0.700	26	0.784	22	0.846	23	23.2
HARBOR FINANCIAL MORTGAGE CORP	C+	B	•	•	1734	1.81%	1623	0.780	24	2.761	40	0.867	24	0.862	19	0.994	17	24.8
CAPITAL STD MORTGAGE INC	C	•	C	•	1751	1.83%	1557	1.148	18	2.835	44	1.203	16	0.707	25	0.764	24	25.4
WATERFIELD FINANCIAL CORPORATI	C	C	•	A-	549	0.57%	466	0.887	22	2.526	33	0.873	23	0.726	24	0.729	27	25.8
CTX MORTGAGE COMPANY	C	C-	C	B+	1723	1.80%	1605	0.711	26	1.833	13	0.821	25	0.564	33	0.622	34	26.2
COUNTRYWIDE FUNDING CORPORATIO	C-	D	B+	•	2737	2.85%	2431	0.646	27	2.364	25	0.679	27	0.684	27	0.717	28	26.8
NORTH AMERICAN MORTGAGE CO	C-	D-	•	•	5146	5.36%	5020	0.553	35	2.477	28	0.651	30	0.602	31	0.717	28	30.4
TROY & NICHOLS	C-	D+	C	A	1314	1.37%	1201	0.593	29	2.767	41	0.628	33	0.656	29	0.739	26	31.6
HOME LOAN CORPORATION	C-	•	•	•	911	0.95%	814	0.575	33	2.493	30	0.600	36	0.617	30	0.698	30	31.8
STM MORTGAGE COMPANY	D+	••	•	•	587	0.61%	578	0.498	39	0.000	1	0.614	34	0.316	44	0.384	43	32.2
NORWEST MORTGAGE	D+	F+	D-	F	2003	2.09%	1912	0.560	34	2.964	45	0.631	32	0.678	28	0.755	25	32.8
FORT BEND FEDERAL SAVINGS & LO	D+	D-	D+	D+	499	0.52%	475	0.586	30	3.133	47	0.654	28	0.547	34	0.605	35	34.8
PRINCIPAL MUTUAL LIFE INS CO	D	F	D+	D-	572	0.60%	510	0.586	30	2.494	31	0.610	35	0.391	40	0.448	39	35
FIRST UNION MORT. CORP.	D	D-	•	•	685	0.71%	653	0.445	41	2.353	24	0.510	40	0.454	37	0.550	37	35.8
GMAC MORTGAGE CORPORATION OF P	D	•	•	•	496	0.52%	454	0.626	28	3.095	46	0.652	29	0.429	38	0.532	38	35.8
US BANCORP MORTGAGE COMPANY	D	F+	•	•	2111	2.20%	1924	0.580	32	3.861	49	0.566	37	0.595	32	0.662	32	36.4
EXPRESS AMERICA MORTGAGE CORP.	D-	•	•	•	1145	1.19%	1051	0.500	38	2.831	43	0.528	38	0.496	36	0.566	36	38.2
COMPASS BANK - HOUSTON	D-	C-	•	•	614	0.64%	511	0.506	37	2.337	23	0.478	41	0.311	45	0.268	47	38.6
MELLON MORTGAGE COMPANY	D-	F-	D+	•	1480	1.54%	1444	0.342	46	1.530	8	0.410	43	0.170	48	0.195	48	38.6
SUNBELT NATIONAL MORTGAGE CORP	F+	•	•	•	597	0.62%	588	0.449	40	6.315	51	0.516	39	0.531	35	0.644	33	39.6
COLONIAL MORTGAGE COMPANY	F+	•	•	•	918	0.96%	897	0.225	52	1.301	7	0.272	49	0.113	49	0.138	49	41.2
SOURCE ONE MORTGAGE	F+	••	•	•	537	0.56%	517	0.363	44	2.783	42	0.415	42	0.366	42	0.392	41	42.2
BARCLAYS AMERICAN MORTGAGE COR	F+	D-	F+	•	608	0.63%	561	0.290	47	1.856	14	0.330	47	0.036	52	0.035	52	42.4
CROSSLAND MORTGAGE CORP.	F	•	•	•	1629	1.70%	1571	0.276	49	2.428	27	0.321	48	0.285	46	0.304	44	42.8
GE CAPITAL MORTGAGE SERVICES	F	••	•	•	652	0.68%	606	0.345	45	2.495	32	0.379	45	0.251	47	0.291	45	42.8
MITCHELL MORTGAGE COMPANY	F	F-	F-	•	552	0.58%	466	0.287	48	2.662	38	0.254	52	0.396	39	0.421	40	43.4
CORNERSTONE MORTGAGE COMPANY	F-	•	•	•	1181	1.23%	1104	0.433	42	6.656	52	0.389	44	0.370	41	0.391	42	44.2
BANCBOSTON MORTGAGE CORP.	F-	•	•	•	699	0.73%	609	0.253	51	2.254	22	0.255	51	0.109	50	0.129	50	44.8
FIRST HEIGHTS BANK	F-	D	•	•	1709	1.78%	1557	0.403	43	4.072	50	0.375	46	0.332	43	0.272	46	45.6
THE PRUDENTIAL HOME MORTGAGE C	F-	F-	F	F-	2127	2.22%	1929	0.264	50	3.196	48	0.257	50	0.103	51	0.105	51	50

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LOS ANGELES MSA: GRADES AND RANKINGS

LENDER	GRADES: 1990-1993 1993 Grade	1992 Grade	1991 Grade	1990 Grade	1993 SCORES AND RANKS Total Applications	% Share of Applications	Total Approvals	Black/ Hispanic Marketing Score	Black/ Hispanic Marketing Rank	Black/ Hispanic Denial Score	Black/ Hispanic Denial Rank	Black/ Hispanic Approval Score	Black/ Hispanic Approval Rank	Low/Mod Income Marketing Score	Low/Mod Income Marketing Rank	Low/Mod Income Lending Score	Low/Mod Income Lending Rank	Overall Rank
LONG BEACH BANK	A+	A+	•	A+	5496	1.75%	2983	1.828	2	1.055	7	1.955	2	2.828	1	3.078	1	2.6
QUALITY MORTGAGE USA	A+	A+	•	•	7413	2.36%	6370	1.693	6	0.829	2	1.868	5	2.527	2	2.710	2	3.4
AMERICAN CITY MORTGAGE CORP.	A+	•	•	•	1804	0.58%	1560	1.949	1	1.313	18	2.091	1	1.700	5	1.830	5	6.0
FUNDERS MORTGAGE CORPORATION	A+	•	•	•	2108	0.67%	1836	1.726	5	0.965	3	1.883	4	1.333	10	1.462	8	6.0
ROYAL THRIFT & LOAN COMPANY	A	•	•	•	2564	0.82%	1107	1.584	9	1.063	8	1.658	8	2.053	3	2.643	3	6.2
EMPIRE OF AMERICA REALTY CREDI	A	A	•	•	1626	0.52%	1100	1.791	4	1.050	6	1.931	3	1.189	12	1.248	12	7.4
NATIONAL PACIFIC MORTGAGE CORP	A-	B+	B+	C-	2050	0.65%	1782	1.682	7	0.821	1	1.855	6	1.047	15	1.108	15	8.8
GREAT WESTERN BANK	A-	A	•	A	17981	5.73%	11659	1.819	3	1.500	32	1.816	7	1.722	4	1.915	4	10.0
FIRST FEDERAL BANK OF CALIF.	A-	•	•	•	2844	0.91%	1574	1.353	10	1.143	10	1.385	11	1.001	16	1.175	13	12.0
STATE BANK OF CHANHASSEN	B+	•	•	C	15203	4.85%	10792	1.209	14	1.336	21	1.220	16	1.263	11	1.378	10	14.4
AMERICAN SAVINGS BNK	B+	B	•	B-	7450	2.38%	5534	1.626	8	1.747	42	1.619	9	1.342	9	1.386	9	15.4
BANK OF AMERICA NT & SA	B+	B	•	C-	17620	5.62%	11143	1.069	18	1.375	27	1.019	19	1.677	6	1.557	7	15.4
COAST FEDERAL BANK	B	B+	B+	D+	5105	1.63%	3233	0.939	22	1.336	21	0.898	23	1.619	7	1.791	6	15.8
COLONIAL BANCORP	B	A-	•	•	3662	1.17%	2225	1.296	12	1.219	13	1.307	13	0.821	22	0.919	23	16.6
GENERAL AMERICAN FINANCIAL COR	B	•	•	•	2525	0.81%	1910	1.348	11	1.320	20	1.395	10	0.815	23	0.940	22	17.2
SUNCOAST SAVINGS & LOAN ASSOC.	B	•	•	•	1827	0.58%	1023	1.204	16	0.998	4	1.312	12	0.600	35	0.763	26	18.6
DIRECTORS MORTGAGE LOAN CORP	B-	B-	C	B-	7968	2.54%	6639	1.205	15	1.473	29	1.249	15	0.971	18	1.024	17	18.8
THE HAMMOND COMPANY	B-	•	•	•	1651	0.53%	1274	0.884	25	1.157	11	0.932	21	0.891	19	0.974	19	19.0
WORLD SAVINGS AND LOAN ASSOC.	B-	C+	C	B+	4779	1.52%	3586	0.895	24	1.248	14	0.922	22	0.846	21	0.986	18	19.8
FIRST INTERSTATE BANK OF CALIF	C+	B-	B	B+	3944	1.26%	2754	0.985	20	1.752	43	0.884	25	1.493	8	1.289	11	21.4
WELLS FARGO BANK	C+	C+	•	F+	5365	1.71%	3158	0.847	28	1.311	17	0.789	30	1.150	13	0.966	20	21.6
NORTH AMERICAN MORTGAGE CO	C+	C-	•	•	10879	3.47%	9092	1.017	19	1.262	16	1.073	18	0.659	30	0.711	31	22.8
BROOKSAMERICA MORTGAGE CORP.	C	•	•	•	1901	0.61%	1317	0.963	21	1.209	12	0.986	20	0.623	32	0.640	35	24.0
FIRST NATIONWIDE BANK	C	C	•	D	3307	1.05%	2929	1.273	13	2.181	47	1.305	14	0.760	24	0.807	24	24.4
DOWNEY SAVINGS AND LOAN ASSN.	C	D+	•	C	2883	0.92%	2078	0.549	38	1.251	15	0.552	38	0.987	17	1.051	16	24.8
GLENDALE FEDERAL BANK	C	C	•	F+	3468	1.11%	2259	0.830	29	1.510	34	0.747	33	1.128	14	1.147	14	24.8
MISSION HILLS MORTGAGE CORP	C-	•	•	•	1654	0.53%	1289	1.153	17	1.367	24	1.184	17	0.600	35	0.702	32	25.0
RURAL AMERICAN BANK - BRAHAM	C-	•	F+	D-	5316	1.70%	3886	0.757	33	1.373	25	0.746	34	0.880	20	0.942	21	26.6
MEDALLION MORTGAGE COMPANY	D+	C+	•	•	2058	0.66%	1511	0.696	35	1.095	9	0.738	35	0.743	28	0.744	28	27.0
FRONTLINE MORTGAGE COMPANY	D+	D	D-	•	2089	0.67%	1562	0.927	23	1.569	37	0.895	24	0.662	29	0.729	29	28.4
WESTERN FINANCIAL SAVINGS BANK	D+	•	•	C+	1609	0.51%	1258	0.821	30	1.502	33	0.813	29	0.750	27	0.763	26	29.0
ARCS MORTGAGE INC.	D+	D	A	D-	2310	0.74%	1854	0.761	32	1.441	28	0.768	32	0.754	25	0.715	30	29.4
COUNTRYWIDE FUNDING CORPORATIO	D	F-	B	•	20677	6.59%	18400	0.488	40	1.036	5	0.530	39	0.655	31	0.638	36	30.2
IMPERIAL CREDIT INDUSTRIES	D	•	•	•	3853	1.23%	3049	0.876	26	1.570	38	0.866	27	0.605	34	0.653	33	31.6
EXPRESS AMERICA MORTGAGE CORP.	D	•	•	•	1604	0.51%	1391	0.806	31	1.374	26	0.844	28	0.541	39	0.589	37	32.2
NATIONAL HOME MORTGAGE CORP.	D-	•	•	•	1696	0.54%	1435	0.643	36	2.152	46	0.607	36	0.754	25	0.805	25	33.6
CALIFORNIA MORTGAGE SERVICE	D-	C	•	•	2082	0.66%	1912	0.753	34	1.643	41	0.789	30	0.607	33	0.645	34	34.4
FRANKLIN MORTGAGE CAPITAL	D-	•	•	•	2523	0.80%	2200	0.854	27	1.624	40	0.877	26	0.294	45	0.301	45	36.6
AMERICAN RESIDENTIAL MORTGAGE	F+	D-	D	•	4511	1.44%	3732	0.492	39	1.491	30	0.493	40	0.558	37	0.525	39	37.0
GN MORTGAGE	F+	D-	F-	•	3429	1.09%	2581	0.480	42	1.337	23	0.477	42	0.480	40	0.517	40	37.4
TEMPLE-INLAND MORTGAGE CO.	F+	•	•	•	1840	0.59%	1548	0.445	43	1.314	19	0.461	43	0.476	41	0.514	41	37.4
PNC MORTGAGE CORP. OF AMERICA	F	•	•	•	1560	0.50%	1364	0.577	37	1.959	45	0.569	37	0.542	38	0.561	38	39.0
FIRST FRANKLIN	F	F	•	•	3584	1.14%	2995	0.415	44	1.492	31	0.416	44	0.414	43	0.458	43	41.0
UNION SECURITY MORTGAGE	F	D+	C-	•	1968	0.63%	1492	0.399	45	1.532	36	0.375	45	0.471	42	0.512	42	42.0
METROPOLITAN SERVICE CORP.	F-	F+	•	•	2519	0.80%	2171	0.486	41	1.794	44	0.479	41	0.318	44	0.316	44	42.8
THE PRUDENTIAL HOME MORTGAGE C	F-	F-	•	•	14538	4.64%	11864	0.192	46	1.511	35	0.187	46	0.114	47	0.103	47	44.2
CALIFORNIA UNITED BANK	F-	F+	•	•	1718	0.55%	1468	0.139	47	1.610	39	0.137	47	0.210	46	0.197	46	45.0
CHASE HOME MORTGAGE CORP.	F-	F	D	•	1928	0.61%	1557	0.102	48	2.250	48	0.080	48	0.080	48	0.060	48	48.0

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MINNEAPOLIS MSA: GRADES AND RANKS

LENDER	GRADES: 1990-1993				1993 SCORES AND RANKS														
	1993 Grade	1992 Grade	1991 Grade	1990 Grade	Total Applications	% Share of Applications	Total Approvals	Black/ Hispanic Marketing Score	Black/ Hispanic Marketing Rank	Black/ Hispanic Denial Score	Black/ Hispanic Denial Rank	Black/ Hispanic Approval Score	Black/ Hispanic Approval Rank	Low/Mod Income Marketing Score	Low/Mod Income Marketing Rank	Low/Mod Income Lending Score	Low/Mod Income Lending Rank	Overall Rank
TCF BANK MINNESOTS FSB	A+	A+	B	B	1233	0.0061	827	3.018	1	1.219	11	3.012	1	2.139	2	2.163	2	3.4
NORWEST BANK MINNESOTA	A+	•	•	•	4850	0.0242	4281	2.740	2	2.155	20	2.618	2	1.472	5	1.458	7	7.2
TEMPLE-INLAND MORTGAGE CO.	A	•	•	•	1961	0.0098	1815	1.476	6	0.269	7	1.733	5	1.082	11	1.138	11	8.0
PNC MORTGAGE CORP. OF AMERICA	A	•	•	•	1488	0.0074	1433	1.389	10	1.567	15	1.509	7	1.451	7	1.508	6	9.0
GREEN TREE FINANCIAL CORP	A	A+	•	•	2047	0.0102	1075	1.443	8	1.492	14	0.915	25	3.031	1	3.019	1	9.8
BANK UNITED OF TEXAS FSB	A-	A	•	•	2499	0.0125	2384	1.678	4	5.932	38	1.485	8	1.749	3	1.824	3	11.2
C. U. MORTGAGE SERVICES	A-	•	•	•	1298	0.0065	1192	1.410	9	1.603	16	1.485	8	1.053	13	1.046	14	12.0
FIRSTAR BANK MILWAUKEE	A-	•	•	•	1885	0.0094	1838	1.473	7	0.850	10	1.640	6	0.909	22	0.966	18	12.6
FIRST BANK N.A.	B+	A-	B-	C-	5338	0.0266	4607	1.328	11	2.718	25	1.096	14	1.393	8	1.326	8	13.2
GREAT LAKES MORTGAGE	B+	•	•	•	5869	0.0293	5763	1.187	13	4.522	35	1.240	11	1.536	4	1.605	4	13.4
INLAND MORTGAGE CORPORATION	B+	A-	A-	A-	3735	0.0186	3603	0.949	20	1.424	12	1.037	15	1.199	10	1.244	10	13.4
COUNTRYWIDE FUNDING CORPORATIO	B	F	•	•	2329	0.0116	2177	1.496	5	0.255	6	1.746	4	0.773	29	0.774	30	14.8
METROPOLITAN FEDERAL BANK	B	C+	C+	•	10151	0.0506	9268	0.966	19	2.409	23	0.934	23	1.466	6	1.509	5	15.2
DIRECTORS MORTGAGE LOAN CORP	B	•	•	•	1729	0.0086	1661	0.786	28	0.000	1	0.908	27	1.060	12	1.104	12	16.0
UFSB OF INDIANAPOLIS	B-	F-	D+	B-	1140	0.0057	1042	0.881	26	0.681	9	1.006	19	0.934	19	0.957	20	18.6
METMOR FINANCIAL	B-	•	•	•	1124	0.0056	1080	0.946	21	1.429	13	1.032	17	0.925	21	0.936	22	18.8
MARQUETTE BANK BROOKDALE	C+	B	A-	C-	1419	0.0071	1331	1.124	14	3.772	31	1.034	16	0.934	19	0.950	21	20.2
TCF MORTGAGE CORPORATION	C+	C-	B+	A	9402	0.0469	8925	1.062	17	3.537	29	1.028	18	0.949	18	0.959	19	20.2
CTX MORTGAGE COMPANY	C+	B+	F-	F+	2282	0.0114	2187	1.087	15	2.344	22	1.139	13	0.774	28	0.816	27	21.0
UNITED MORTGAGE CORPORATION	C+	B+	D	B+	9344	0.0466	9273	0.910	25	2.819	26	0.997	20	0.965	17	1.015	17	21.0
BELL MORTGAGE COMPANY	C	•	A	•	4340	0.0216	4257	0.925	22	4.895	36	0.955	22	1.041	14	1.085	13	21.4
STERLING MORTGAGE COMPANY	C	•	•	•	1036	0.0052	1007	0.855	27	2.431	24	0.911	26	1.000	16	1.043	15	21.6
DEVELOPERS MORTGAGE CORPORATIO	C-	•	•	•	1000	0.0050	988	1.713	3	6.697	39	1.791	3	0.673	34	0.704	33	22.4
NORWEST MORTGAGE	C-	B-	B	C	15387	0.0767	15044	0.913	24	5.004	37	0.928	24	1.012	15	1.036	16	23.2
FLEET MORTGAGE CORP.	C-	C-	•	•	1804	0.0090	1736	1.080	16	1.626	17	1.170	12	0.444	39	0.443	39	24.6
MARGARETTEN & COMPANY	D+	F-	F-	F-	3835	0.0191	3680	0.493	40	3.148	27	0.499	39	1.213	9	1.245	9	24.8
INVESTORS SAVINGS BANK	D+	D-	•	D-	10375	0.0517	9823	0.922	23	3.751	30	0.874	29	0.909	22	0.909	23	25.4
REPUBLIC BANK	D+	•	•	•	1168	0.0058	1087	0.758	31	0.000	1	0.905	28	0.618	37	0.620	36	26.6
PRINCIPAL MUTUAL LIFE INS CO	D	F	B	F+	2761	0.0138	2625	0.770	30	3.494	28	0.749	31	0.870	24	0.902	24	27.4
FBS MORTGAGE CORPORATION	D	F+	D+	F-	14993	0.0748	14571	0.973	18	4.243	33	0.985	21	0.624	36	0.636	35	28.6
FIRST FEDERAL CAPITAL CORP	D-	D-	F	F	1413	0.0070	1374	0.209	42	0.000	1	0.239	42	0.754	30	0.783	29	28.8
NORWEST FUNDING	D-	•	•	•	9808	0.0489	9711	0.674	33	1.823	19	0.742	32	0.705	31	0.738	31	29.2
FIRST BANK SOUTH DAKOTA N.A.	D-	•	•	•	1557	0.0078	1399	0.645	34	0.577	8	0.750	30	0.543	38	0.450	38	29.6
HOMEOWNERS MORTGAGE CORPORATIC	D-	•	•	•	4573	0.0228	4561	1.240	12	33.311	42	1.308	10	0.051	42	0.050	42	29.6
HEIGL MORT. & FINANCIAL CORP.	F+	F+	F	•	3174	0.0158	3110	0.633	35	0.000	1	0.717	33	0.355	40	0.361	40	29.8
LAKELAND MORTGAGE CORP.	F+	•	•	•	3393	0.0169	3393	0.609	36	0.000	1	0.676	34	0.325	41	0.344	41	30.6
GMAC MORTGAGE CORPORATION OF P	F	D	C-	A-	2434	0.0121	2342	0.776	29	8.139	40	0.644	35	0.867	25	0.895	25	30.8
KNUTSON MORTGAGE CORPORATION	F	D+	D	•	4175	0.0208	3992	0.453	41	2.158	21	0.476	40	0.805	26	0.832	26	30.8
THE PRUDENTIAL HOME MORTGAGE C	F	D-	•	•	2211	0.0110	1939	0.508	39	1.722	18	0.507	38	0.629	35	0.605	37	33.4
LOAN AMERICA FINANCE CORP	F-	•	•	•	1019	0.0051	959	0.695	32	4.417	34	0.615	36	0.697	33	0.684	34	33.8
HOMESTEAD MORTGAGE CORPORATION	F-	•	•	•	2986	0.0149	2957	0.534	37	3.914	32	0.576	37	0.698	32	0.729	32	34.0
WASHTENAW MORTGAGE COMPANY #2	F-	•	•	•	1031	0.0051	1013	0.516	38	14.194	41	0.453	41	0.789	27	0.816	27	34.8

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NASSAU-SUFFOLK MSA: GRADES AND RANKINGS

LENDER	1993 Grade	1992 Grade	1991 Grade	1990 Grade	Total Applications	% Share of Applications	Total Approvals	Black/ Hispanic Marketing Score	Black/ Hispanic Marketing Rank	Black/ Hispanic Denial Score	Black/ Hispanic Denial Rank	Black/ Hispanic Approval Score	Black/ Hispanic Approval Rank	Low/Mod Income Marketing Score	Low/Mod Income Marketing Rank	Low/Mod Income Lending Score	Low/Mod Income Lending Rank	Overall Rank
CHAMPION MORTGAGE CO.	A+	•	•	•	422	0.51%	422	1.899	4	0.000	1	2.205	3	2.395	2	2.646	2	2.4
KADILAC MORTGAGE	A+	A	•	•	417	0.50%	360	3.601	1	1.295	10	4.042	1	2.453	1	2.683	1	2.8
GREAT WESTERN MORTGAGE CORP	A+	A+	A-	B-	580	0.69%	500	1.483	6	1.559	13	1.591	5	1.497	6	1.589	5	7.0
THE BANK OF NEW YORK	A	A	B+	•	1830	2.19%	1367	1.570	5	1.864	25	1.386	7	1.772	4	1.664	4	9.0
RESIDENTIAL MORTGAGE BANKING	A	A+	•	•	2077	2.49%	1918	2.057	2	0.877	6	2.408	2	0.952	23	1.021	21	10.8
EXCHANGE MORTGAGE CORP.	A	B	•	•	1540	1.84%	1445	1.921	3	2.613	45	2.061	4	1.401	9	1.564	6	13.4
THE GREEN POINT SAVINGS BANK	A-	C-	C+	C+	1152	1.38%	1035	1.190	11	2.183	33	1.227	10	1.415	8	1.436	8	14.0
CHEMICAL BANK	A-	A-	C	B-	6819	8.17%	4983	1.219	10	1.808	22	1.052	13	1.267	11	1.054	18	14.8
ARCS MORTGAGE INC.	A-	B-	A+	B+	2074	2.48%	1693	0.999	18	1.777	20	0.980	16	1.187	13	1.266	10	15.4
FLEET BANK	A-	A+	•	•	879	1.05%	670	1.045	15	2.087	29	0.858	25	1.636	5	1.441	7	16.2
FLEET REAL ESTATE FUNDING	B+	A	A-	A-	2230	2.67%	2055	1.471	7	2.309	36	1.557	6	1.001	20	1.086	16	17.0
DALE MORTGAGE BANKERS CORP	B+	C	B-	•	1096	1.31%	1096	0.797	26	0.000	1	0.926	18	0.922	26	1.213	22	18.6
FIRST NATIONWIDE BANK	B+	B+	B-	D	846	1.01%	785	0.862	22	2.065	27	0.927	17	1.180	14	1.018	13	18.6
THE DIME SAVINGS BANK OF NY	B	A-	A	B-	1168	1.40%	1035	1.185	12	2.614	46	1.144	11	1.030	19	1.072	17	21.0
COLUMBUS NATIONAL BANK	B	•	•	•	1241	1.49%	1070	0.904	21	2.232	35	0.870	23	1.199	12	1.127	15	21.2
SLOVENIAN SAVINGS & LOAN ASSOC	B	B	D+	B	1023	1.23%	807	1.098	14	2.707	48	0.797	28	1.461	7	1.264	11	21.6
EMPIRE OF AMERICA REALTY CREDI	B	D	•	•	1160	1.39%	1069	1.031	16	1.625	16	1.140	12	0.802	35	0.814	35	22.8
CENTERBANK MORTGAGE COMPANY	B-	A-	•	•	467	0.56%	410	0.780	27	0.316	3	0.990	15	0.783	36	2.460	34	23.0
SUFFOLK COUNTY NATIONAL BANK	B-	B	B	•	586	0.70%	440	0.398	50	1.263	9	0.423	50	2.348	3	0.836	3	23.0
THE LONG ISLAND SAVINGS BANK	B-	C	C-	A-	2516	3.01%	2196	0.933	20	2.457	41	0.887	20	0.986	21	1.048	19	24.2
ANCHOR SAVINGS BANK FSB	C+	A-	D+	F+	1168	1.40%	837	0.736	32	2.082	28	0.526	47	1.359	10	1.146	14	26.2
HOME FEDERAL SAVINGS BANK	C+	D-	C-	F	824	0.99%	700	0.761	29	2.127	31	0.726	31	1.076	17	1.271	25	26.6
NORTH FORK BANK	C+	F+	•	•	752	0.90%	690	0.271	52	0.863	5	0.318	52	1.179	15	1.008	9	26.6
FIRST WEST MORTGAGE BANKERS	C+	•	•	•	622	0.74%	563	1.407	8	3.486	52	1.323	8	0.817	34	0.851	32	26.8
EUROPEAN AMERICAN BANK	C	B+	B+	C+	1296	1.55%	1095	0.821	24	2.489	43	0.726	31	1.062	18	1.026	20	27.2
PNC MORTGAGE CORP. OF AMERICA	C	•	•	•	791	0.95%	721	0.810	25	1.887	26	0.868	24	0.831	33	0.893	30	27.6
ASTORIA FEDERAL SAVINGS & LOAN	C	•	•	F+	453	0.54%	392	0.644	35	1.520	12	0.690	34	0.876	30	0.926	29	28.0
CITIBANK	C-	B-	B+	A+	3341	4.00%	2631	1.117	13	2.452	40	0.875	22	0.880	29	0.781	38	28.4
LOAN AMERICA FINANCE CORP	C-	•	•	•	563	0.67%	476	1.321	9	2.092	30	1.279	9	0.539	48	0.590	46	28.4
THE CHASE MANHATTAN BANK	C–	•	•	D-	1207	1.45%	1004	1.015	17	1.792	21	1.012	14	0.699	42	0.560	48	28.4
APPLE BANK FOR SAVINGS	C-	F+	D-	F-	1592	1.91%	1418	0.586	40	1.611	15	0.633	37	0.892	28	1.010	24	28.8
AMERICAN RESIDENTIAL MORTGAGE	D+	D+	•	•	633	0.76%	520	0.529	44	1.487	11	0.553	42	0.980	22	0.935	28	29.4
GE CAPITAL MORTGAGE SERVICES	D+	D+	•	C-	924	1.11%	838	0.663	34	0.759	4	0.787	29	0.704	41	0.784	39	29.4
MARINE MIDLAND MORTGAGE CORP	D+	C+	C-	F	1262	1.51%	1162	0.739	30	1.628	17	0.816	26	0.742	37	0.777	37	29.4
NORWEST MORTGAGE NEW YORK	D	•	•	•	572	0.69%	520	0.586	41	3.113	51	0.553	42	1.149	16	1.225	12	32.4
STATE BANK OF CHANHASSEN	D	•	•	•	1607	1.92%	1387	0.698	33	2.547	44	0.635	36	0.941	25	0.973	26	32.8
TEACHERS FEDERAL CREDIT UNION	D	B-	•	•	449	0.54%	432	0.487	47	1.808	22	0.548	45	0.911	27	0.967	27	33.6
GLOBE MORTGAGE COMPANY	D	F+	B	•	1030	1.23%	898	0.977	19	2.784	49	0.885	21	0.722	39	0.771	41	33.8
GMAC MORTGAGE CORPORATION OF P	D-	D+	F+	D+	715	0.86%	676	0.835	23	2.421	38	0.902	19	0.598	46	0.649	45	34.2
ARBOR NATIONAL MORTGAGE	D-	C-	C	D+	2755	3.30%	2562	0.497	46	2.212	34	0.528	46	0.945	24	1.018	22	34.4
COLUMBIA EQUITIES	D-	C	•	•	537	0.64%	497	0.624	36	1.177	7	0.716	33	0.474	49	0.565	47	34.4
MIDCOAST MORTGAGE CORPORATION	F+	C-	•	•	2788	3.34%	2570	0.738	31	2.881	50	0.738	30	0.834	32	0.890	31	34.8
RIDGEWOOD SAVINGS BANK	F+	D	F+	D+	1035	1.24%	949	0.592	39	2.427	39	0.606	40	0.844	31	0.845	33	36.4
SUNRISE FEDERAL SAVINGS BANK	F+	D-	C-	D	425	0.51%	412	0.548	42	2.133	32	0.616	39	0.729	38	0.814	35	37.2
ROOSEVELT SAVINGS BANK	F+	D+	D-	C-	1708	2.05%	1577	0.777	28	2.473	42	0.805	27	0.595	47	0.560	48	38.4
COUNTRYWIDE FUNDING CORPORATIO	F	F-	•	•	1635	1.96%	1535	0.598	38	2.316	37	0.640	35	0.690	43	0.705	43	39.2
REPUBLIC BANK FOR SAVINGS	F	•	•	•	1135	1.36%	1040	0.513	45	1.845	24	0.553	42	0.666	45	0.698	44	40.0
TEMPLE-INLAND MORTGAGE CO.	F	•	•	•	550	0.66%	512	0.609	37	2.696	47	0.628	38	0.722	39	0.776	40	40.2
KEYCORP MORTGAGE INC.	F-	C+	B-	•	1383	1.66%	1281	0.421	49	1.731	18	0.462	49	0.681	44	0.743	42	40.4
EMIGRANT SAVINGS BANK	F-	F-	•	•	1010	1.21%	913	0.534	43	1.735	19	0.575	41	0.417	51	0.405	52	41.2
CHASE HOME MORTGAGE CORP.	F-	F	F-	D-	973	1.17%	846	0.449	48	1.559	13	0.481	48	0.433	50	0.445	50	41.8
THE PRUDENTIAL HOME MORTGAGE C	F-	F-	•	F	5128	6.14%	4475	0.347	51	1.230	8	0.389	51	0.377	52	0.421	51	42.6

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NEW YORK MSA: GRADES AND RANKINGS

LENDER	GRADES: 1990-1993				1993 SCORES AND RANKS														
	1993 Grade	1992 Grade	1991 Grade	1990 Grade	Total Applications	% Share of Applications	Total Approvals	Black/ Hispanic Marketing Score	Black/ Hispanic Marketing Rank	Black/ Hispanic Denial Score	Black/ Hispanic Denial Rank	Black/ Hispanic Approval Score	Black/ Hispanic Approval Rank	Low/Mod Income Marketing Score	Low/Mod Income Marketing Rank	Low/Mod Income Lending Score	Low/Mod Income Lending Rank	Overall Rank
COLUMBUS NATIONAL BANK	A+	•	•	•	644	0.60%	512	1.291	9	1.271	6	1.397	9	2.746	1	3.288	1	5.2
KADILAC MORTGAGE	A+	A+	•	•	970	0.91%	837	4.127	1	1.051	3	4.685	1	1.296	14	1.514	10	5.8
THE DIME SAVINGS BANK OF NY	A+	A-	A	A-	2083	1.94%	1755	1.315	8	1.339	9	1.432	8	1.598	8	1.998	5	7.6
THE CHASE MANHATTAN BANK	A	•	•	C	3956	3.69%	3101	1.442	6	1.548	15	1.490	7	1.617	7	1.567	8	8.6
THE BANK OF NEW YORK	A	A	B+	•	1569	1.46%	1115	1.265	10	1.675	23	1.190	11	2.193	2	2.086	2	9.6
FLEET REAL ESTATE FUNDING	A	A	A+	A	2275	2.12%	2111	2.218	3	1.732	25	2.463	3	1.458	12	1.760	6	9.8
RESIDENTIAL MORTGAGE BANKING	A	•	•	•	704	0.66%	635	2.648	2	0.791	2	3.045	2	0.785	26	1.011	17	9.8
THE LONG ISLAND SAVINGS BANK	A-	A-	A-	A-	765	0.71%	615	1.539	5	1.537	13	1.616	5	1.138	16	1.355	14	10.6
RIVER BANK AMERICA	A-	B	B+	•	547	0.51%	442	0.782	22	1.781	27	0.766	19	1.490	11	2.042	4	16.6
THE GREEN POINT SAVINGS BANK	B+	C	B-	C-	5682	5.31%	4518	1.604	4	1.634	19	1.660	4	0.601	31	0.757	27	17.0
CHEMICAL BANK	B+	B-	D	B	13035	12.17%	9387	1.146	12	1.885	31	1.021	13	1.385	13	1.010	18	17.4
DALE MORTGAGE BANKERS CORP	B+	D	C-	•	1653	1.54%	1601	0.555	30	1.191	5	0.628	28	1.229	15	1.539	9	17.4
ANCHOR SAVINGS BANK FSB	B	B+	C	D+	1403	1.31%	992	0.815	21	1.789	28	0.705	25	1.773	4	1.312	15	18.6
EMPIRE OF AMERICA REALTY CREDI	B	C+	•	•	986	0.92%	859	1.365	7	1.291	7	1.507	6	0.406	40	0.505	35	19.0
FIRST NATIONWIDE BANK	B	•	D	F	551	0.51%	457	0.977	15	2.433	41	0.908	17	1.580	9	1.367	13	19.0
SLOVENIAN SAVINGS & LOAN ASSOC	B	•	•	•	683	0.64%	462	0.901	18	2.052	35	0.674	27	1.881	3	1.428	12	19.0
REPUBLIC BANK FOR SAVINGS	B-	•	•	•	2639	2.46%	2192	0.659	26	1.330	8	0.708	24	0.895	22	0.934	20	20.0
MANUFACTURERS & TRADERS TRUST	B-	D-	A	•	942	0.88%	844	1.214	11	1.718	24	1.307	10	0.704	29	0.720	30	20.8
RIDGEWOOD SAVINGS BANK	B-	C	C+	C+	635	0.59%	545	0.832	20	3.037	47	0.752	20	1.697	6	1.497	11	20.8
COUNTRYWIDE FUNDING CORPORATIO	C+	•	•	•	1390	1.30%	1272	0.736	24	1.411	11	0.812	18	0.716	28	0.805	25	21.2
CITIBANK	C+	B	A-	A+	5988	5.59%	4503	1.053	14	2.127	37	0.918	16	0.898	21	0.867	23	22.2
ARCS MORTGAGE INC.	C+	C-	A-	B-	3510	3.28%	2739	0.760	23	1.766	26	0.724	23	0.827	23	0.773	26	24.2
APPLE BANK FOR SAVINGS	C	C-	C+	D-	1857	1.73%	1528	0.546	32	1.431	12	0.572	32	0.766	27	0.931	21	24.8
STATE BANK OF CHANHASSEN	C	•	•	•	1744	1.63%	1370	0.512	35	1.665	21	0.494	37	1.006	17	1.014	16	25.2
ARBOR NATIONAL MORTGAGE	C	D+	B	C-	2598	2.43%	2289	0.686	25	1.662	20	0.725	22	0.558	33	0.736	28	25.6
ASTORIA FEDERAL SAVINGS & LOAN	C-	•	C+	B-	674	0.63%	565	0.492	36	1.620	17	0.503	35	0.902	20	0.922	22	26.0
HOME FEDERAL SAVINGS BANK	C-	C+	B-	D	783	0.73%	647	0.644	27	1,987	33	0.616	29	0.970	18	0.858	24	26.2
MARINE MIDLAND MORTGAGE CORP	C-	F+	F+	D	1374	1.28%	1200	0.955	16	2.016	34	0.979	14	0.513	34	0.550	34	26.4
GE CAPITAL MORTGAGE SERVICES	D+	D-	F	F+	911	0.85%	807	0.575	29	1.540	14	0.616	29	0.576	32	0.645	33	27.4
GMAC MORTGAGE CORPORATION OF P	D+	•	C	D	628	0.59%	550	1.140	13	2.120	36	1.172	12	0.484	36	0.473	40	27.4
MIDCOAST MORTGAGE CORPORATION	D+	D+	•	•	2116	1.98%	1912	0.924	17	2.709	46	0.934	15	0.607	30	0.699	32	28.0
KEYCORP MORTGAGE INC.	D+	C+	B-	•	1193	1.11%	1045	0.624	28	1.361	10	0.679	26	0.405	41	0.498	38	28.6
STATEN ISLAND SAVINGS BANK	D	D+	F+	•	910	0.85%	775	0.243	45	2.348	39	0.218	46	1.533	10	1.590	7	29.4
RICHMOND COUNTY SAVINGS BANK	D	B-	•	C	684	0.64%	650	0.070	48	4.213	48	0.067	48	1.717	5	2.056	3	30.4
FIRST FEDERAL S&L OF ROCHESTER	D	B+	B	B	1035	0.97%	835	0.850	19	2.398	40	0.752	20	0.441	38	0.499	37	30.8
LOAN AMERICA FINANCE CORP	D-	•	•	•	597	0.56%	506	0.555	30	1.632	18	0.572	32	0.393	42	0.446	42	32.8
MARGARETTEN & COMPANY	D-	F	F-	•	650	0.61%	612	0.444	37	1.157	4	0.500	36	0.298	44	0.397	44	33.0
COLUMBIA EQUITIES	D-	D-	D+	D+	1301	1.21%	1196	0.532	34	1.552	16	0.580	31	0.212	47	0.290	46	34.8
HAMILTON FEDERAL SAVINGS FA	D-	C-	D-	F	684	0.64%	572	0.126	47	2.467	42	0.105	47	0.949	19	0.941	19	34.8
PEOPLES WESTCHESTER	F+	F+	•	C-	1574	1.47%	1278	0.321	41	2.186	38	0.278	43	0.825	24	0.733	29	35.0
ROOSEVELT SAVINGS BANK	F+	D	F+	F-	695	0.65%	608	0.366	39	2.524	43	0.341	39	0.795	25	0.714	31	35.4
INDEPENDENCE SAVINGS BANK	F	F	D-	D-	1456	1.36%	1071	0.389	38	1.810	29	0.331	40	0.503	35	0.486	39	36.2
PNC MORTGAGE CORP. OF AMERICA	F	•	•	•	674	0.63%	621	0.542	33	2.557	45	0.554	34	0.451	37	0.503	36	37.0
SIBLEY MORTGAGE CORPORATION	F	B-	•	•	890	0.83%	848	0.211	46	0.532	1	0.245	45	0.217	46	0.266	47	37.0
EMIGRANT SAVINGS BANK	F-	F+	•	•	1314	1.23%	1149	0.340	40	1.915	32	0.342	38	0.421	39	0.453	41	38.0
THE PRUDENTIAL HOME MORTGAGE C	F-	F-	F	F	5508	5.14%	4616	0.303	42	1.669	22	0.304	41	0.298	44	0.301	45	38.8
PROVIDENT SAVINGS BANK	F-	F	F-	•	750	0.70%	701	0.282	44	1.823	30	0.304	41	0.350	43	0.446	42	40.0
CHASE HOME MORTGAGE CORP.	F-	F-	F-	F-	2431	2.27%	2154	0.293	43	2.528	44	0.276	44	0.182	48	0.177	48	45.4

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OAKLAND MSA: GRADES AND RANKINGS

LENDER	GRADES: 1990-1993 1993 Grade	1992 Grade	1991 Grade	1990 Grade	1993 SCORES AND RANKS Total Applications	% Share of Applications	Total Approvals	Black/ Hispanic Marketing Score	Black/ Hispanic Marketing Rank	Black/ Hispanic Denial Score	Black/ Hispanic Denial Rank	Black/ Hispanic Approval Score	Black/ Hispanic Approval Rank	Low/Mod Income Marketing Score	Low/Mod Income Marketing Rank	Low/Mod Income Lending Score	Low/Mod Income Lending Rank	Overall Rank
LONG BEACH BANK	A+	•	•	•	1387	1.21%	710	3.460	1	1.010	2	3.886	1	2.868	1	2.833	2	1.4
QUALITY MORTGAGE USA	A+	•	•	•	777	0.68%	665	2.927	2	1.202	7	3.246	2	2.828	2	3.064	1	2.8
GREAT WESTERN BANK	A+	A+	A+	A	4370	3.83%	3384	1.850	3	1.601	21	1.863	3	1.913	3	2.094	3	6.6
SAN FRANCISCO FEDERAL SAVINGS	A	A+	A-	B-	991	0.87%	838	1.612	5	1.494	17	1.708	4	1.370	6	1.508	5	7.4
AMERICAN SAVINGS BNK	A	A+	A+	B+	1677	1.47%	1297	1.717	4	1.785	25	1.664	5	1.782	4	1.969	4	8.4
STATE BANK OF CHANHASSEN	A	•	A	C+	2224	1.95%	1583	1.605	6	1.477	16	1.574	6	1.234	10	1.287	9	9.4
WORLD SAVINGS AND LOAN ASSOC.	A-	A-	B	B+	3195	2.80%	2815	1.109	12	1.529	19	1.183	11	1.193	11	1.312	7	12.0
BANK OF AMERICA NT & SA	A-	B+	B-	D-	8231	7.21%	6524	1.291	8	1.867	30	1.230	9	1.330	7	1.276	10	12.8
FIRST INTERSTATE BANK OF CALIF	A-	A	B+	C-	917	0.80%	688	1.054	14	1.736	23	0.970	20	1.506	5	1.378	6	13.6
WELLS FARGO BANK	B+	B	B+	D	2796	2.45%	1961	1.131	10	1.627	22	1.021	17	1.293	8	1.144	13	14.0
NORWEST MORTGAGE	B+	C+	•	•	2164	1.90%	2025	1.115	11	1.978	33	1.198	10	1.255	9	1.296	8	14.2
CITIBANK F.S.B.	B+	C	C	D-	889	0.78%	683	0.976	19	1.382	13	0.999	19	1.186	12	1.133	14	15.4
MEDALLION MORTGAGE COMPANY	B	A-	A-	•	3737	3.27%	3176	1.010	16	1.329	12	1.086	13	0.962	19	0.976	21	16.2
COLONIAL BANCORP	B	A	•	•	723	0.63%	530	1.109	12	1.288	9	1.148	12	0.865	24	0.888	26	16.6
THE CAL BAY MORTGAGE GROUP	B	B	•	•	1544	1.35%	1504	1.179	9	2.463	43	1.297	8	1.076	14	1.170	12	17.2
EXPRESS AMERICA MORTGAGE CORP.	B	•	•	•	791	0.69%	704	0.997	18	1.459	15	1.075	14	0.888	23	0.943	23	18.6
WESTERN SUNRISE MORTGAGE	B-	•	•	•	1456	1.28%	1301	1.002	17	1.805	27	1.049	15	0.973	18	1.011	17	18.8
GMAC MORTGAGE CORPORATION OF P	B-	B-	A	A+	814	0.71%	778	1.397	7	3.705	48	1.478	7	0.951	20	0.994	20	20.4
FIRST NATIONWIDE BANK	B-	B-	C	D-	999	0.87%	875	1.040	15	2.264	39	1.026	16	1.007	17	1.009	18	21.0
CYPRESS FINANCIAL CORP.	C+	B	B	•	1466	1.28%	1427	0.933	20	3.024	46	1.014	18	1.011	16	1.102	16	23.2
FRANKLIN MORTGAGE CAPITAL	C+	•	•	•	769	0.67%	683	0.598	34	1.167	5	0.662	30	0.852	25	0.878	27	24.2
COUNTRYWIDE FUNDING CORPORATIO	C+	F-	B-	•	5683	4.98%	5191	0.655	29	1.304	10	0.720	29	0.795	28	0.807	29	25.0
DIRECTORS MORTGAGE LOAN CORP	C+	C-	D+	C	1537	1.35%	1395	0.907	21	2.284	40	0.925	21	0.922	22	0.961	22	25.2
SUNCOAST SAVINGS & LOAN ASSOC.	C	•	•	•	1225	1.07%	922	0.687	27	1.083	3	0.756	28	0.681	38	0.755	34	26.0
FARRAGUT MORTGAGE CO.	C	•	•	•	816	0.71%	703	0.604	33	1.512	18	0.633	32	0.773	29	0.816	28	28.0
IMPERIAL CREDIT INDUSTRIES	C	•	•	•	1041	0.91%	860	0.846	23	1.454	14	0.880	23	0.606	40	0.660	40	28.0
FREMONT BANK	C-	D+	C+	A-	5419	4.75%	5281	0.691	26	2.263	38	0.760	27	0.849	26	0.922	24	28.2
TEMPLE-INLAND MORTGAGE CO.	C-	D	•	•	764	0.67%	630	0.628	31	0.291	1	0.812	25	0.592	43	0.614	41	28.2
HAMILTON FINANCIAL CORPORATION	D+	•	•	•	1025	0.90%	905	0.872	22	1.989	34	0.885	22	0.720	34	0.755	34	29.2
NORTH AMERICAN MORTGAGE CO	D+	C	•	•	4327	3.79%	3906	0.775	24	2.064	36	0.796	26	0.771	30	0.777	30	29.2
WEYERHAEUSER MORTGAGE CO.	D+	•	C+	C-	583	0.51%	552	0.755	25	1.848	29	0.820	24	0.705	36	0.771	32	29.2
CALIFORNIA MORTGAGE SERVICE	D+	C+	•	•	676	0.59%	622	0.447	43	2.040	35	0.465	43	1.013	15	1.119	15	30.2
SUNBELT NATIONAL MORTGAGE CORP	D	F	F-	•	860	0.75%	783	0.474	41	1.088	4	0.530	39	0.720	34	0.733	37	31.0
ALL PACIFIC MORTGAGE COMPANY	D	F	D-	F	1178	1.03%	1126	0.435	44	1.175	6	0.487	42	0.738	33	0.756	33	31.6
US BANCORP MORTGAGE COMPANY	D	•	•	•	683	0.60%	639	0.597	35	1.895	32	0.638	31	0.741	32	0.777	30	32.0
CENTRAL PACIFIC MORTGAGE CO.	D-	C-	D-	•	617	0.54%	577	0.341	46	2.612	45	0.347	46	1.148	13	1.207	11	32.2
MONUMENT MORTGAGE	D-	D-	C+	•	691	0.61%	580	0.590	37	2.095	37	0.550	37	0.836	27	0.889	25	32.6
NVR MORTAGE	D-	F-	F-	F+	649	0.57%	593	0.466	42	3.204	47	0.438	44	0.945	21	1.000	19	34.6
BROOKSAMERICA MORTGAGE CORP.	F+	•	•	•	710	0.62%	581	0.556	38	1.871	31	0.523	40	0.763	31	0.744	36	35.2
FIRST FRANKLIN	F+	F	•	•	1409	1.23%	1265	0.593	36	1.820	28	0.616	35	0.668	39	0.688	38	35.2
AMERICAN RESIDENTIAL MORTGAGE	F+	D	D+	•	2212	1.94%	1878	0.490	40	1.593	20	0.502	41	0.697	37	0.680	39	35.4
RYLAND MORTGAGE COMPANY	F	F+	•	•	626	0.55%	522	0.609	32	1.781	24	0.597	36	0.419	45	0.506	44	36.2
HEADLANDS MORTGAGE COMPANY	F	•	•	•	1444	1.26%	1268	0.656	28	2.403	42	0.626	33	0.606	40	0.569	42	37.0
ALLIED SAVINGS BANK	F	C-	D+	•	1768	1.55%	1635	0.498	39	1.787	26	0.531	38	0.593	42	0.568	43	37.6
GN MORTGAGE	F-	F-	F	•	950	0.83%	831	0.311	47	1.257	8	0.339	47	0.458	44	0.497	45	38.2
PIB MORTGAGE COMPANY	F-	D-	F+	D+	932	0.82%	822	0.642	30	2.310	41	0.623	34	0.396	46	0.361	46	39.4
THE PRUDENTIAL HOME MORTGAGE C	F-	F-	F-	•	6770	5.93%	6107	0.299	48	1.311	11	0.327	48	0.124	47	0.119	47	40.2
GE CAPITAL MORTGAGE SERVICES	F-	•	•	•	913	0.80%	842	0.389	45	2.608	44	0.388	45	0.111	48	0.092	48	46.0

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PHILADELPHIA MSA: GRADES AND RANKINGS

LENDER	GRADES: 1990-1993 1993 Grade	1992 Grade	1991 Grade	1990 Grade	1993 SCORES AND RANKS Total Applications	% Share of Applications	Total Approvals	Black/ Hispanic Marketing Score	Black/ Hispanic Marketing Rank	Black/ Hispanic Denial Score	Black/ Hispanic Denial Rank	Black/ Hispanic Approval Score	Black/ Hispanic Approval Rank	Low/Mod Income Marketing Score	Low/Mod Income Marketing Rank	Low/Mod Income Lending Score	Low/Mod Income Lending Rank	Overall Rank
GREEN TREE FINANCIAL CORP	A+	B+	A+	•	1656	0.83%	1116	5.685	1	1.158	3	6.829	1	2.294	2	2.367	3	2.0
MERIDIAN BANK	A+	A-	A-	A-	3999	2.01%	3479	3.087	3	2.632	31	3.373	2	1.959	4	2.033	4	8.8
HART MORTGAGE CORPORTATION	A+	•	•	•	1462	0.73%	1237	1.766	9	2.332	24	1.827	9	2.222	3	2.422	2	9.4
AURORA FINANCIAL GRUOP INC.	A	•	•	•	1102	0.55%	1016	2.384	6	2.322	23	2.763	3	1.430	12	1.548	8	10.4
CORESTATES BANK	A	A+	A	A+	10515	5.29%	8246	2.440	5	2.705	33	2.221	5	1.776	6	1.647	7	11.2
PNC BANK	A	•	•	•	3605	1.81%	2900	2.637	4	2.834	39	2.497	4	1.586	11	1.438	11	13.8
GERMANTOWN SAVINGS BANK	A	A	A-	B+	1183	0.59%	741	3.164	2	2.884	42	1.856	7	1.835	5	1.336	14	14.0
FIDELITY BANK	A-	A+	A+	A+	1049	0.53%	666	1.311	14	2.006	14	0.885	27	1.772	7	1.513	9	14.2
MELLON BANK	A-	A	A	A	6047	3.04%	4810	2.060	7	2.788	37	1.838	8	1.381	13	1.347	13	15.6
MIDDLESEX FEDERAL SAVINGS F.A.	A-	B+	•	•	2693	1.35%	2167	1.026	24	1.636	6	1.108	20	1.217	16	1.242	16	16.4
UNITED JERSEY BANK SOUTH NA	A-	B-	•	•	1005	0.51%	663	1.100	20	2.049	16	0.762	34	1.644	9	1.713	6	17.0
EASTERN MORTGAGE SERVICES	B+	A	•	•	3657	1.84%	3404	0.688	32	2.310	22	0.783	31	2.325	1	2.515	1	17.4
ARBOR NATIONAL MORTGAGE	B+	A-	B	•	3801	1.91%	3432	1.065	22	1.037	1	1.321	16	0.890	29	0.989	24	18.4
COMNET MORTGAGE SERVICES	B+	C	C+	F+	3343	1.68%	3085	1.234	15	1.582	5	1.474	13	0.866	31	0.924	28	18.4
CONTINENTAL BANK	B	A	A+	A	2352	1.18%	1868	1.400	12	3.047	44	1.097	22	1.626	10	1.500	10	19.6
PROVIDENT MORTGAGE CORP.	B	•	•	•	3943	1.98%	3666	1.430	11	2.846	40	1.604	11	1.120	18	1.175	18	19.6
MORTGAGE ACCESS CORPORATION	B	•	•	•	1257	0.63%	1167	1.319	13	2.746	35	1.479	12	0.973	20	1.026	21	20.2
FIRST KEYSTONE MORTGAGE	B	F+	•	•	1416	0.71%	1312	1.067	21	1.367	4	1.294	17	0.755	35	0.812	35	22.4
MIDLANTIC NATIONAL BANK	B	•	•	•	1213	0.61%	917	1.143	19	2.694	32	0.827	30	1.362	14	1.229	17	22.4
NEW JERSEY NATIONAL BANK	B-	•	•	•	2196	1.10%	1957	0.965	26	2.410	26	1.033	24	1.114	19	1.113	19	22.8
POLICE & FIRE FEDERAL CREDIT U	B-	C	C	•	1714	0.86%	1401	1.908	8	2.272	20	1.913	6	0.699	40	0.710	40	22.8
NORWEST MORTGAGE	B-	C+	C-	B	1013	0.51%	942	1.213	17	4.792	52	1.237	18	1.211	17	1.262	15	23.8
MARYLAND NATIONAL MORTGAGE	C+	B	B-	A-	3102	1.56%	2858	0.680	33	2.269	19	0.766	32	0.952	22	1.028	20	25.2
FRANKFORD BANK - FRANKFORD BR.	C+	C	D	B	1088	0.55%	1006	0.570	36	2.609	30	0.628	36	1.336	15	1.405	12	25.8
CARDINAL FINANCIAL CO.	C+	•	C+	F+	1999	1.00%	1872	0.649	34	1.868	11	0.765	33	0.900	26	0.949	26	26.0
AMERICAN RESIDENTIAL MORTGAGE	C	B	B+	C+	3601	1.81%	3017	0.964	27	2.565	29	0.907	25	0.930	25	0.933	27	26.6
SOURCE ONE MORTGAGE	C	A-	C-	•	1729	0.87%	1672	1.167	18	2.309	21	1.402	14	0.670	41	0.729	39	26.6
CHEMICAL BANK NEW JERSEY NA	C	B-	•	•	1267	0.64%	1135	1.041	23	3.145	46	1.051	23	0.949	23	0.888	30	29.0
GMAC MORTGAGE CORPORATION OF P	C	C+	C	C	4109	2.07%	3869	0.963	28	2.539	28	1.106	21	0.777	34	0.816	34	29.0
THE HUNTINGTON MORTGAGE CO	C	C+	•	D+	1759	0.88%	1645	1.224	16	2.801	38	1.382	15	0.728	38	0.755	38	29.0
MARGARETTEN & COMPANY	C-	C-	F	C-	4407	2.22%	4020	0.809	30	2.859	41	0.859	28	0.946	24	1.005	23	29.2
BANK UNITED OF TEXAS FSB	C-	D+	•	•	2646	1.33%	2492	0.759	31	3.081	45	0.845	29	0.966	21	1.021	22	29.6
AMERICAN HOME FUNDING	C-	D	B	A	1105	0.56%	966	0.908	29	2.752	36	0.901	26	0.887	30	0.910	29	30.0
PNC MORTGAGE CORP. OF AMERICA	D+	•	•	•	2473	1.24%	2292	0.524	37	2.405	25	0.588	37	0.897	27	0.954	25	30.2
PHOENIX MORTGAGE CO.	D+	•	•	•	1312	0.66%	1251	1.023	25	3.565	48	1.156	19	0.815	32	0.862	32	31.2
PHH U.S. MORTGAGE CORPORATION	D+	B-	C	F	3345	1.68%	3264	0.307	46	5.036	54	0.348	47	1.728	8	1.890	5	32.0
COLUMBIA NATIONAL	D	•	•	•	1161	0.58%	1130	0.379	43	1.984	13	0.460	39	0.743	36	0.817	33	32.8
MERIDIAN MORTGAGE CORPORATION	D	D-	F+	D-	5488	2.76%	5075	0.579	35	2.718	34	0.633	35	0.815	32	0.879	31	33.4
FLEET REAL ESTATE FUNDING	D	•	•	•	1852	0.93%	1782	1.510	10	3.822	50	1.749	10	0.479	49	0.481	50	33.8
MIDCOAST MORTGAGE CORPORATION	D	D+	•	•	1654	0.83%	1535	0.348	44	1.964	12	0.402	43	0.732	37	0.794	36	34.4
SEAGOVILLE STATE BANK	D-	B	C+	D+	1509	0.76%	1194	0.486	38	2.512	27	0.388	44	0.894	28	0.792	37	34.8
COLLECTIVE FEDERAL SAVINGS BNK	D-	D+	C-	•	1038	0.52%	925	0.391	41	2.121	18	0.425	41	0.710	39	0.707	41	36.0
GREENTREE MORTGAGE COMPANY LP	D-	•	D+	•	990	0.50%	832	0.273	48	1.045	2	0.337	48	0.593	42	0.616	43	36.6
COUNTRYWIDE FUNDING CORPORATIO	D-	F	D-	•	5534	2.78%	5247	0.300	47	1.739	8	0.358	46	0.520	46	0.543	46	38.6
THE PRUDENTIAL HOME MORTGAGE C	F+	F-	F-	F-	3569	1.79%	3148	0.414	40	2.014	15	0.450	40	0.302	55	0.298	55	41.0
NORTH AMERICAN MORTGAGE CO	F+	•	•	•	1215	0.61%	1148	0.186	53	1.838	10	0.220	51	0.507	47	0.539	47	41.6
PHILADELPHIA MORTGAGE CORP.	F+	F+	•	•	3181	1.60%	2905	0.188	52	1.762	9	0.217	52	0.486	48	0.514	48	41.8
GE CAPITAL MORTGAGE SERVICES	F	F+	D+	F+	6755	3.40%	6347	0.384	42	2.998	43	0.422	42	0.577	44	0.623	42	42.6
BANCORP MORTGAGE INC	F	F-	•	•	2030	1.02%	1835	0.139	54	1.680	7	0.161	53	0.451	51	0.508	49	42.8
INTEGRA MORTGAGE COMPANY	F	•	•	•	1053	0.53%	1018	0.450	39	4.980	53	0.496	38	0.569	45	0.586	45	44.0
SOVEREIGN BANK. A FED SAVINGS	F	F-	•	•	1896	0.95%	1710	0.238	49	2.085	17	0.263	50	0.372	54	0.385	54	44.8
THE BRYN MAWR TRUST CO.	F-	F	F-	D	1324	0.67%	1289	0.324	45	4.367	51	0.370	45	0.578	43	0.614	44	45.6
PINNACLE MORTGAGE INVEST. CORP	F-	F-	•	•	2633	1.32%	2616	0.214	50	3.229	47	0.263	49	0.389	52	0.419	52	50.0
MAIN LINE FEDERAL SAVINGS BANK	F-	F	F-	F-	3078	1.55%	2924	0.139	54	3.810	49	0.149	54	0.389	52	0.397	53	52.4
PROGRESS FEDERAL SAVINGS BANK	F-	•	•	•	1003	0.50%	956	0.202	51	14.790	55	0.117	55	0.468	50	0.467	51	52.4

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PHOENIX MSA: GRADES AND RANKINGS

LENDER	GRADES: 1990-1993				1993 SCORES AND RANKS													
	1993 Grade	1992 Grade	1991 Grade	1990 Grade	Total Applications	% Share of Applications	Total Approvals	Black/ Hispanic Marketing Score	Black/ Hispanic Marketing Rank	Black/ Hispanic Denial Score	Black/ Hispanic Denial Rank	Black/ Hispanic Approval Score	Black/ Hispanic Approval Rank	Low/Mod Income Marketing Score	Low/Mod Income Marketing Rank	Low/Mod Income Lending Score	Low/Mod Income Lending Rank	Overall Rank
AMERICAN BANTRUST MORTGAGE SER	A+	•	•	•	1499	1.07%	1155	1.644	4	1.261	13	1.803	4	1.660	6	1.749	6	6.6
ZIONS FIRST NATIONAL BANK	A+	•	C+	•	1209	0.86%	904	1.586	5	1.101	8	1.804	3	1.485	11	1.490	10	7.4
BANCPLUS MORTGAGE CORPORATION	A+	•	•	•	1120	0.80%	909	1.789	3	1.937	33	1.766	5	1.812	4	1.868	4	9.8
BANK ONE	A	•	•	•	10183	7.26%	6662	1.517	9	1.411	15	1.463	8	1.509	10	1.456	12	10.8
GREEN TREE FINANCIAL CORP	A	A+	A	•	1375	0.98%	856	1.176	15	1.477	16	1.041	22	2.121	2	2.169	3	11.6
NATIONAL MORTGAGE & INVESTMENT	A	•	•	•	706	0.50%	509	2.155	2	1.739	25	2.021	2	1.416	14	1.361	15	11.6
BANK UNITED OF TEXAS FSB	A	B+	•	•	2615	1.86%	2325	1.549	7	2.102	36	1.629	6	1.546	9	1.645	7	13.0
TROY & NICHOLS	A	•	•	•	714	0.51%	677	0.765	31	0.743	2	0.908	27	2.079	3	2.374	2	13.0
INLAND MORTGAGE CORPORATION	A-	B-	B+	•	5646	4.03%	4905	1.345	11	1.887	30	1.409	9	1.570	8	1.632	8	13.2
WEYERHAEUSER MORTGAGE CO.	A-	•	•	•	1347	0.96%	1201	2.211	1	2.608	46	2.288	1	1.430	13	1.482	11	14.4
TEXACO TRI-STATE FCU	A-	A	B+	A-	4856	3.46%	3213	1.529	8	1.680	23	1.304	14	1.473	12	1.343	16	14.6
BANK OF AMERICA ARIZONA	B+	A+	C+	•	7286	5.20%	4983	1.325	12	1.895	31	1.045	21	1.678	5	1.627	9	15.6
PNC MORTGAGE CORP. OF AMERICA	B+	•	•	•	1210	0.86%	1032	1.408	10	2.236	37	1.386	10	1.266	16	1.287	17	18.0
WORLD SAVINGS AND LOAN ASSOC.	B+	B	•	B-	934	0.67%	800	0.780	29	1.727	24	0.815	32	1.575	7	1.858	5	19.4
CROSSLAND MORTGAGE CORP.	B	•	B	•	956	0.68%	835	0.706	35	1.139	10	0.811	33	1.272	15	1.423	13	21.2
AMERIFIRST FINANCIAL INC	B	•	•	•	761	0.54%	736	0.394	53	1.091	7	0.460	52	3.338	1	3.772	1	22.8
THE DEINES M CUTCHEON COMPANY	B	•	B-	•	962	0.69%	865	1.147	18	1.900	32	1.233	16	0.904	26	0.912	27	23.8
METROPOLITAN FEDERAL BANK	B	C-	D	D-	2498	1.78%	2147	0.965	23	2.000	35	0.976	24	1.128	20	1.161	21	24.6
NORWEST MORTGAGE	B-	F+	F-	F	6181	4.41%	5861	0.976	22	2.693	47	1.059	20	1.155	18	1.211	18	25.0
SUN AMERICAN MORTGAGE CO.	B-	•	•	•	1642	1.17%	1579	1.155	17	1.562	20	1.327	13	0.572	38	0.603	40	25.6
DIRECTORS MORTGAGE LOAN CORP	B-	B	C	•	2560	1.83%	2212	0.820	28	1.977	34	0.834	29	1.151	19	1.181	20	26.0
AMERICAN WESTERN MORTGAGE CO.	B-	•	D-	•	1020	0.73%	918	1.082	19	2.308	40	1.121	18	0.823	28	0.880	28	26.6
US BANCORP MORTGAGE COMPANY	C+	B+	B	A-	924	0.66%	794	0.777	30	1.795	26	0.806	34	1.063	23	1.115	23	27.2
CITIZENS NATIONAL MORTGAGE COR	C+	•	•	•	1029	0.73%	796	1.197	14	1.175	11	1.340	11	0.000	55	0.000	55	29.2
HOMEAMERICAN MORTGAGE CORP.	C+	•	•	•	838	0.60%	763	1.202	13	2.320	41	1.266	15	0.568	39	0.624	38	29.2
GMAC MORTGAGE CORPORATION OF P	C	D+	F	D-	1038	0.74%	882	0.949	25	2.866	48	0.825	30	1.092	22	1.129	22	29.4
NORTH AMERICAN MORTGAGE CO	C	•	•	•	957	0.68%	902	0.638	41	1.579	21	0.723	38	0.945	24	1.019	24	29.6
CARL I. BROWN AND COMPANY	C	•	C-	•	3953	2.82%	2691	0.965	23	1.271	14	1.002	23	0.478	45	0.572	44	29.8
FLEET MORTGAGE CORP.	C	•	•	•	2642	1.88%	2456	1.022	20	1.824	28	1.134	17	0.565	40	0.568	45	30.0
SOURCE ONE MORTGAGE	C	D	B-	•	2066	1.47%	2005	0.752	33	2.293	39	0.851	28	0.915	25	0.977	25	30.0
RANCHO MORTGAGE CORPORATION	C-	•	•	•	740	0.53%	641	1.578	6	2.283	38	1.585	7	0.322	50	0.225	51	30.4
UFSB OF INDIANAPOLIS	C-	C	D	F+	3785	2.70%	3458	0.928	26	2.466	43	0.965	25	0.807	29	0.829	29	30.4
CTX MORTGAGE COMPANY	C-	F	C+	•	2223	1.59%	2107	0.757	32	2.578	45	0.822	31	0.847	27	0.948	26	32.2
ICM MORTGAGE CORPORATION	C-	C	•	•	2430	1.73%	2229	0.688	37	2.557	44	0.709	40	1.125	21	1.194	19	32.2
GREAT WESTERN BANK	D+	B+	D-	B-	1643	1.17%	1360	0.411	51	1.805	27	0.406	53	1.262	17	1.397	14	32.4
STANCHART MORTGAGE COMPANY	D+	D-	D+	•	1385	0.99%	1290	0.650	40	1.044	4	0.759	35	0.559	41	0.586	43	32.6
RYLAND MORTGAGE COMPANY	D	•	F-	•	727	0.52%	657	0.855	27	1.488	17	0.955	26	0.405	48	0.432	48	33.2
ARCS MORTGAGE INC.	D	•	•	•	959	0.68%	834	0.480	49	1.074	5	0.557	49	0.650	35	0.658	35	34.6
FIRST CALIFORNIA MORTGAGE CO	D	D	•	•	856	0.61%	657	0.663	39	1.883	29	0.592	46	0.784	30	0.820	30	34.8
TEMPLE-INLAND MORTGAGE CO.	D	•	•	•	1120	0.80%	985	0.516	45	1.080	6	0.599	44	0.553	42	0.606	39	35.2
AMERICAN RESIDENTIAL MORTGAGE	D-	D+	F+	•	3392	2.42%	3097	0.508	47	1.538	19	0.567	48	0.661	33	0.711	33	36.0
ACCUBANC MORTGAGE CORPORATION	D-	D+	D+	•	1762	1.26%	1648	0.511	46	1.508	18	0.579	47	0.626	36	0.660	34	36.2
COUNTRYWIDE FUNDING CORPORATIO	D-	F-	C-	•	4440	3.17%	3954	0.410	52	1.191	12	0.470	51	0.657	34	0.640	37	37.2
BANC ONE MORTGAGE CORPORATION	D-	•	•	•	7127	5.08%	6699	0.637	42	2.331	42	0.691	41	0.758	31	0.815	31	37.4
EXPRESS AMERICA MORTGAGE CORP.	D-	•	•	•	2420	1.73%	2079	0.447	50	0.910	3	0.531	50	0.542	43	0.597	41	37.4
SUNBELT NATIONAL MORTGAGE CORP	F+	•	A-	•	1263	0.90%	1159	0.746	34	3.582	51	0.714	39	0.706	32	0.739	32	37.6
CHARLES F CURRY COMPANY	F+	•	•	•	1240	0.88%	1223	1.175	16	4.428	53	1.333	12	0.017	54	0.012	54	37.8
MEDALLION MORTGAGE COMPANY	F	F-	A	•	2028	1.45%	1932	0.491	48	0.219	1	0.597	45	0.378	49	0.413	49	38.4
VENTURE FINANCIAL SERVICES	F	•	•	•	2756	1.97%	2640	1.022	20	3.160	49	1.112	19	0.201	52	0.199	52	38.4
METMOR FINANCIAL	F	•	•	•	822	0.59%	795	0.665	38	3.436	50	0.726	37	0.621	37	0.654	36	39.6
STATE SAVINGS BANK	F	F-	F+	•	2978	2.12%	2847	0.590	44	1.116	9	0.687	42	0.177	53	0.191	53	40.2
UDC MORTGAGE CORPORATION	F-	C-	F-	C-	785	0.56%	750	0.696	36	3.598	52	0.736	36	0.452	46	0.488	46	43.2
THE PRUDENTIAL HOME MORTGAGE C	F-	F+	•	F	985	0.70%	793	0.239	55	1.656	22	0.237	55	0.431	47	0.443	47	45.2
RICHARDS-WOODBURY MORTG. CORP.	F-	•	•	•	707	0.50%	704	0.591	43	8.564	55	0.677	43	0.533	44	0.595	42	45.4
MELLON MORTGAGE COMPANY	F-	F-	F	F	2066	1.47%	2021	0.373	54	5.988	54	0.397	54	0.312	51	0.319	50	52.6

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RIVERSIDE MSA: GRADES AND RANKINGS

LENDER	GRADES: 1990-1993 1993 Grade	1992 Grade	1991 Grade	1990 Grade	1993 SCORES AND RANKS Total Applications	% Share of Applications	Total Approvals	Black/ Hispanic Marketing Score	Black/ Hispanic Marketing Rank	Black/ Hispanic Denial Score	Black/ Hispanic Denial Rank	Black/ Hispanic Approval Score	Black/ Hispanic Approval Rank	Low/Mod Income Marketing Score	Low/Mod Income Marketing Rank	Low/Mod Income Lending Score	Low/Mod Income Lending Rank	Overall Rank
BANKER'S AFFILIATED MORTGAGE	A+	•	•	•	666	0.51%	644	1.919	3	0.636	1	2.016	3	2.947	2	3.183	2	2.2
NORWEST MORTGAGE	A+	A-	•	•	959	0.74%	854	1.578	7	0.788	4	1.673	7	1.920	4	2.087	4	5.2
BOFA FEDERAL SAVINGS BANK	A+	•	•	•	645	0.50%	414	1.462	11	0.918	8	1.568	8	4.669	1	4.903	1	5.8
SOUTH PACIFIC FINANCIAL CORP	A+	•	•	•	1480	1.14%	1309	1.759	5	0.854	5	1.855	5	1.479	11	1.586	10	7.2
PERFORMANCE MORTGAGE COMPANY	A	•	A+	•	1354	1.04%	1255	1.972	2	0.753	2	2.078	2	1.243	19	1.352	19	8.8
QUALITY MORTGAGE USA	A	A+	•	•	1731	1.33%	1431	1.264	19	0.887	7	1.339	16	1.838	6	2.012	5	10.6
LONG BEACH BANK	A	•	•	•	1254	0.96%	630	1.286	18	1.029	13	1.317	18	2.090	3	2.342	3	11.0
OCCIDENTAL MORTGAGE CORP.	A	B+	A-	B	1090	0.84%	986	1.605	6	0.777	3	1.699	6	1.079	28	1.112	29	14.4
WESTERN BANK	A-	•	A	A-	648	0.50%	530	1.489	9	0.941	10	1.565	9	1.261	18	1.170	27	14.6
GOVERNMENT MORTGAGE CORP.	A-	•	•	•	763	0.59%	708	2.148	1	0.923	9	2.246	1	0.647	43	0.682	42	19.2
GREEN TREE FINANCIAL CORP	A-	A	•	•	727	0.56%	442	1.018	32	1.228	22	0.956	34	1.920	4	1.610	8	20.0
BANK UNITED OF TEXAS FSB	A-	C	•	•	1478	1.14%	1322	1.492	8	1.194	19	1.537	10	0.874	35	0.918	34	21.2
WORLD SAVINGS AND LOAN ASSOC.	B+	A	C-	B+	863	0.66%	632	1.114	27	0.865	6	1.203	23	1.074	29	1.270	22	21.4
FUNDERS MORTGAGE CORPORATION	B+	•	•	•	731	0.56%	619	1.330	15	1.279	27	1.347	14	1.084	27	1.171	26	21.8
AMERICAN SAVINGS BNK	B+	A	A-	B	1133	0.87%	772	1.196	23	1.428	38	1.100	27	1.420	13	1.497	14	23.0
AMERICAN CITY MORTGAGE CORP.	B+	•	•	•	782	0.60%	670	1.351	13	1.495	45	1.347	14	1.208	21	1.247	23	23.2
COAST FEDERAL BANK	B	D	D+	F	805	0.62%	432	0.823	45	1.220	20	0.738	44	1.598	10	1.859	6	25.0
GREAT WESTERN BANK	B	B+	A-	B	3837	2.95%	2368	1.229	21	1.592	51	1.020	31	1.404	15	1.588	9	25.4
MISSION HILLS MORTGAGE CORP	B	C-	•	A-	1666	1.28%	1492	1.174	24	0.962	11	1.228	21	0.713	39	0.792	37	26.4
KAUFMAN AND BROAD MORTGAGE CO	B	•	•	•	749	0.58%	597	1.426	12	1.542	47	1.383	12	1.009	32	0.973	32	27.0
EMPIRE OF AMERICA REALTY CREDI	B	A-	•	•	1386	1.07%	1036	0.922	38	1.266	25	0.901	37	1.236	20	1.455	16	27.2
DIRECTORS MORTGAGE LOAN CORP	B-	C+	C	C	12610	9.69%	11150	0.984	35	1.233	23	1.005	32	1.151	23	1.221	25	27.6
BANK OF AMERICA NT & SA	B-	B-	B-	C	6691	5.14%	4054	0.854	41	1.464	43	0.704	46	1.787	8	1.565	13	30.2
RNG MORTGAGE SERVICE	B-	B+	•	•	1201	0.92%	936	1.165	25	1.227	21	1.165	24	0.695	41	0.676	43	30.8
ENTRY MORTGAGE CORPORATION	C+	•	•	•	1002	0.77%	904	1.474	10	1.381	36	1.504	11	0.566	52	0.607	47	31.2
MASTER FINANCIAL	C+	•	•	•	760	0.58%	654	1.299	17	1.253	24	1.322	17	0.626	45	0.569	53	31.2
CFC MORTGAGE	C+	•	•	•	1385	1.06%	1325	1.199	22	1.937	56	1.223	22	1.043	30	1.118	28	31.6
FIRST INTERSTATE BANK OF CALIF	C+	B-	C+	D	1483	1.14%	1032	0.685	51	1.327	31	0.636	52	1.689	9	1.493	15	31.6
RANCHO MORTGAGE CORPORATION	C+	B	B+	C-	1827	1.40%	1412	1.342	14	1.116	15	1.371	13	0.427	57	0.379	59	31.6
POMONA FIRST FEDERAL S&L ASSN	C	D-	D	C-	1174	0.90%	940	0.583	56	1.128	16	0.593	54	1.392	16	1.444	17	31.8
PNC MORTGAGE CORP. OF AMERICA	C	•	•	•	920	0.71%	773	1.305	16	1.950	57	1.242	20	0.802	37	0.861	36	33.2
STATE BANK OF CHANHASSEN	C	•	B-	F+	4335	3.33%	2686	0.923	37	1.568	50	0.742	43	1.205	22	1.361	18	34.0
THE HAMMOND COMPANY	C	C+	•	•	1038	0.80%	876	1.118	26	1.148	17	1.144	25	0.570	51	0.522	55	34.8
CTX MORTGAGE COMPANY	C-	D-	D-	•	870	0.67%	817	1.058	30	2.052	59	1.063	29	1.016	31	1.047	30	35.8
PACIFIC NATIONAL BANK MORTGAGE	C-	A-	A	•	1344	1.03%	1186	1.238	20	1.275	26	1.263	19	0.422	58	0.396	58	36.2
ARCS MORTGAGE INC.	C-	C	•	•	1027	0.79%	871	0.871	39	1.189	18	0.886	38	0.623	46	0.667	44	37.0
SYCAMORE FINANCIAL GROUP	C-	•	•	•	698	0.54%	697	1.820	4	28.986	63	1.896	4	0.376	59	0.403	57	37.4
WYTEL FEDERAL CREDIT UNION	C-	D+	•	•	973	0.75%	821	0.640	55	2.263	62	0.561	56	1.829	7	1.821	7	37.4
DOWNEY SAVINGS AND LOAN ASSN.	D+	D+	C+	C+	905	0.70%	667	0.460	61	1.459	41	0.415	62	1.455	12	1.576	12	37.6
ACCUBANC MORTGAGE CORPORATION	D+	D+	D	A-	1321	1.02%	1192	0.942	36	1.558	49	0.944	35	0.858	36	0.887	35	38.2
UNION BANK COMPLIANCE DEPT	D+	•	•	•	681	0.52%	547	0.800	47	2.213	61	0.681	49	1.405	14	1.348	20	38.2
MEDALLION MORTGAGE COMPANY	D+	C-	•	•	1101	0.85%	787	0.816	46	1.411	37	0.752	42	0.875	34	0.937	33	38.4
J.I. KISLAK MORTGAGE CORP.	D	•	•	•	673	0.52%	479	0.525	59	1.512	46	0.457	60	1.331	17	1.581	11	38.6
WELLS FARGO BANK	D	C-	B	D	1674	1.29%	950	0.689	50	1.355	34	0.570	55	1.143	24	0.996	31	38.8
HAMILTON FINANCIAL CORPORATION	D	•	•	•	719	0.55%	505	0.835	44	1.694	54	0.700	47	1.111	26	1.228	24	39.0
RURAL AMERICAN BANK - BRAHAM	D	•	F	F-	716	0.55%	518	0.669	54	1.482	44	0.601	53	1.124	25	1.273	21	39.4
GUILD MORTGAGE COMPANY	D-	•	C+	•	983	0.76%	888	1.109	28	1.547	48	1.116	26	0.608	47.	0.588	50	39.8
COLONIAL BANCORP	D-	B-	•	•	1735	1.33%	1196	0.993	34	1.357	35	0.925	36	0.608	47	0.600	48	40.0
NORTH AMERICAN MORTGAGE CO	D-	C-	•	•	4224	3.25%	3518	0.866	40	1.444	39	0.847	39	0.635	44	0.687	41	40.6
FRONTLINE MORTGAGE COMPANY	D-	F+	D-	•	1192	0.92%	913	0.707	48	1.329	33	0.682	48	0.711	40	0.751	39	41.6
MICAL MORTGAGE	F+	A-	•	•	2136	1.64%	1882	1.064	29	1.305	28	1.080	28	0.174	62	0.163	62	41.8
COUNTRYWIDE FUNDING CORPORATIO	F+	F-	B	•	5287	4.06%	4560	0.678	53	1.028	12	0.705	45	0.580	50	0.557	54	42.8
VINEYARD NATIONAL BANK	F+	•	•	•	698	0.54%	598	0.522	60	1.328	32	0.520	58	0.882	33	0.764	38	44.2
CITIZENS NATIONAL MORTGAGE COR	F+	•	•	•	2214	1.70%	1787	1.015	33	1.324	30	1.004	33	0.006	63	0.007	63	44.4
IMPERIAL CREDIT INDUSTRIES	F	•	•	•	1582	1.22%	1252	0.680	52	1.322	29	0.663	50	0.586	49	0.636	46	45.2
WESTERN CITIES MORTGAGE CORPOR	F	F	C	D+	1725	1.33%	1540	0.841	42	1.963	58	0.813	41	0.654	42	0.665	45	45.6
FLEET MORTGAGE CORP.	F	•	•	•	1006	0.77%	918	1.043	31	1.593	52	1.050	30	0.273	60	0.242	60	46.6
WEYERHAEUSER MORTGAGE CO.	F	F	F	F	1070	0.82%	988	0.836	43	1.862	55	0.832	40	0.558	53	0.575	51	48.4
PROVIDENT SAVINGS BANK	F-	F-	•	•	1351	1.04%	1039	0.570	57	1.639	53	0.506	59	0.772	38	0.741	40	49.4
METROPOLITAN SERVICE CORP.	F-	•	•	•	687	0.53%	573	0.568	58	1.462	42	0.550	57	0.497	55	0.592	49	52.2
THE PRUDENTIAL HOME MORTGAGE C	F-	•	•	•	1679	1.29%	1267	0.386	63	1.100	14	0.391	63	0.236	61	0.211	61	52.4
GMAC MORTGAGE CORPORATION OF P	F-	F-	F-	C-	1279	0.98%	1132	0.694	49	2.154	60	0.652	51	0.529	54	0.571	52	53.2
FIRST FRANKLIN	F-	F+	•	•	735	0.56%	622	0.451	62	1.449	40	0.438	61	0.481	56	0.514	56	55.0

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SAN DIEGO MSA: GRADES AND RANKINGS

	GRADES: 1990-1993				1993 SCORES AND RANKS													
NAME	1993 Grade	1992 Grade	1991 Grade	1990 Grade	Total Applications	% Share of Applications	Total Approvals	Black/ Hispanic Marketing Score	Black/ Hispanic Marketing Rank	Black/ Hispanic Denial Score	Black/ Hispanic Denial Rank	Black/ Hispanic Approval Score	Black/ Hispanic Approval Rank	Low/Mod Income Marketing Score	Low/Mod Income Marketing Rank	Low/Mod Income Lending Score	Low/Mod Income Lending Rank	Overall Rank
LONG BEACH BANK	A+	•	•	•	1016	0.81%	504	2.433	1	1.042	7	2.579	1	2.750	1	3.210	1	2.2
QUALITY MORTGAGE USA	A+	A+	•	•	1346	1.08%	1133	2.014	2	0.946	3	2.215	2	1.684	6	1.856	3	3.2
GREAT WESTERN BANK	A+	A+	B+	A	5048	4.04%	3456	1.460	8	1.203	13	1.478	7	1.710	5	1.813	5	7.6
WORLD SAVINGS AND LOAN ASSOC.	A	A	C+	A+	1877	1.50%	1505	1.736	3	1.186	11	1.830	3	1.194	14	1.388	12	8.6
STATE BANK OF CHANHASSEN	A	•	B	C-	5228	4.19%	4158	1.165	13	1.158	10	1.229	13	1.343	10	1.490	9	11.0
AMERICAN SAVINGS BNK	A	A-	C	•	897	0.72%	637	1.520	7	1.715	38	1.322	9	2.087	2	2.081	2	11.6
GUILD MORTGAGE COMPANY	A-	A-	B-	•	2720	2.18%	2435	1.531	6	1.291	19	1.628	5	1.129	16	1.168	16	12.4
BANK OF AMERICA NT & SA	A-	B+	C-	D+	7656	6.13%	5200	1.229	12	1.446	26	1.121	16	1.823	4	1.742	6	12.8
AMERICAN CITY MORTGAGE CORP.	A-	•	•	•	643	0.51%	602	1.642	4	1.473	27	1.751	4	1.148	15	1.196	15	13.0
UNION BANK COMPLIANCE DEPT	B+	B-	A-	B+	1523	1.22%	1298	1.362	9	1.788	40	1.341	8	1.644	8	1.664	8	14.6
WESTERN FINANCIAL SAVINGS BANK	B+	C+	A	A+	1046	0.84%	838	1.239	11	1.433	24	1.239	12	0.914	20	0.978	20	17.4
DIRECTORS MORTGAGE LOAN CORP	B+	C-	C+	C+	4032	3.23%	3691	1.062	17	1.318	20	1.132	15	0.953	18	1.010	18	17.6
FIRST CALIFORNIA MORTGAGE CO	B	C+	A+	•	794	0.64%	430	1.113	16	0.933	2	1.274	11	0.730	32	0.845	28	17.8
WELLS FARGO BANK	B	B-	A	D	3701	2.96%	2330	1.159	15	1.575	32	0.933	24	1.597	9	1.462	10	18.0
BANK UNITED OF TEXAS FSB	B	C+	•	•	2225	1.78%	1951	1.572	5	1.693	36	1.600	6	0.886	22	0.888	23	18.4
EMPIRE OF AMERICA REALTY CREDI	B-	C	•	•	1005	0.80%	852	0.842	30	1.326	21	0.873	29	1.679	7	1.740	7	18.8
MISSION HILLS MORTGAGE CORP	B-	•	•	•	750	0.60%	601	0.869	26	0.981	4	0.952	21	0.852	23	0.925	22	19.2
CALIFORNIA MORTGAGE SERVICE	B-	D	•	•	1212	0.97%	1126	1.050	18	1.401	23	1.118	17	0.892	21	0.975	21	20.0
MISSION FEDERAL CREDIT UNION	C+	C-	•	B	808	0.65%	706	0.955	23	1.669	34	0.961	20	1.330	11	1.322	13	20.2
FIRST INTERSTATE BANK OF CALIF	C+	B	B-	B	785	0.63%	583	0.801	31	1.689	35	0.701	39	1.939	3	1.846	4	22.4
COLONIAL BANCORP	C+	B	•	•	1794	1.44%	1445	0.973	21	1.280	18	1.001	19	0.757	29	0.834	29	23.2
GENERAL AMERICAN FINANCIAL COR	C	•	•	•	647	0.52%	536	0.984	20	1.728	39	0.945	23	0.927	19	1.011	17	23.6
NATIONAL HOME MORTGAGE CORP.	C	•	•	•	3023	2.42%	2593	0.870	25	1.876	41	0.838	31	1.328	12	1.424	11	24.0
NAVY FEDERAL CREDIT UNION	C	D	D	C	1057	0.85%	1029	1.027	19	3.494	47	1.072	18	0.979	17	0.990	19	24.0
NORWEST MORTGAGE	C	D-	D	•	960	0.77%	866	0.726	36	1.364	22	0.764	35	1.215	13	1.300	14	24.0
IMPERIAL CREDIT INDUSTRIES	C-	•	•	•	2320	1.86%	2073	0.846	29	1.045	8	0.919	25	0.605	37	0.657	34	26.6
NORTH AMERICAN MORTGAGE CO	C-	D+	•	•	3460	2.77%	2968	0.864	27	1.445	25	0.884	27	0.777	27	0.848	27	26.6
WEYERHAEUSER MORTGAGE CO.	C-	•	D+	D+	967	0.77%	921	0.906	24	2.018	42	0.950	22	0.831	24	0.851	26	27.6
MICAL MORTGAGE	D+	B-	•	•	2119	1.70%	1839	1.308	10	1.698	37	1.316	10	0.295	45	0.260	45	29.4
MEDALLION MORTGAGE COMPANY	D+	C-	•	•	2756	2.21%	2442	0.660	38	1.214	14	0.703	38	0.737	30	0.791	30	30.0
GMAC MORTGAGE CORPORATION OF P	D+	D-	B+	C	947	0.76%	886	0.854	28	2.104	44	0.876	28	0.786	26	0.869	25	30.2
CITIZENS NATIONAL MORTGAGE COR	D	•	•	•	1800	1.44%	1515	1.161	14	1.516	30	1.171	14	0.088	47	0.099	47	30.4
EXPRESS AMERICA MORTGAGE CORP.	D	•	•	•	1478	1.18%	1281	0.628	39	0.708	1	0.715	37	0.526	39	0.573	38	30.8
FRONTLINE MORTGAGE COMPANY	D	•	F+	•	710	0.57%	524	0.770	34	1.231	15	0.780	34	0.622	36	0.639	36	31.0
FRANKLIN MORTGAGE CAPITAL	D-	•	•	•	988	0.79%	883	0.773	33	1.016	6	0.842	30	0.374	43	0.331	44	31.2
HEADLANDS MORTGAGE COMPANY	D-	•	•	•	1153	0.92%	904	0.539	42	1.005	5	0.588	41	0.652	35	0.631	37	32.0
HAMILTON FINANCIAL CORPORATION	D-	•	•	•	1423	1.14%	1269	0.774	32	1.603	33	0.792	32	0.704	33	0.764	32	32.4
COUNTRYWIDE FUNDING CORPORATIO	F+	F-	C-	•	9231	7.39%	7990	0.550	41	1.190	12	0.584	42	0.653	34	0.648	35	32.8
GN MORTGAGE	F+	•		•	681	0.55%	497	0.495	44	1.254	17	0.493	44	0.765	28	0.774	31	32.8
DOLLAR MORTGAGE CORPORATION	F+	•	•	•	641	0.51%	519	0.759	35	1.242	16	0.787	33	0.432	42	0.481	42	33.6
SAN DIEGO FUNDING	F+	•	•	•	2256	1.81%	2220	0.677	37	3.353	46	0.718	36	0.812	25	0.880	24	33.6
CAL COAST MORTGAGE CORPORATION	F	•	•	•	1602	1.28%	1409	0.972	22	2.472	45	0.905	26	0.514	40	0.536	39	34.4
AMERICAN RESIDENTIAL MORTGAGE	F	F-	F+	•	3174	2.54%	2886	0.578	40	1.494	28	0.603	40	0.534	38	0.533	40	37.2
THE PRUDENTIAL HOME MORTGAGE C	F-	•	•	•	4197	3.36%	3456	0.294	47	1.139	9	0.312	47	0.214	46	0.219	46	39.0
FIRST FRANKLIN	F-	F+	•	•	1436	1.15%	1257	0.485	45	1.515	29	0.494	43	0.464	41	0.482	41	39.8
FLAGSHIP FEDERAL SAVINGS BANK	F-	F	•	•	752	0.60%	654	0.478	46	2.047	43	0.450	46	0.736	31	0.676	33	39.8
PROVIDENT SAVINGS BANK	F-	F	•	•	1014	0.81%	755	0.510	43	1.528	31	0.466	45	0.338	44	0.396	43	41.2

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ST. LOUIS MSA: GRADES AND RANKINGS

LENDER	GRADES: 1990-1993 1993 Grade	1992 Grade	1991 Grade	1990 Grade	1993 SCORES AND RANKS Total Applications	% Share of Applications	Total Approvals	Black/ Hispanic Marketing Score	Black/ Hispanic Marketing Rank	Black/ Hispanic Denial Score	Black/ Hispanic Denial Rank	Black/ Hispanic Approval Score	Black/ Hispanic Approval Rank	Low/Mod Income Marketing Score	Low/Mod Income Marketing Rank	Low/Mod Income Lending Score	Low/Mod Income Lending Rank	Overall Rank
UMB OF ST. LOUIS	A+	A+	A+	A	1584	1.21%	1258	3.592	1	2.189	10	3.606	1	1.992	2	2.004	2	3.2
BOATMEN S NATIONAL BANK OF ST	A+	A-	F+	•	4100	3.13%	3005	2.982	3	2.367	13	2.564	4	1.668	4	1.484	8	6.4
RESIDENTIAL FINANCIAL SERVICES	A+	•	C	D	1204	0.92%	1107	2.603	5	2.441	15	2.875	3	1.493	8	1.614	6	7.4
HOME BANK	A	A+	A+	A-	1397	1.07%	1121	1.691	8	2.590	18	1.465	9	1.815	3	1.788	3	8.2
PARAMOUNT BOND & MORTGAGE	A	•	•	•	660	0.50%	547	3.160	2	3.076	24	3.002	2	1.581	6	1.533	7	8.2
GREEN TREE FINANCIAL CORP	A	A+	A+	•	2082	1.59%	1225	0.932	18	1.348	6	0.870	19	2.891	1	3.087	1	9.0
MAGNA BANK OF MISSOURI	A-	A	A	B-	1094	0.83%	807	2.777	4	3.095	26	2.035	6	1.387	9	1.298	12	11.4
FOA -MORTGAGE COMP	A-	•	•	•	3039	2.32%	2740	1.154	12	2.941	22	1.156	13	1.568	7	1.695	5	11.8
PULASKI BANK	A-	A	A-	A	1006	0.77%	863	1.857	7	3.639	36	1.635	8	1.658	5	1.702	4	12.0
MIDWESTERN MORTGAGE CONSULTANT	B+	•	•	•	657	0.50%	621	1.284	10	2.396	14	1.438	10	1.174	18	1.282	15	13.4
INLAND MORTGAGE CORPORATION	B+	B+	B-	•	1234	0.94%	1139	0.537	30	1.191	5	0.632	27	1.291	11	1.419	10	16.6
NORWEST MORTGAGE	B+	B	D+	D+	2245	1.71%	2073	0.644	26	2.734	21	0.674	24	1.387	9	1.447	9	17.8
FIRST FINANCIAL BANK	B+	B-	B	C+	2134	1.63%	1925	0.729	22	2.504	16	0.748	21	1.196	17	1.211	18	18.8
DELMAR FINANCIAL COMPANY	B	A	C	B+	3771	2.88%	3494	1.582	9	1.715	9	1.805	7	0.669	34	0.693	37	19.2
MERCANTILE BANK OF ST. LOUIS	B	B-	B	D+	3176	2.42%	2857	1.256	11	4.978	46	1.079	14	1.206	14	1.224	17	20.4
CITIZENS NATL BANK GR.ST.LOUIS	B	C-	B+	B	831	0.63%	729	1.103	14	3.576	35	0.968	16	1.145	19	1.151	19	20.6
MARK TWAIN BANK	B-	•	D-	F-	2586	1.97%	2443	1.077	15	2.593	20	1.191	12	0.794	29	0.844	29	21.0
PNC MORTGAGE CORP. OF AMERICA	B-	•	•	•	1487	1.13%	1388	0.973	17	6.230	48	0.882	18	1.266	12	1.376	11	21.2
MAGNUM MORTGAGE COMPANY	B-	B-	A-	B+	1794	1.37%	1701	0.860	19	3.342	32	0.923	17	1.035	22	1.131	21	22.2
FLEET MORTGAGE CORP.	C+	D	•	A-	2731	2.08%	2611	1.130	13	3.081	25	1.252	11	0.709	32	0.750	31	22.4
TOWN & COUNTRY MORTGAGE COMPAN	C+	•	•	•	980	0.75%	924	1.058	16	6.237	49	1.013	15	1.197	16	1.257	16	22.4
ROOSEVELT BANK A FEDERAL SV BK	C+	D+	D	B	1186	0.91%	1083	0.803	20	4.732	45	0.705	22	1.223	13	1.295	13	22.6
EQUALITY MORTGAGE CORPORATION	C	A-	A	A+	2207	1.68%	2049	0.655	25	4.076	40	0.633	26	1.198	15	1.286	14	24.0
JEFFERSON SAVINGS & LOAN ASSN.	C	•	•	•	1012	0.77%	943	0.345	37	1.012	4	0.412	35	0.977	23	1.055	23	24.4
FIRST BANK A SAVINGS BANK	C	B	C-	C+	3521	2.69%	3332	0.572	28	2.245	11	0.640	25	0.680	33	0.735	33	26.0
BOATMEN S MORTGAGE CORPORATION	C	F+	D	D-	4019	3.07%	3636	0.675	24	3.837	37	0.610	28	0.959	24	0.962	24	27.4
SECURITY FINANCIAL & MORT. CO	C-	C	C+	C	2580	1.97%	2401	0.738	21	4.699	44	0.696	23	0.921	25	0.949	25	27.6
GERSHMAN INVESTMENT CORP	C-	D+	•	A	12088	9.23%	12034	1.858	6	3.229	30	2.206	5	0.276	49	0.304	49	27.8
COMMERCE MORTGAGE CORP.	C-	C	D-	D	1618	1.23%	1440	0.641	27	4.675	43	0.490	31	1.114	20	1.135	20	28.2
PRINCIPAL MUTUAL LIFE INS CO	D+	•	•	•	1074	0.82%	1023	0.258	40	0.914	3	0.310	39	0.726	31	0.820	30	28.6
FARM & HOME SAVINGS ASSOCIATIO	D+	•	•	•	950	0.73%	912	0.330	38	0.000	1	0.411	36	0.640	37	0.701	35	29.4
GMAC MORTGAGE CORPORATION OF P	D+	F	F	D-	1891	1.44%	1845	0.440	33	2.515	17	0.507	30	0.654	35	0.737	32	29.4
CENTRAL BANK	D	C-	F-	B+	1578	1.20%	1474	0.191	43	3.137	27	0.195	44	1.062	21	1.100	22	31.4
UNITED POSTAL SAVINGS	D	F	•	•	7071	5.40%	6854	0.544	29	6.012	47	0.569	29	0.855	27	0.925	26	31.6
SOURCE ONE MORTGAGE	D	D	F-	•	2002	1.53%	1927	0.403	35	4.443	42	0.426	34	0.798	28	0.866	28	33.4
HOUSEHOLD BANK	D-	•	•	•	1360	1.04%	1202	0.222	41	1.387	7	0.252	41	0.616	39	0.583	42	34.0
UNITED MORTGAGE CORPORATION	D-	•	•	•	1105	0.84%	1093	0.676	23	3.365	33	0.791	20	0.277	48	0.317	48	34.4
LEMAY BANK & TRUST COMPANY	D-	F-	C	F	908	0.69%	839	0.119	49	2.982	23	0.120	49	0.872	26	0.892	27	34.8
KNUTSON MORTGAGE CORPORATION	D-	D-	F	•	925	0.71%	887	0.430	34	3.180	28	0.471	33	0.584	42	0.636	40	35.4
THE BANK OF EDWARDSVILLE	D-	•	•	C-	936	0.71%	846	0.219	42	3.180	28	0.204	43	0.770	30	0.734	34	35.4
COUNTRYWIDE FUNDING CORPORATIO	F+	D-	•	•	1020	0.78%	964	0.355	36	3.235	31	0.374	37	0.637	38	0.659	38	36.0
CRESTAR MORTGAGE CORPORATION	F+	•	•	•	957	0.73%	935	0.176	45	0.000	1	0.216	42	0.403	47	0.446	46	36.2
AMERICAN RESIDENTIAL MORTGAGE	F	•	•	•	1058	0.81%	945	0.536	31	3.548	34	0.472	32	0.539	43	0.537	43	36.6
HOME FEDERAL SAVINGS BANK OF M	F	F	F-	F	3051	2.33%	2910	0.134	47	2.591	19	0.148	47	0.651	36	0.697	36	37.0
THE COLONIAL BANK	F	F-	F-	•	1255	0.96%	1205	0.144	46	1.687	8	0.167	45	0.448	44	0.499	44	37.4
CITIBANK F.S.B.	F-	•		•	681	0.52%	589	0.478	32	3.986	38	0.342	38	0.609	40	0.620	41	37.8
MIDLAND FINANCIAL MORTGAGES	F-	•	•	•	1388	1.06%	1308	0.130	48	2.347	12	0.143	48	0.405	46	0.428	47	40.2
REPUBLIC BANK	F-	•	•	•	2486	1.90%	2322	0.272	39	4.050	39	0.261	40	0.447	45	0.461	45	41.6
JAMES B. NUTTER & COMPANY	F-	F-	C-	•	1006	0.77%	920	0.180	44	4.078	41	0.157	46	0.608	41	0.644	39	42.2

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TAMPA MSA: GRADES AND RANKINGS

Name	GRADES: 1990-1993 1993 Grade	1992 Grade	1991 Grade	1990 Grade	1993 SCORES AND RANKS Total Applications	% Share of Applications	Total Approvals	Black/ Hispanic Marketing Score	Black/ Hispanic Marketing Rank	Black/ Hispanic Denial Score	Black/ Hispanic Denial Rank	Black/ Hispanic Approval Score	Black/ Hispanic Approval Rank	Low/Mod Income Marketing Score	Low/Mod Income Marketing Rank	Low/Mod Income Lending Score	Low/Mod Income Lending Rank	Overall Rank
FLEET FINANCE	A+	•	•	•	770	0.88%	458	2.484	2	1.092	7	2.668	2	1.698	4	1.737	5	4.0
GREEN TREE FINANCIAL CORP	A+	A+	•	•	1798	2.06%	1137	1.576	7	1.138	8	1.658	7	2.035	1	2.001	1	4.8
BARNETT BANK OF TAMPA	A+	B	B	A-	3065	3.52%	2463	2.049	3	1.717	22	2.016	4	1.151	15	1.058	21	13.0
SUN BANK OF TAMPA BAY	A	A-	B+	A-	1652	1.90%	1278	1.541	8	1.818	25	1.414	9	1.259	10	1.227	14	13.2
NATIONSBANK OF FLORIDA	A	A	•	•	4319	4.96%	3153	1.062	19	1.775	24	0.907	24	1.879	2	1.988	2	14.2
SUNCOAST SCHOOLS FEDERAL CU	A	B+	A	A+	1505	1.73%	1443	2.503	1	1.981	32	2.748	1	1.038	22	1.087	19	15.0
BANK UNITED OF TEXAS FSB	A	•	•	•	492	0.56%	431	0.913	22	1.267	11	0.995	22	1.173	13	1.274	11	15.8
GLENDALE FEDERAL BANK	A-	B	D-	F+	1039	1.19%	787	1.098	16	1.481	14	1.074	18	1.115	18	1.171	15	16.2
BARNETT BANK OF THE SUNCOAST	A-	B+	B-	•	881	1.01%	715	0.693	35	1.327	12	0.727	31	1.860	3	1.887	3	16.8
FUNB OF FLORIDA	A-	•	•	•	3775	4.33%	3140	1.086	17	1.990	33	1.023	21	1.592	8	1.609	8	17.4
S & L FINANCIAL	A-	•	•	•	1501	1.72%	1394	1.136	14	1.974	31	1.203	14	1.117	17	1.158	16	18.4
GREAT WESTERN BANK	B+	B-	C-	F+	1730	1.99%	1394	0.866	25	1.523	18	0.867	25	1.163	14	1.265	12	18.8
NORWEST MORTGAGE	B+	B+	C	C	1149	1.32%	1064	1.865	5	2.543	42	1.931	5	0.905	24	0.897	25	20.2
CTX MORTGAGE COMPANY	B+	B+	B	A	1437	1.65%	1358	1.988	4	2.092	36	2.145	3	0.691	33	0.744	32	21.6
MOLTON	B	C	•	•	598	0.69%	486	1.252	11	1.675	20	1.231	13	0.760	31	0.689	35	22.0
RYLAND MORTGAGE COMPANY	B	C+	•	•	790	0.91%	755	1.327	10	1.920	29	1.446	8	0.747	32	0.801	31	22.0
CROSSLAND MORTGAGE CORP.	B	B-	C-	•	2687	3.08%	2421	1.042	21	1.676	21	1.101	17	0.828	28	0.880	27	22.8
ICM MORTGAGE CORPORATION	B	A	A-	•	885	1.02%	802	1.666	6	2.549	43	1.670	6	0.801	30	0.830	30	23.0
ONE MORTGAGE CORPORATION	B-	D	C+	D+	689	0.79%	643	1.053	20	1.490	16	1.153	15	0.678	34	0.716	34	23.8
PRINCETON FINANCIAL CORP.	B-	C	C	A+	628	0.72%	579	1.247	12	2.671	44	1.257	11	0.858	27	0.884	26	24.0
NVR MORTAGE	B-	•	F+	D+	613	0.70%	499	0.545	41	0.732	2	0.651	36	1.053	21	1.026	23	24.6
MARKET STREET MORTGAGE CORP.	B-	C+	B-	C+	1649	1.89%	1518	1.369	9	2.918	47	1.362	10	0.824	29	0.849	29	24.8
NATIONSBANC MORTGAGE CORP	C+	A-	D-	•	2926	3.36%	2697	1.075	18	3.220	49	1.041	19	1.055	20	1.073	20	25.2
BARNETT BANK OF PASCO COUNTY	C+	B-	C	C-	1572	1.80%	1250	0.227	55	1.266	10	0.239	55	1.644	5	1.642	7	26.4
THE HUNTINGTON MORTGAGE CO	C+	•	•	•	1156	1.33%	1074	0.718	32	1.856	26	0.763	29	0.944	23	1.031	22	26.4
WORLD SAVINGS AND LOAN ASSOC.	C+	C-	•	•	453	0.52%	345	0.687	37	1.434	13	0.678	35	0.890	25	0.985	24	26.8
FLORIDA HOMELOAN CORPORATION	C	•	•	•	647	0.74%	597	0.534	42	2.285	39	0.544	42	1.601	7	1.723	6	27.2
COMMUNITY FIRST BANK	C	F+	D	•	753	0.86%	684	0.903	23	0.919	4	1.026	20	0.479	45	0.476	45	27.4
REPUBLIC BANCORP MORTGAGE INC.	C	•	•	•	789	0.91%	708	1.241	13	2.200	38	1.249	12	0.613	37	0.664	37	27.4
SUN BANK AND TRUST COMPANY	C-	D	C	•	1012	1.16%	921	0.376	53	1.725	23	0.395	52	1.636	6	1.738	4	27.6
EMPIRE OF AMERICA REALTY CREDI	C-	D+	D	•	928	1.06%	774	0.732	31	0.914	3	0.840	26	0.540	41	0.601	40	28.2
BARNETT BANK OF PINELLAS CTY	C-	D-	F	F	3340	3.83%	3107	0.714	34	3.328	52	0.690	34	1.183	12	1.230	13	29.0
NORTH AMERICAN MORTGAGE CO	C-	•	•	•	535	0.61%	463	0.689	36	1.173	9	0.758	30	0.611	38	0.673	36	29.8
STATE BANK OF CHANHASSEN	C-	•	C+	B	2188	2.51%	1641	0.437	47	1.893	28	0.357	53	1.203	11	1.285	10	29.8
SOUTHTRUST BANK OF WEST FLA	D+	•	•	•	450	0.52%	386	0.768	27	3.231	50	0.606	40	1.141	16	1.097	18	30.2
PNC MORTGAGE CORP. OF AMERICA	D+	•	•	•	1351	1.55%	1235	0.733	30	2.881	45	0.705	32	0.864	26	0.874	28	32.2
SUN BANK OF PASCO COUNTY	D+	C-	C+	D+	684	0.78%	515	0.337	54	2.088	35	0.252	54	1.551	9	1.608	9	32.2
BARCLAYS AMERICAN MORTGAGE COR	D	C-	D+	D-	903	1.04%	842	1.136	14	3.534	54	1.112	16	0.597	39	0.602	39	32.4
FORTUNE BANK A SAVINGS BANK	D	D+	D	F+	3384	3.88%	3049	0.436	48	2.502	41	0.418	49	1.062	19	1.158	16	34.6
LINCOLN SERVICE CORPORATION	D	F-	F-	•	450	0.52%	366	0.461	46	1.519	17	0.462	47	0.641	36	0.661	38	36.8
PRINCIPAL MUTUAL LIFE INS CO	D	F	F+	C-	983	1.13%	904	0.563	39	1.039	6	0.633	37	0.371	52	0.371	52	37.2
WEYERHAEUSER MORTGAGE CO.	D-	D+	D+	B-	531	0.61%	517	0.868	24	3.348	53	0.930	23	0.488	44	0.540	43	37.4
COUNTRYWIDE FUNDING CORPORATIO	D-	F-	•	•	2528	2.90%	2195	0.474	45	0.947	5	0.539	43	0.455	46	0.392	49	37.6
CHASE HOME MORTGAGE CORP.	D-	•	•	•	455	0.52%	349	0.785	26	2.081	34	0.633	37	0.429	48	0.413	47	38.4
FIRST UNION MORT. CORP.	F+	D-	F-	F-	738	0.85%	704	0.546	40	1.944	30	0.591	41	0.529	42	0.549	41	38.8
AMERICAN HOME FUNDING	F+	F+	A-	C+	555	0.64%	506	0.747	29	3.244	51	0.694	33	0.566	40	0.543	42	39.0
HORIZON SAVINGS BANK	F+	•	•	•	564	0.65%	540	0.715	33	2.159	37	0.770	28	0.399	50	0.396	48	39.2
BANCBOSTON MORTGAGE CORP.	F	D	F	B+	619	0.71%	584	0.763	28	2.917	46	0.779	27	0.425	49	0.390	50	40.0
SOURCE ONE MORTGAGE	F	D-	D-	•	1683	1.93%	1613	0.602	38	3.750	55	0.613	39	0.676	35	0.718	33	40.0
SUNCOAST SAVINGS & LOAN ASSOC.	F	•	•	•	479	0.55%	383	0.385	52	0.616	1	0.475	46	0.372	51	0.207	54	40.8
THE PRUDENTIAL HOME MORTGAGE C	F	F-	•	•	958	1.10%	770	0.421	50	1.482	15	0.422	48	0.430	47	0.459	46	41.2
MARGARETTEN & COMPANY	F	F+	F-	F	1665	1.91%	1533	0.526	43	2.481	40	0.526	44	0.502	43	0.504	44	42.8
CARL I. BROWN AND COMPANY	F-	•	•	•	1094	1.26%	887	0.495	44	1.616	19	0.484	45	0.109	55	0.115	55	43.6
GREENTREE MORTGAGE COMPANY LP	F-	•	D-	F	770	0.88%	623	0.434	49	1.865	27	0.397	51	0.237	54	0.239	53	46.8
SOUTHTRUST MORTGAGE CORP.	F-	•	•	•	470	0.54%	450	0.392	51	3.153	48	0.404	50	0.352	53	0.383	51	50.6
TMC MORTGAGE CO.	F-	•	•	•	688	0.79%	640	0.167	56	4.520	56	0.142	56	0.105	56	0.080	56	56.0

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WASHINGTON DC MSA: GRADES AND RANKINGS

LENDER	GRADES: 1990-1993				1993 SCORES AND RANKINGS													
	1993 Grade	1992 Grade	1991 Grade	1990 Grade	Total Applications	% Share of Applications	Total Approvals	Black/ Hispanic Marketing Score	Black/ Hispanic Marketing Rank	Black/ Hispanic Denial Score	Black/ Hispanic Denial Rank	Black/ Hispanic Approval Score	Black/ Hispanic Approval Rank	Low/Mod Income Marketing Score	Low/Mod Income Marketing Rank	Low/Mod Income Lending Score	Low/Mod Income Lending Rank	Overall Rank
FIRST SECURITY FSB	A+	A+	•	•	3382	1.44%	3152	2.132	2	1.729	3	2.278	1	1.294	7	1.329	8	4.2
1ST WASHINGTON MORTGAGE CORP.	A+	A	A	B	2564	1.09%	2401	1.989	4	2.581	24	2.081	3	1.278	9	1.346	7	9.4
ICM MORTGAGE CORPORATION	A+	A	A+	•	1663	0.71%	1539	1.799	5	4.049	42	1.800	6	1.747	2	1.741	2	11.4
NORTH AMERICAN MORTGAGE CO	A	B+	•	•	8241	3.52%	7905	1.149	14	2.033	8	1.225	12	1.178	14	1.218	12	12.0
MARGARETTEN & COMPANY	A	A-	D+	A+	6946	2.97%	6284	2.251	1	5.420	52	2.204	2	1.698	3	1.693	3	12.2
AHMANSON MORTGAGE COMPANY	A	•	B-	D+	1236	0.53%	801	1.463	8	1.766	5	1.182	14	1.106	17	1.053	21	13.0
FIRST NATIONAL MORTGAGE CORP	A	B	C	D	3297	1.41%	3170	1.278	12	2.375	19	1.356	10	1.117	16	1.134	15	14.4
AMERICAN RESIDENTIAL MORTGAGE	A-	A-	A	•	1811	0.77%	1638	1.041	16	2.256	14	1.041	19	1.185	13	1.187	14	15.2
RIGGS NATIONAL BANK OF WASH	A-	•	•	•	2771	1.18%	2262	2.117	3	3.516	38	1.877	4	1.191	12	1.080	19	15.2
COLUMBIA NATIONAL	A-	•	•	•	3190	1.36%	3103	1.731	6	2.275	16	1.865	5	0.994	25	1.018	25	15.4
MARYLAND NATIONAL MORTGAGE	A-	B+	A-	A	3326	1.42%	3030	1.050	15	2.274	15	1.056	17	1.100	18	1.119	16	16.2
FIRST CALIFORNIA MORTGAGE CO	B+	•	•	•	3720	1.59%	3603	0.892	23	3.173	34	0.935	24	2.341	1	2.430	1	16.6
COLONIAL SAVINGS	B+	A	B+	B	1874	0.80%	1802	1.317	11	7.490	54	1.327	11	1.320	5	1.358	5	17.2
FIRST VIRGINIA MORTGAGE COMPAN	B+	B	A-	A+	1555	0.66%	1465	1.408	10	2.053	10	1.485	8	0.874	30	0.868	30	17.6
JAMES MADISON MORTGAGE COMPANY	B	C	•	A-	5664	2.42%	5489	1.021	18	2.715	30	1.082	16	1.146	15	1.190	13	18.4
NORWEST MORTGAGE	B	C+	B-	A-	5670	2.42%	5537	0.994	20	4.099	43	1.046	18	1.318	6	1.352	6	18.6
AMERIBANC SAVINGS BANK FSB	B	B-	F+	C-	2314	0.99%	2292	1.023	17	4.012	41	1.106	15	1.218	11	1.264	11	19.0
FIRST FIDELITY MORTGAGE CORP.	B	•	•	•	1223	0.52%	1165	0.822	30	2.807	32	0.847	28	1.497	4	1.552	4	19.6
COLUMBIA FIRST	B-	C-	D-	C	2584	1.10%	2374	1.179	13	1.896	6	1.224	13	0.818	33	0.802	34	19.8
UFSB OF INDIANAPOLIS	B-	C	C	B+	4120	1.76%	3871	1.422	9	4.224	44	1.422	9	1.082	20	1.094	18	20.0
MARYLAND FEDERAL S&L ASSOC.	B-	B	D+	C+	2095	0.89%	1895	0.843	28	2.354	18	0.831	30	1.088	19	1.103	17	22.4
ATLANTIC COAST MORTGAGE CO.	C+	C+	C+	D+	3548	1.51%	3230	0.503	46	1.693	2	0.520	46	1.232	10	1.268	10	22.8
CARL I. BROWN AND COMPANY	C+	•	•	•	1802	0.77%	1394	1.614	7	1.159	1	1.715	7	0.497	50	0.540	49	22.8
PNC MORTGAGE CORP. OF AMERICA	C+	•	•	•	2972	1.27%	2835	0.871	27	2.158	11	0.917	25	0.997	24	1.003	27	22.8
AMERICAN HOME FUNDING	C+	C	B+	C+	5917	2.53%	5747	0.733	34	3.136	33	0.769	34	1.279	8	1.307	9	23.6
NATIONAL CITY MORTGAGE CO.	C	B	B-	•	1833	0.78%	1638	0.886	25	2.601	26	0.845	29	1.073	21	1.068	20	24.2
CRESTAR MORTGAGE CORPORATION	C	D-	D	B+	4765	2.03%	4648	0.889	24	3.431	37	0.939	23	1.032	22	1.052	22	25.6
B.F.SAUL MORTGAGE COMPANY	C	D	F	•	6575	2.81%	6296	0.753	32	2.401	20	0.788	32	0.992	27	1.028	24	27.0
TEMPLE-INLAND MORTGAGE CO.	C	B-	•	•	1907	0.81%	1818	0.920	21	2.255	13	0.967	21	0.719	40	0.720	42	27.4
DEVELOPERS MORTGAGE CORP	C-	D	B	F+	1770	0.76%	1746	0.696	40	2.517	21	0.752	36	1.007	23	1.040	23	28.6
NATIONSBANC MORTGAGE CORP	C-	F+	F-	•	8024	3.43%	7607	1.002	19	5.623	53	0.969	20	0.892	29	0.876	29	30.0
INLAND MORTGAGE CORPORATION	C-	A-	A-	A	2669	1.14%	2539	0.740	33	2.299	17	0.772	33	0.779	35	0.786	35	30.6
NVR MORTAGE	C-	C-	D	F	3833	1.64%	3650	0.910	22	4.599	49	0.900	26	0.853	31	0.857	31	31.8
FIRST UNION MORT. CORP.	D+	C+	D-	C	3792	1.62%	3614	0.758	31	2.050	9	0.799	31	0.660	46	0.676	45	32.4
ATLANTIC RESIDENTIAL MORTGAGE	D+	F	F+	D+	3047	1.30%	2913	0.601	44	3.267	36	0.610	42	0.994	25	1.013	26	34.6
RYLAND MORTGAGE COMPANY	D+	D-	•	D+	4662	1.99%	4500	0.726	35	2.682	29	0.762	35	0.713	41	0.753	38	35.6
FIRST SAVINGS MORTGAGE CORPORA	D	•	•	•	2011	0.86%	1959	0.843	28	4.803	51	0.874	27	0.749	37	0.766	36	35.8
SIGNET MORTGAGE CORPORATION	D	C-	D-	•	2478	1.06%	2262	0.720	36	4.531	48	0.627	41	0.926	28	0.913	28	36.2
JHM MORTGAGE SERVICES CORP	D	•	•	•	2429	1.04%	2393	0.884	26	3.238	35	0.950	22	0.451	52	0.453	51	37.2
PRESIDENTIAL SAVINGS BANK	D	•	•	•	2005	0.86%	1961	0.469	49	2.598	25	0.500	47	0.795	34	0.822	33	37.6
CITIBANK F.S.B.	D-	F	D-	C-	3032	1.29%	2538	0.704	38	2.522	22	0.602	43	0.712	42	0.629	46	38.2
HOUSEHOLD BANK	D-	F-	•	•	2562	1.09%	2281	0.608	43	2.537	23	0.570	44	0.735	39	0.710	43	38.4
BRINER	D-	•	•	•	1455	0.62%	1444	0.319	54	1.765	4	0.348	54	0.703	43	0.731	41	39.2
THE HUNTINGTON MORTGAGE CO	D-	D-	•	D-	1714	0.73%	1658	0.663	41	4.430	47	0.674	38	0.770	36	0.757	37	39.8
CHASE HOME MORTGAGE CORP.	F+	F-	F	F	1937	0.83%	1726	0.565	45	2.026	7	0.556	45	0.458	51	0.421	52	40.0
COUNTRYWIDE FUNDING CORPORATIO	F+	F-	•	•	2687	1.15%	2516	0.642	42	2.777	31	0.641	40	0.589	47	0.563	48	41.6
NAVY FEDERAL CREDIT UNION	F+	F-	F-	F	5511	2.35%	5430	0.701	39	10.897	55	0.723	37	0.746	38	0.742	39	41.6
CTX MORTGAGE COMPANY	F	F-	•	•	1941	0.83%	1872	0.441	50	4.742	50	0.436	50	0.824	32	0.835	32	42.8
MELLON BANK (MD)	F	F+	•	•	1898	0.81%	1740	0.705	37	3.861	39	0.642	39	0.520	49	0.482	50	42.8
FRANKLIN MORTGAGE CAPITAL	F	•	•	•	3992	1.70%	3789	0.408	51	2.634	28	0.415	51	0.696	45	0.705	44	43.8
SOURCE ONE MORTGAGE	F	F-	•	•	1228	0.52%	1182	0.499	47	4.303	46	0.497	48	0.703	44	0.735	40	45.0
THE PRUDENTIAL HOME MORTGAGE C	F-	F	•	•	5328	2.27%	4757	0.403	52	2.209	12	0.387	52	0.261	55	0.251	55	45.2
BANCBOSTON MORTGAGE CORP.	F-	•	•	•	1916	0.82%	1841	0.366	53	2.619	27	0.380	53	0.582	48	0.591	47	45.6
GE CAPITAL MORTGAGE SERVICES	F-	C-	•	D	3373	1.44%	3236	0.474	48	4.269	45	0.468	49	0.302	54	0.289	54	50.0
TMC MORTGAGE CO.	F-	•	•	•	2327	0.99%	2268	0.138	55	3.897	40	0.141	55	0.393	53	0.394	53	51.2

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SECTION V:

AGGREGATE MSA DATA

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SECTION V

AGGREGATE MSA DATA

This section contains data on the characteristics of each MSA and the mortgage lending industry. Below is an explanation of the eight tables:

Table V. A: This provides a list of the median income figures for each MSA for the four year period.

Table V. B: The population for each MSA is included in this table. The data is based on 1990 Census data.

Table V. C: This table shows the percentage of all applications in the MSA received by lenders in the study (institutions with .5% or more of all applications).

Table V. D: The number of applications in each MSA.

Table V. E and F: These tables list the rate of change in application and approval rates for minorities in each MSA and compares 1993 minority percentages to Census data.

Table V. G and H: Low- and moderate-income approval and application rates are listed by each MSA, including the rate of change from 1990 to 1993, and between 1992 and 1993.

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TABLE V. A MEDIAN INCOME BY MSA

MSA	MSA FIPS Code	1990 Median Family Income	80% Median Family Income	1991 Median Family Income	80% Median Family Income	1992 Median Family Income	80% Median Family Income	1993 Median Family Income	80% Median Family Income
Anaheim-Santa Ana	0360	51,200	40,960	52,200	41,760	52,700	42,160	56,500	45,200
Atlanta	0520	41,600	33,280	44,100	35,280	44,400	35,520	46,500	37,200
Baltimore	0720	42,200	33,760	43,500	34,800	44,100	35,280	47,200	37,760
Boston	1120	49,300	39,440	50,200	40,160	51,100	40,880	51,200	40,960
Chicago	1600	41,800	33,440	46,900	37,520	48,400	38,720	47,600	38,080
Dallas	1920	39,500	31,600	43,900	35,120	45,000	36,000	45,500	36,400
Detroit	2160	41,000	32,800	44,600	35,680	45,100	36,080	46,700	37,360
Houston	3360	36,900	29,520	42,400	33,920	42,400	33,920	42,500	34,000
Los Angeles -- Long Beach	4480	39,000	31,200	42,000	33,600	42,300	33,840	43,000	34,400
Minneapolis -- St. Paul	5120	43,300	34,640	48,000	38,400	51,000	40,800	49,600	39,680
Nassau -- Suffolk	5380	56,600	45,280	54,500	43,600	55,000	44,000	63,100	50,480
New York	5600	37,500	30,000	40,500	32,400	41,100	32,880	41,700	33,360
Oakland	5775	47,500	38,000	46,800	37,440	46,800	37,440	52,400	41,920
Phoenix	6200	36,100	28,880	35,500	28,400	37,300	29,840	41,600	33,280
Philadelphia	6160	42,000	33,600	41,200	32,960	41,400	33,120	46,600	37,280
Riverside -- San Bernardino	6780	37,300	29,840	36,000	28,800	36,000	28,800	41,100	32,880
San Diego	7320	39,800	31,840	41,300	33,040	41,300	33,040	43,900	35,120
St. Louis	7040	38,100	30,480	39,200	31,360	41,200	32,960	43,700	34,960
Tampa -- St. Petersburg -- Clearwater	8280	31,200	24,960	33,800	27,040	33,800	27,040	34,900	27,920
Washington D.C.	8840	59,100	47,280	57,300	45,840	59,200	47,360	60,600	48,480

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TABLE V. B POPULATION BY MSA*

MSA	MSA FIPS Code	Total Population	White Population	Black/ Hispanic Population	% Black/Hisp Minority
Anaheim-Santa Ana	0360	2,410,556	1,894,593	382,773	15.88%
Atlanta	0520	2,833,511	2,020,017	768,485	27.12%
Baltimore	0720	2,382,172	1,709,309	634,335	26.63%
Boston	1120	2,870,699	2,499,859	270,508	9.42%
Chicago	1600	6,069,974	4,098,747	1,648,900	27.16%
Dallas	1920	2,553,362	1,854,577	561,607	21.99%
Detroit	2160	4,382,299	3,332,697	992,686	22.65%
Houston	3360	3,301,937	2,188,370	936,164	28.35%
Los Angeles -- Long Beach	4480	8,863,164	5,035,103	2,409,227	27.18%
Minneapolis -- St. Paul	5120	2,464,124	2,270,360	109,967	4.46%
Nassau -- Suffolk	5380	2,609,212	2,305,434	304,804	11.68%
New York	5600	8,546,846	4,826,081	2,980,342	48.70%
Oakland	5775	2,092,914	1,372,818	436,481	20.96%
Phoenix	6200	2,122,101	1,799,420	236,601	11.15%
Philadelphia	6160	4,856,881	3,717,175	990,952	20.40%
Riverside -- San Bernardino	6780	2,588,793	1,930,095	492,367	19.02%
San Diego	7320	2,498,016	1,872,256	398,281	15.94%
St. Louis	7040	2,444,099	1,985,500	441,258	18.05%
Tampa -- St. Petersburg -- Clearwa	8280	2,067,959	1,827,492	293,718	14.20%
Washington D.C.	8840	3,923,574	2,577,933	1,160,734	29.58%

** Data based on 1990 Census*

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TABLE V. C **AGGREGATE % OF APPLICATIONS RECEIVED BY LENDERS IN EACH MSA**

MSA	MSA FIPS Code	1993 Market Share	1992 Market Share	1991 Market Share	1990 Market Share
Anaheim-Santa Ana	0360	73.37%	81.40%	82.00%	84.84%
Atlanta	0520	79.94%	84.31%	81.55%	78.15%
Baltimore	0720	75.78%	77.18%	77.92%	79.91%
Boston	1120	75.83%	72.02%	65.33%	63.59%
Chicago	1600	62.70%	62.95%	60.81%	59.93%
Dallas	1920	78.06%	86.28%	84.67%	82.69%
Detroit	2160	79.03%	81.55%	81.28%	84.45%
Houston	3360	79.34%	83.10%	83.89%	82.03%
Los Angeles -- Long Beach	4480	72.88%	79.75%	79.59%	82.63%
Minneapolis -- St. Paul	5120	82.56%	81.39%	81.35%	77.85%
Nassau -- Suffolk	5380	85.02%	90.33%	87.87%	89.70%
New York	5600	81.82%	85.42%	84.55%	85.60%
Oakland	5775	76.56%	81.59%	84.26%	82.30%
Phoenix	6200	86.55%	59.78%	90.16%	57.00%
Philadelphia	6160	70.92%	73.81%	75.06%	74.35%
Riverside -- San Bernardino	6780	78.00%	83.32%	77.31%	78.27%
San Diego	7320	77.59%	84.41%	84.43%	82.89%
St. Louis	7040	76.87%	78.01%	77.90%	76.73%
Tampa -- St. Petersburg -- Clearwater	8280	82.57%	85.32%	84.85%	85.14%
Washington D.C.	8840	75.20%	81.81%	78.16%	79.26%

TABLE V. D. **NUMBER OF APPLICATIONS BY MSA**

MSA	MSA FIPS Code	1993 Applications	1992 Applications	1991 Applications	1990 Applications
Anaheim-Santa Ana	0360	135433	112817	76639	58067
Atlanta	0520	151306	89054	54653	39586
Baltimore	0720	101727	84646	48053	39231
Boston	1120	121770	81401	42680	32080
Chicago	1600	272136	201934	123745	96228
Dallas	1920	88848	60856	38137	28817
Detroit	2160	238111	177779	105142	70626
Houston	3360	95939	68011	41437	31421
Los Angeles -- Long Beach	4480	313546	281584	203417	159777
Minneapolis -- St. Paul	5120	200503	111731	63893	50046
Nassau -- Suffolk	5380	83493	71952	39690	34174
New York	5600	107102	92722	58095	55922
Oakland	5775	114177	92776	60295	42027
Phoenix	6200	140249	78881	49006	30122
Philadelphia	6160	198925	140612	74981	65108
Riverside -- San Bernardino	6780	130102	99598	73311	64512
San Diego	7320	125897	99203	64291	53645
St. Louis	7040	131033	99542	52182	47414
Tampa -- St. Petersburg -- Clearwater	8280	87137	57908	42569	37119
Washington D.C.	8840	234245	160667	90683	69994

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TABLE V. E MINORITY APPLICATIONS BY MSA: RATE OF CHANGE AND CENSUS DATA

MSA	MSA FIPS Code	1990 Census Population	Minority Census to Minority Application Ratio	1990 to 1993 Change	1993 Industry Black/Hispanic Application Average	1992 to 1993 Change	1992 Industry Black/Hispanic Application Average	1991 Industry Black/Hispanic Application Average	1990 Industry Black/Hispanic Application Average
Anaheim-Santa Ana	0360	15.88%	1.27	-12.77%	12.50%	6.47%	11.74%	12.99%	14.33%
Atlanta	0520	27.12%	2.17	-27.96%	12.47%	13.06%	11.03%	16.04%	17.31%
Baltimore	0720	26.63%	2.26	-27.40%	11.79%	11.33%	10.59%	14.69%	16.24%
Boston	1120	9.42%	2.69	-45.23%	3.50%	8.70%	3.22%	4.75%	6.39%
Chicago	1600	27.16%	1.66	-20.29%	16.38%	17.25%	13.97%	18.32%	20.55%
Dallas	1920	21.99%	1.78	-2.91%	12.35%	9.29%	11.30%	15.13%	12.72%
Detroit	2160	22.65%	3.07	-15.85%	7.38%	29.70%	5.69%	11.73%	8.77%
Houston	3360	28.35%	1.73	1.11%	16.42%	9.25%	15.03%	17.42%	16.24%
Los Angeles – Long Beach	4480	27.18%	0.82	-7.05%	33.10%	6.81%	30.99%	33.42%	35.61%
Minneapolis – St. Paul	5120	4.46%	2.64	-17.56%	1.69%	14.19%	1.48%	1.87%	2.05%
Nassau – Suffolk	5380	11.68%	1.70	-36.54%	6.86%	5.38%	6.51%	8.91%	10.81%
New York	5600	34.87%	1.68	-29.39%	20.81%	3.02%	20.20%	26.75%	29.47%
Oakland	5775	20.96%	1.38	-14.50%	15.21%	6.59%	14.27%	17.04%	17.79%
Phoenix	6200	11.15%	1.20	19.01%	9.33%	81.52%	5.14%	9.23%	7.84%
Philadelphia	6160	20.40%	2.30	-29.04%	8.87%	13.14%	7.84%	10.67%	12.50%
Riverside – San Bernardino	6780	19.02%	0.70	7.78%	27.16%	19.96%	22.64%	24.50%	25.20%
San Diego	7320	15.94%	1.19	4.62%	13.35%	10.06%	12.13%	12.80%	12.76%
St. Louis	7040	18.05%	2.18	-25.92%	8.29%	21.55%	6.82%	9.49%	11.19%
Tampa – St. Petersburg – Clearwater	8280	14.20%	1.64	-23.05%	8.68%	3.33%	8.40%	10.95%	11.28%
Washington D.C.	8840	29.58%	1.76	-16.33%	16.81%	13.05%	14.87%	19.24%	20.09%

TABLE V. F MINORITY APPROVALS BY MSA: RATE OF CHANGE AND CENSUS DATA

MSA	MSA FIPS Code	1990 Census Population	Minority Census to Minority Application Ratio	1990 to 1993 Change	1993 Industry Black/Hispanic Approval Average	1992 to 1993 Change	1992 Industry Black/Hispanic Approval Average	1991 Industry Black/Hispanic Approval Average	1990 Industry Black/Hispanic Approval Average
Anaheim-Santa Ana	0360	15.88	1.54	-16.11%	11.37	10.45%	10.29	11.44	13.55
Atlanta	0520	17.12	1.81	-22.68%	10.83	14.22%	9.48	13.16	14.01
Baltimore	0720	26.63	2.96	-30.27%	9.53	5.85%	9.00	11.87	13.67
Boston	1120	9.42	3.50	-38.61%	3.05	13.29%	2.69	4.02	4.97
Chicago	1600	27.16	2.20	-17.89%	14.81	20.21%	12.32	15.00	18.04
Dallas	1920	21.99	2.42	-2.24%	10.23	12.56%	9.09	12.22	10.46
Detroit	2160	22.65	4.98	-7.33%	6.15	35.26%	4.55	8.43	6.64
Houston	3360	28.35	2.38	9.46%	13.51	13.28%	11.93	13.64	12.34
Los Angeles – Long Beach	4480	27.18	0.98	-10.69%	30.41	9.38%	27.80	30.68	34.05
Minneapolis – St. Paul	5120	4.46	3.65	-12.95%	1.53	25.22%	1.22	1.67	1.76
Nassau – Suffolk	5380	11.68	2.18	-34.85%	5.91	10.50%	5.35	7.57	9.07
New York	5600	34.87	2.00	-29.22%	18.31	4.84%	17.47	23.30	25.87
Oakland	5775	20.96	1.68	-17.50%	13.48	8.00%	12.48	15.19	16.34
Phoenix	6200	11.15	2.74	22.59%	7.97	95.97%	4.07	7.86	6.50
Philadelphia	6160	20.40	3.42	-28.16%	7.12	19.35%	5.97	7.97	9.91
Riverside – San Bernardino	6780	19.02	0.93	7.27%	26.03	27.50%	20.42	22.24	24.27
San Diego	7320	15.94	1.48	4.18%	12.23	13.67%	10.76	11.34	11.74
St. Louis	7040	18.05	3.35	-17.24%	6.94	28.89%	5.38	6.18	8.39
Tampa – St. Petersburg – Clearwater	8280	14.20	1.96	-22.89%	7.69	6.27%	7.24	9.43	9.97
Washington D.C.	8840	29.58	2.25	-14.99%	15.31	16.21%	13.17	16.79	18.01

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TABLE V. G PERCENTAGE OF LOW/MOD APPLICATIONS BY MSA

MSA	MSA FIPS Code	1990 to 1993 Rate of Change	1993 Industry Low/Mod Application Average	1992 To 1993 Rate of Change	1992 Industry Low/Mod Application Average	1991 Industry Low/Mod Application Average	1990 Industry Low/Mod Application Average
Anaheim-Santa Ana	0360	64.64%	18.73	19.55%	15.67	13.04	11.38
Atlanta	0520	-15.39%	22.62	9.33%	20.69	28.83	26.73
Baltimore	0720	-15.30%	22.96	22.29%	18.77	25.42	27.11
Boston	1120	-10.66%	17.82	-3.42%	18.45	21.28	19.95
Chicago	1600	-1.03%	22.74	-0.23%	22.79	24.67	22.98
Dallas	1920	-1.10%	21.48	13.61%	18.91	25.26	21.72
Detroit	2160	-12.81%	26.79	6.08%	25.26	32.07	30.73
Houston	3360	6.07%	18.32	10.39%	16.60	20.20	17.27
Los Angeles -- Long Beach	4480	57.43%	13.59	19.08%	11.41	9.88	8.63
Minneapolis -- St. Paul	5120	-20.75%	24.22	41.61%	17.10	29.50	30.56
Nassau -- Suffolk	5380	-33.01%	16.13	24.66%	12.94	15.68	24.08
New York	5600	-39.76%	7.24	10.12%	6.57	9.07	12.02
Oakland	5775	6.91%	16.79	32.33%	12.69	12.89	15.70
Phoenix	6200	-13.99%	23.11	49.15%	15.49	21.93	26.87
Philadelphia	6160	-6.55%	24.69	30.76%	18.88	22.69	26.42
Riverside -- San Bernardino	6780	49.88%	16.40	50.28%	10.91	10.65	10.94
San Diego	7320	37.35%	15.17	14.75%	13.22	11.81	11.04
St. Louis	7040	-26.07%	23.86	3.95%	22.95	29.05	32.28
Tampa -- St. Petersburg -- Clearwater	8280	30.58%	30.39	20.98%	25.12	27.85	23.27
Washington D.C.	8840	-5.29%	25.31	-2.74%	26.02	27.40	26.72

TABLE V. H PERCENTAGE OF LOW/MOD APPROVALS BY MSA

MSA	MSA FIPS Code	1990 to 1993 Rate of Change	1993 Industry Low/Mod Approval Average	1992 To 1993 Rate of Change	1992 Industry Low/Mod Approval Average	1991 Industry Low/Mod Approval Average	1990 Industry Low/Mod Approval Average
Anaheim-Santa Ana	0360	80.68%	18.05	20.92%	14.93	12.02	9.99
Atlanta	0520	-13.02%	20.73	8.44%	19.12	26.15	23.83
Baltimore	0720	-11.72%	21.32	22.54%	17.40	23.22	24.15
Boston	1120	-11.86%	16.77	-3.58%	17.39	19.97	19.03
Chicago	1600	3.06%	21.50	-0.26%	21.56	22.21	20.86
Dallas	1920	-2.07%	18.54	15.06%	16.11	22.28	18.93
Detroit	2160	-6.74%	24.06	8.66%	22.14	28.07	25.80
Houston	3360	7.58%	15.31	14.27%	13.40	16.69	14.23
Los Angeles -- Long Beach	4480	72.68%	12.82	21.32%	10.57	8.99	7.42
Minneapolis -- St. Paul	5120	-21.11%	22.86	47.44%	15.50	27.28	28.98
Nassau -- Suffolk	5380	-34.86%	14.60	30.15%	11.22	14.21	22.41
New York	5600	-43.14%	5.76	20.30%	4.79	7.09	10.13
Oakland	5775	7.99%	15.51	34.05%	11.57	11.72	14.36
Phoenix	6200	-5.05%	20.79	59.34%	13.05	19.94	21.89
Philadelphia	6160	-1.78%	22.63	35.72%	16.67	19.20	23.04
Riverside -- San Bernardino	6780	66.03%	15.32	57.77%	9.71	9.51	9.23
San Diego	7320	63.85%	14.03	17.43%	11.95	10.70	8.56
St. Louis	7040	-27.23%	21.10	5.44%	20.01	24.35	28.99
Tampa -- St. Petersburg -- Clearwater	8280	16.65%	24.63	8.60%	22.68	25.40	21.11
Washington D.C.	8840	-2.71%	24.07	-4.33%	25.16	25.98	24.74

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"WHY YOU SHOULD JOIN NCRC"

YOU will receive regular legislative updates regarding pending CRA legislation and action on Capitol Hill. When contacting your Senators or House Representatives, this information provides timely and useful materials. It enables you to weigh in on issues that impact your community, city, or state. Additionally, NCRC hosts an annual conference attended by congressional representatives. Members have the opportunity to meet with their Congressional Representatives/Senators and are provided with legislative briefings and handouts to facilitate effective Capitol Hill visits.

- YOU have the opportunity to work together to affect legislative and regulatory processes in a timely and strategic manner: By becoming part of a **national voice on CRA** and community reinvestment issues, YOU have the advantage of working with over 430 members throughout the country who collectively continue to effect change in the outcome of events relating to CRA on Capitol Hill.

- YOU have access to regional conferences and training to be sponsored in whole or part by the Coalition:

- YOU have access to NCRC's vast library of CRA Agreements. You have access to publications such as the "The Community Reinvestment Sourcebook", the "NCRC Research Agenda Planning Resource", and special order items for a nominal, and in some instances, no cost to YOU.

- YOU receive monthly, quarterly, and special member mailings such as: The NCRC newsletter: "Reinvestment Works", the NCRC Reinvestment Compendium (a bimonthly guide to the latest news and events in the reinvestment movement) quarterly CRA ratings, legislative and regulatory updates.

TO BECOME AND NCRC MEMBER:
Determine the cost of your annual member dues as a voting or nonvoting member (see below). Indicate the amount you are sending, and return this form with a check made payable to: The National Community Reinvestment Coalition.

VOTING MEMBERS OF NCRC:
- Local Nonprofits with operating budgets less than $500,000: **$50.00 annual dues.**
- Local Nonprofits with operating budgets over $500,000: **$150.00 annual dues.**
- National Organizations: **$250.00 annual dues.**

NONVOTING MEMBERS OF NCRC*:
- Individual Members: **$100.00 annual dues.**
- For-Profit Organizations: **$300.00 annual dues.**
- Public Sector Agencies (representing a constituency of less than 250,000 in population): **$200.00.**
- Public Sector Agencies (representing a constituency larger than 250,000 in population): **$500.00.**

*** Nonvoting NCRC Members do not vote on Coalition matters that affect membership or the organization as a whole, but benefit from all other membership services and products.**

___YES, I want to benefit from NCRC MEMBER materials, information, and resources at the nominal price of $______ **Include me as a member!**
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Contact person /title________________
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City________________ State_____ Zip code________________
Telephone number________________ Fax number________________/HANDSNET/E-Mail #________________

REPLY TO:
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'"FAIR AND EQUAL ACCESS TO CREDIT IS A CIVIL RIGHT"

NCRC Motto

NCRC

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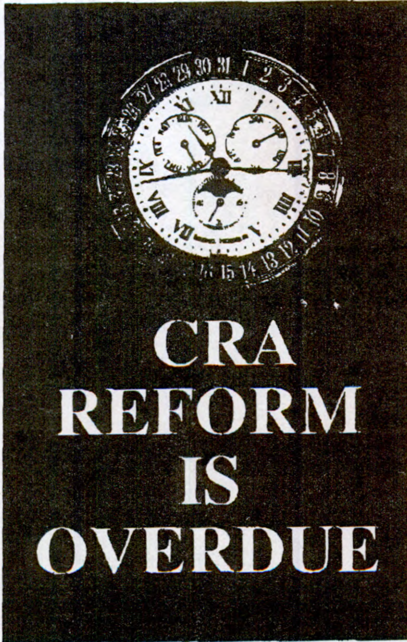
CRA &
CRA REGULATORY REFORM



Testimony for the
U.S. House of Representatives
Subcommittee on Banking
and Consumer Affairs

by The Rev. Dr. Charles R. Stith
National President
Organization for a New Equality

March 9, 1995

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CRA REGULATORY REFORM IS OVERDUE:

Testimony before the House Subcommitte on Financial Institutions and Consumer Credit by the Rev. Dr. Charles R. Stith, National President O•N•E, March 9, 1995

My name is Charles Stith, I am the National President of the Organization for a New Equality. O•N•E has a couple of projects which are particularly relevant to the issue of community reinvestment. One is the National Community Reinvestment Network with affiliates in over 73 cities, all of its members are grassroots organizations involved in the work of community reinvestment. The other is the Council of Financial Institutions and Community Leaders. Among our members are some of the major financial institutions in the country - Bank of America, Fleet, J.P.Morgan, Fannie Mae, NationsBank, Bank of Boston, AFL- CIO Housing Investment Trust to name a few.

First of all, Chairwoman Roukema, let me express my appreciation for the opportunity to testify before this committee today. But, in all due respect, let me say that the proposed CRA regulations which are the focus of this hearing should have been acted on yesterday. I hope that your intent and the intent of this committee is to push for the immediate release of the final rules for the revised CRA regulations.

In addition to calling for the immediate release of the final rules; let me encourage this committee to insist that the final regulations include the following provisions:

• Full public disclosure of small business and small farm loans by census tract, race, and gender.

• "Direct" lending to local communities must be made the primary focus of the Lending Test.

• No "safe harbor" or small bank exemption.

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The immediate release of the final rules is essential to banks getting on with the business of lending and our communities getting on with the business of growing economically.

The present regulations have been helpful in getting us headed in the right direction. Since 1989, with the requirement of the disclosure of HMDA, we have seen a significant increase in mortgages in minority and low-moderate incomed communities. For example:

• One year after unveiling its INCITY program, Fleet Bank has already issued 26,000 mortagages to low to moderate income customers in excess of $1.9 billion.

• At the time NationsBank was formed their Chairman Hugh McColl announced a pledge to invest at least $10 billion in low - moderate income neighborhoods over 10 years. That goal was reached this year after less than 4 years.

• Bank of America has an equally as impressive experience. Since it introduced its NEIGHBORHOOD ADVANTAGE program it has generated $6 billion in home loans, and now accounts for 50% of all B of A's home loan originations in California!

From "sea to shining sea" there are stories as impressive as these relative to what banks are starting to do. But, it is important to note several things. The first is that while we are heading in the right direction in terms of mortgage lending we are not where we need to be; nationally, blacks are still denied home mortgages almost twice as often as whites. Secondly, it is important to note that the sorts of CRA success stories I cited did not happen before the requirement of HMDA disclosure in 1989; and I would add that they would not have happened without the disclosure requirement. It is also important to note that the most significant initiatives that would come under the rubric of Community Reinvestment are in the mortgage category. I don't think that is coincidentally related to the fact that the only disclosure requirements we have presently are for home mortagages. This leads me to the point I stressed in opening, and that is, that the final rules need to be revised to require the full public disclosure of small business (and small farm) loans by census tract, race, and gender.

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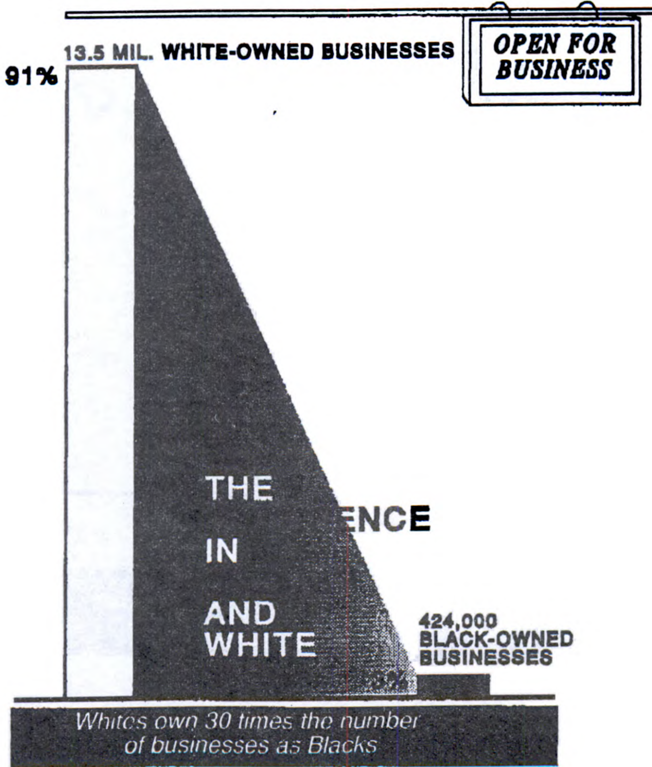
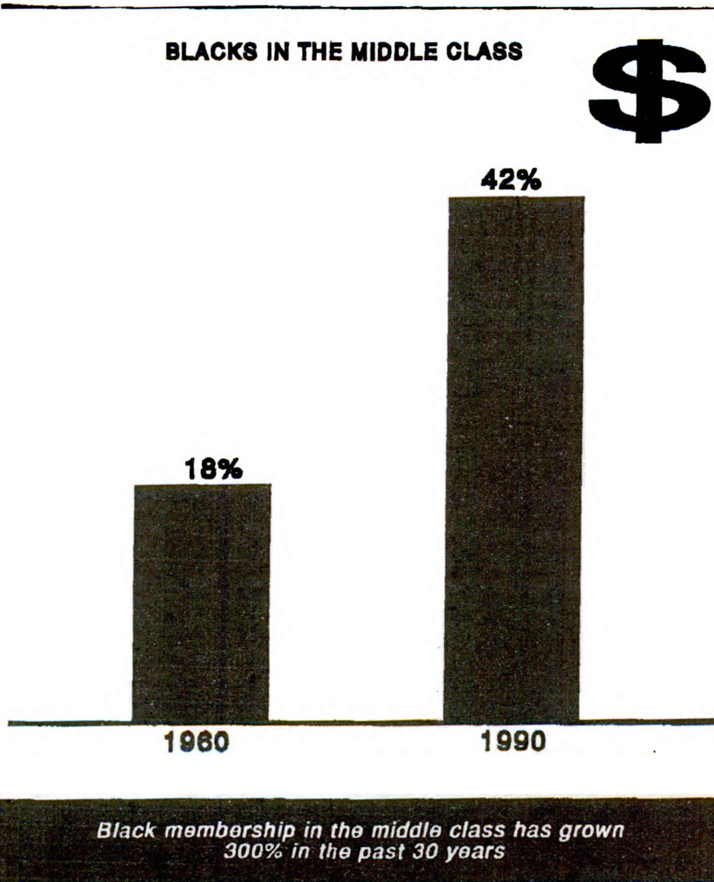
Just as disclosure of home mortgage data resulted in significant growth in the volume of mortgage lending to communities of color, and low and moderate communities; it is the sense of the many I represent today, that the disclosure of small business data would have the same effect in terms of lending to small businesses in communities of color and low - moderate communities. The need for increased lending initiatives is there!

In 1987 (the most recent date for which complete figures exist), whites owned 30 times as many businesses as African Americans.

COMPARISON OF BUSINESS OWNERSHIP BY RACE



This gap exists despite the fact in the past thirty years black movement into the middle class has increased 300%!



Black membership in the middle class has grown 300% in the past 30 years

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This gap will not close, it can not close, until blacks (and other minorities) have greater access to credit and capital. This is why I have come to appeal to you to use your power to expedite the process of regulatory reform and not impede it.

Let me close by saying, that while there are going to be honest differences of opinion in the debate about reforming CRA, we should remember that our deliberations are not taking place in a vacuum. We should not be timid about taking bold action to correct age old inequities because there is evidence that CRA can work. It can be profitable for banks and beneficial for individuals in communities that cling to the hope of realizing the American Dream. While I have talked about community reinvestment in numbers, and referenced charts and graphs, it is something more fundamental than that which is expressed in cold, staid, statistical terms. What is at stake is the ability of people of color in this country to fashion a financial future for our families, to revive our communities, and save our children.

The name of the economic game in America is not just income, but equity; it's not just what you have, but what you own. Unless we have access to the capital, credit and services of banks and S&L's, the American Dream will beyond our grasp.

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TESTIMONY OF ALLEN J. FISHBEIN

GENERAL COUNSEL

CENTER FOR COMMUNITY CHANGE

ON

THE COMMUNITY REINVESTMENT ACT AND THE INTERAGENCY

PROPOSAL TO REVISE THE CURRENT REGULATIONS

PRESENTED TO THE

THE SUBCOMMITTEE ON FINANCIAL INSITUTIONS AND CONSUMER CREDIT

OF THE

COMMITTEE ON BANKING AND FINANCIAL SERVICES

U.S. HOUSE OF REPRESENTATIVES

WASHINGTON, D.C.

MARCH 9, 1995

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Good afternoon, Madam Chairman and members of the Subcommittee, my name is Allen J. Fishbein and I am General Counsel of the Center for Community Change (CCC). I also direct a national project for the Center that provides technical help to community organizations on community reinvestment related concerns.

My personal involvement in the community reinvestment area spans over eighteen years, during which time I have authored numerous articles and publications on community reinvestment and lending discrimination. In addition, I serve as the Vice-Chair of the American Bar Association's Access to Financial Services Subcommittee and I am a member of the Freddie Mac Affordable Housing Impact Advisory Council. Previously, I served on the Federal Reserve Board's Consumer Advisory Council and Fannie Mae's Affordable Housing Council.

CCC is a national, not-for-profit organization that provides research and assistance to locally-based citizens'organizations working in low income and minority communities across the country. Over its twenty-six year lifespan, CCC has trained hundreds of grassroots organizations on strategies for revitalizing economically distressed communities. In addition, we monitor the federal enforcement of laws, such as the Community Reinvestment, Home Mortgage Disclosure, and the fair lending laws.

Madam Chairman, I very much appreciate the opportunity to testify here today on the subject of the Community Reinvestment Act (CRA) and the proposed revisions to the CRA regulations. CRA has proven itself to an amazingly effective tool for stimulating investment in underserved urban and rural communities. It has helped to generate billions of dollars in new housing and small business loans for these credit starved areas and it has done so in way that is both prudent and profitable for banks.

While improvements in the regulators administration of CRA are needed, we are hopeful that the final version of the revised inter-agency rules will successfully address these issues. The revised proposal should be finalized and published quickly and we call upon Congress to give them sufficient opportunity to work before considering changes to the law.

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1. CRA is working: It has spurred increased lending in underserved communities and generated new business opportunities for lenders.

> **Imagine an ideal government initiative: One that helps lower-income Americans own their own home but does not breed welfare dependence, does not expand bureaucracies or budget deficits and does not hurt business or the economy. Such a policy actually exists. It is called the Community Reinvestment Act.** (A Housing Program That Really Works, U.S. New & World Report, 2/27/89).

The U.S. News & World Report article captures the essence of CRA: It works to narrow credit gaps in underserved markets. The overwhelming experience with CRA is that it creates a "win-win" situation for all concerned. CRA spurs banks to increase their lending to older urban neighborhoods and underserved rural communities and it does so in a way that provides new business opportunities for the financial institutions.

It is difficult to quantify precisely the full impact of CRA. Federal Reserve Board Governor Lawrence Lindsey estimates that "CRA successfully delivers $4 billion to $6 billion a year to low-income areas without employing a large bureaucracy." Research by my own organization has found that lenders have committed over $35 billion in loan commitments to targeted investment needs in low and moderate income areas as a result of CRA. Loan figures even higher than these have been cited by other organizations.

Further, the available research indicates that bank attitudes about community reinvestment are changing. For example, a recent survey of banks conducted by the independent Bank Insurance Market Research Group in New York found that nearly three-quarters said that they were making money or expected to make money by lending to low-income communities. In contrast, only five percent said that lending to people in those geographic arreas represented a financial loss to them.

Other research has established that lending in low and moderate income areas is prudent for banks to undertake. A 1993 joint study by the Chicago-based Woodstock Institute, the National Association of Affordable Housing Lenders, and researchers at Northwestern University concluded: "While many lenders have feared that expanded lending in low- and moderate-income communities would have a negative impact on loan performance, that has not been the case for the loans and lenders in this study. In some cases targeted community reinvestment lending actually has performed better than conventional lending."

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Recently, the Philadelphia Federal Reserve Bank published a compilation of thirty-three success stories from around the country that further documents how CRA is working. A copy of this information is attached (See Appendix A). Similarly, The Social Compact, a national association of financial institutions, published **The Neighborhood Partners Directory**. The Directory presents 136 successful local reinvestment partnerships involving lenders and community groups.

In short, the evidence is overwhelming: CRA is working. The law is accomplishing its purpose.

2. CRA is needed to curb redlining.

It was growing concern in the 1970s that redlining and disinvestment were sapping the vitality of our nation's older urban neighborhoods that resulted in CRA's enactment. Redlining is the discriminatory credit practice whereby lenders arbitrarily refused to make loans to certain geographic areas based on the racial or ethnic composition of those areas or the age of their housing stock.

CRA passage reflected the congressional judgment that lenders -- through the use of outworn stereotypes about older and ethnically diverse neighborhoods, non-economic loan bias, and lack of awareness of sound business opportunities that exist -- were writing off whole geographic areas and overlooking important credit needs within their local market areas. As a result of this disinvestment, neighborhood conditions invariably deteriorated and eventually, the use of dwindling public sector resources were needed to combat this decline.

The great weight of the evidence developed with respect to urban neighborhoods points to the existance of market deficiencies in meeting the mortgage credit needs of those areas. Racial prejudice and a long-term legacy of discrimination distorted the workings of markets in these geographies and led to the creation and maintenance of a dual housing market. The dual housing market is based on two separate systems of supply and demand which reinforces, and indeed thrives upon, the geographic segregation that exists in many of our nation's cities. Each of these systems is served by a different set of actors, from real estate brokers to mortgage lenders. However, the white and predominately suburban market is financed primarily with conventional mortgage credit provided by banks and thrifts, while the predominately minority urban market is dependent upon FHA insured mortgage specialists, usually mortgage banking companies. The absence of genuinely competitive markets conditions fosters conditions in which low quality products are higher prices are often all the residents of these areas have to chose form. While CRA is helping to chip away at the dual housing market, unfortunately, it continues to exist in many urban markets.

Pure and simple, CRA was enacted nearly two decades ago to curb redlining and improve the efficiencies of the marketplace by breaking down unfair barriers to credit access. It emphasizes the continuing and affirmative obligation of lending institutions to meet credit

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needs and make loans as well as take deposits; in other words, to actively promote and market their services throughout their market areas. The law most certainly does not force lenders to make bad loans, nor does it mandate specific kinds of credit or credit ratios for certain communities. Rather, CRA represents a modest attempt to encourage lending institutions to find creative ways for better meeting the credit needs of underserved areas consistent with their own corporate mission.

While there are some obvious linkages between CRA and the two fair lending laws -- the Equal Credit Opportunity Act and the Fair Housing Act -- the two types of law are conceptually very different. CRA is not so much about curbing racial discrimination, as it is about prodding lenders to make loans to anyone who is creditworthy. Thus, CRA emphasizes underserved geographies, rather than ensuring fair treatment for racial and other minorities.

While community reinvestment and lending discrimination are sometimes used interchangeably they should not be. Racial discrimination, for example, can happen to people at all income levels. In fact, research based on Federal Home Mortgage Disclosure Act data consistently indicates that African-Americans and Hispanics are more like than their white counterparts to have their home loan requests denied regardless of income.

Fair lending enforcement depends upon the exercize of precise judicial and administrative judgments as to whether racial and other minorities are being disadvantaged by lenders in comparison to whites. CRA, on the other hand, with its emphasis on encouraging affirmative efforts, seeks to grade lenders are their level of performance, based upon a four-tiered descriptive ratings system ("Outstanding", "Satisfactory", Need Improvement", "Substantial Non-compliance"). Whereas violations of ECOA and FHA may result in financial penalities and other remedies being assessed against lenders, the only potential sanction imposed by CRA is that it could lead a regulator to turn down an institution's expansion request based upon deficiencies in its lending record.

3. The proposed CRA rules should be finalized and issued as quickly as possible.

If the truth be known, most of CRA's success to date has occurred in spite of the Federal regulators and not because of them. For much of its history, CRA has been administered by a bureacracy that has been either hostile or indifferent to administering the law effectively. Indeed, a good case can be made that CRA was originally aimed as much at modifying the behavior,, norms, and attitudes of the Federal regulators as it was at changing the practices of the banking industry. Fortunately, lenders and local community leaders have found ways to form successful reinvestment partnerships to address unmet credit needs notwithstanding the shortcomings in the Act's administration.

It was continuing concerns about deficiencies in CRA's administration that led the Administration in the summer of 1993 to direct the regulators to develop new CRA

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regulations that placed greater emphasis on actual performance and less emphasis on the process the lender goes through to achieve its record. The initiative was generally applauded by lenders and community groups alike as a means for establishing a more performance-oriented, numbers driven ratings scheme.

The CRA "reform" process sought to address two of the banking industry's chief concerns: First, that the recordkeeping burdens associated with CRA compliance had become too excessive; Second, that the ratings system needed to be more consistent and reliable measure of a lender's record.

The revised system that is being proposed is a far reaching one. It would completely scrap the existing CRA regulations, with the twelve assessment factors agency examiners have used for most of the life of CRA to assess individual lender performance. Instead, the type of examination that banks and thrifts would undergo would likely depend on their size and the nature of their operation (i.e., retail or wholesale). We believe it successfully addresses the lenders two major stated concerns.

However, rewriting the CRA regulations has proven to be a far more arduous task than some of the regulators originally anticipated. Much of the reason for this appears to be that the banking trade groups want a rule that is somewhat more specific than the current rule, but at the same time, not too specific. This is obviously a difficult and exacting balance for the regulators to achieve, which is probably why the process has taken as long as it has.

We believe that the revised proposal issued for comment last September goes along way toward achieving the balance lenders say they are seeking. The revised proposal generally retains the principles and structure of the original proposal (December,1993), but makes numerous changes in the details, primarily to accomodate banking industry suggestions.

The three-prong test (lending, investment, and service) prominently featured in the original proposal is retained as the primary assessment method for large, retail banks. Small banks are provided with an opportunity for a streamlined examination, while imposing virtually no record-keeping burden on them. However, the revised proposal relies to a much greater extent on the exercize of the judgment of examiners in making assessments and reduces the emphasis on the objective rating criterial than the original proposal.

While I suspect most community groups would have preferred to see the original proposal adopted as the final regulation, the time has come for this twenty-month old review process to draw to a close. I am firmly convinced that it is everyone's best interest -- lenders, community groups, and regulators -- for the regulation to be finalized and issued promptly.

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4. Full disclosure of small business lending data by race, gender, and by census tract is needed to augment the revised CRA ratings scheme that is being proposed.

The provisions requiring the collection and public disclosure by large banks of small business lending data are the greatest strengths of proposed regulations. The disclosure of lending data is absolutely essential to implement the proposed performance based rating system that is being contemplated.

The experience with HMDA data has been that public disclosure is by itself the most powerful force for change in banking industry practices. Public disclosure of HMDA data has assisted lenders' own efforts to comply with CRA, facilitated fair lending supervision, provided the public with important information about their local lenders, and has resulted in a revamping along every step of the mortgage lending chain, from underwriting to marketing.

The revised proposal added one new data collection and reporting requirement. It would require large banks to collect race, ethnicity and gender data on small business and small farm loans. Aggregate information would be made public to the extent to which individual banks are lending to small businesses owned by minorities and by women.

The regulators also revised their proposal with respect to collecting information on the geographies in which a bank made its small business loans. Under the revised proposal, banks would not have to publicly disclose their small business lending on a census tract basis. Instead, lenders would prepare aggregate reports showing the number and amount of small business loans they made in low-, moderate-, middle-, and upper-income groupings of census tracts.

While both disclosure provisions are a significant step forward, they can and should be improved. For example, the proposal would report race/ethnicity data in one aggregate "minority" category. We would prefer to see the data broken out by individual racial or ethnic grouping. Further, geographic reporting by aggregate groupings of census tract would be far less useful to the public than reporting broken out on the individual census tract level basis.

It is important to emphasize that neither of the recommendations we are making would result in additional record keeping burdens for the relatively small number of banks affected by this provision. The revised proposal already requires this data to be collected by the regulators, but kept secret. Experience with HMDA has demonstrated that sunshine is the key to effective reform. Full public disclosure of this data is the only means to insure that the public has access to adequate information to provide critical feedback to examiners in the more judgment-oriented system that is currently being contemplated.

In supporting the inclusion of small business loan reporting in the revised proposal we are mindful that the proposal for data collection and reporting by race and gender, in

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particular, is viewed as controversial. The opposition to this reporting requirement appears to based on three faulty assumptions: 1) skepticism about whether discrimination in commercial lending is really a problem; 2) fear that race and gender reporting will lead to the emergence of loan quotas for different minorities; 3) the privacy of loan seekers would be compromised. See Attachment B.

First, plenty of signs exist to underscore the fact that differential treatment in small business lending continues to be a serious problem. For example, research by Professor Timothy Bates, director of urban policy analysis at the New School for Social Research found that African-American owned firms are turned down for bank loans more often than white-owned firms and that the loans they receive, especially those in the inner-city neighborhoods, are smaller. Professor Bates' findings are consistent with another study sponsored in 1988 by the U.S. Small Business Administration, which found that even after controlling for borrower's risk, black businesses were more likely to be denied credit than white-owned firms.

Efforts to curb differential treatment in small business lending will require far better data collection and reporting than is currently required. Make no mistake about it, it is virtually impossible for bank examiners to detect discrimination in commercial lending. Currently, banks are not permitted to record information about whether a firm seeking a loan is minority or women-owned, as they are for housing related lending. Consequently, examiners have no paper trail to determine whether differential treatment is occurring. As a result, the Federal government has done little to ensure fair treatment in this area.

Second, there is no evidence to support the view that loan data reporting lead to loan quotas to minority groups. The objective of collecting of race and gender data is to ensure that similarly situated white and minority credit seekers are treated comparably. Moreover, bank could not make high-risk loans to specific racial groupings even if they wanted to for fear of running afoul of federal bank examiners inspecting their books for safety and soundness purposes.

Lastly, as for concerns raised about the privacy of individual small business loan seekers, the same issue was raised in connection with HMDA, which discloses far more detailed data to the public about individual loan applicants, and it has proven to be a false issue. The regulators report that have yet to receive a complaint from consumers about privacy considerations as a result of the HMDA disclosures. Moreover, the revised proposal would only report aggregations of loans made to minorities and women owned businesses within a particular market area.

In short, research indicates that the major constraint on the formation and growth of black business has been inadequate capitalization, attributable in signficant part to differential treatment by banks. The collection and reporting of race and gender data is entirely consistent with CRA and will provide a cost effective means of breaking down unfair barriers to capital access. We support its inclusion in the final regulations.

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5. Cutbacks in coverage and safe harbors should not be made part of CRA.

Lastly, the Subcommittee has asked for our views on introduced legislation to amend CRA.

The one bill of which I am aware, H.R. 317, contains a series of provisions that exempt the overwhelming majority of banks from actual or effective coverage under CRA, and create "safe harbors" for the rest. Let me explain why we strongly oppose this bill.

As introducted, H.R. 317 contains three major provisions:

1) it would exempt from CRA altogether banks with assets under $100 million that are located in small towns of fewer than 25,000 people (about seventy percent of the industry falls into that size category, although precise figures of how many of these are located in small towns are not available);

2) banks up to $500 million in assets that have at least a "satisfactory" CRA rating would be subject to self-certification and to a much more limited CRA exam than larger banks (this provision would affect approximately 94 percent of the industry);

3) provide a "safe harbor" for any lender that files an expansion request covered by CRA that received at least a satisfactory rating from its regulator within the previous 24 months. Applications filed by such institutions could not be denied on CRA grounds unless it could be shown that the lender's CRA record had materially deteriorated since its last exam (95 percent of lenders are receiving one of the top two ratings in the last six months of 1994, so virtually all lenders would be eligible for the safe harbor provision contained in this bill).

The argument that is made in favor of exempting, or scaling back CRA coverage for relatively smaller size banks is that these institutions, almost by definition, must be community-minded and, therefore, should not be burdened by requirements such as CRA.

In fact, the evidence suggests that size is not a perfect measurement of how well a lender is serving local credit needs. For one thing, not all small banks are active lenders in their communities. A House Banking Committee report that was published a few years ago indicates that banks under $100 million in assets had lower loan to asset ratios than did banks whose asset size exceeded $10 billion (55 percent vs. 63 percent). Second, there is data to suggest that some smaller banks are among the worst CRA performers. According to K.H. Thomas Associates, independent bank researchers, 71 percent of banks receiving the lowest CRA ratings category between 1990 and 1992 had assets of less than $100 million.

The provision of the bill that proposes more limited exams for small and mid-size banks with positive CRA grades may have a certain appeal. We are concerned, however, that this provision would have the effect of shifting the burden of proof of performance from

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the lender to the regulator, which is not now the case under CRA. Further, we remind the Subcommittee that the regulators are already proposing to greatly streamline the CRA examination process for banks with assets under $250 million (estimated to be over 80 percent of the industry).

The safe-harbor provision in the bill is intended to significantly narrow the situations in which public comments would be considered in connection with regulatory consideration of a corporate expansion requests. Once again, the proposal appears to shift the burden of proof to the regulators and to other interested parties to demonstrate that the lender's CRA record "has materially deteriorated" since its last examination. Under the current statute, the burden of proof is on the applicant lending institution to demonstrate it has met its affirmative obligations under CRA.

The safe harbor provision that is being proposed would greatly narrow the situations in which community groups and other interested members of the public could contest lending institution expansion requests. This proposal is strongly supported by the nation's largest banks, which are getting ready to leap across state lines as soon as the interstate branching law goes into affect. These interests fear objections may be filed against their future expansion plans.

The argument they make in support of this provision is plausible on its face -- that lenders receiving positive CRA ratings from regulators should be protected from the delays associated with community groups using the expansion process to raise CRA issues. These interests also imply that there is something unsavory about citizens weighing in during the application review process, that it is being used to extort promises of improved lending performance in underserved areas.

What proponents of safe-harbors fail to account for is that CRA implicitly sanctioned an active role for local citizen monitors, to augment the formal regulatory apparatus. As Federal Reserve Board Governor John LaWare has noted, " We all recognize that community groups always have played a role in the CRA process. Through CRA-related public comments on banking applications -- commonly called CRA protests -- community groups have made their concerns about bank performance known." ("The Community Reinvestment Act: What roles for Consumers," speech before the Consumer Federation of America, 12/13/90).

In fact, the vast majority of community groups challenges to bank expansions result in settlement agreements in which the lender agrees to undertake some affirmative efforts to improve its performance in underserved areas in exchange for the protestants withdrawing their objections. These freely entered into agreements often provide an effective and efficient means for lenders to fulfill, at least partially, their CRA responsibilities to their local communities. We have surveyed both lenders and community protestants involved in CRA challenges and found high levels of satisfaction among both types of partners with the way in which these settlement accords have proceeded.

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Federal regulators will be the first to tell you that CRA examinations present only a partial snapshot of lender performance. CRA examinations for the largest banks usually entail looking at only a handful of markets served by the institution. The market areas selected tend to be larger urban population centers. Thus, a likely effect of this "gag rule" would be to disadvantage residents of small towns and rural areas. The residents of these areas may finds that their needs were overlooked in the original CRA examination and then find that they were effectively barred from expressing their opinions during the public comment periods for expansion requests, including even those circumstances in which the expansion activity directly affects their geographic area.

Further, while some would have Subcommittee members believe that community groups are eager to engage in CRA challenges to lender expansion plans, the reality is that undertaking this effort is difficult and burdensome to grassroots organizations, with limited resources. The CRA protest is usually only used as a last resort after discussions have failed. In fact, fewer than one percent of the many thousands of expansion requests that have been acted on over the years have been subject to CRA challenges.

You will also hear proponents of safe harbors assert that CRA challenges result in unwarranted and costly delays in processing, the facts speak otherwise. According to the Federal Reserve Board, which has handled the largest number of CRA challenges, the average processing time for applications under a CRA protest has been two days shorter than the average processing time for non-protested applications processed by the agency (seventy-three versus seventy-five days). And of course, the regulators have discretion to dismiss any complaints which they regard as frivolous in nature or without merit.

Finally, let me agree with Comptroller of the Currency Ludwig when he says that it is premature to consider any form of safe harbors for banks, at least until new regulations have gone into effect that command respect from all parties. Obviously, we are not yet at that point; therefore, I would urge the Subcommittee to hold off on its consideration H.R. 317 and other legislation of this type, at least until the new regulations have been issued and we know whether or not they are working.

In closing, let me again thank you, Madam Chairman, for the opportunity to present my organization's views before this Subcommittee. CRA represents a modest effort to nudge lenders into better serving all segments of their lending communities in a manner consistent with safety and soundness. In many respects, CRA is a law that anticipated the new federalism by almost twenty years. Far from establishing rigid national mandatory credit allocation schemes, CRA merely encourages local flexibility and creativity by financial institutions.

This concludes my formal testimony. I would be glad to answer any questions that you may have.

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- ***PNC Bank believes that the performance of its CRA-type*** loans has not differed significantly from its other loans.

- ***South Shore Bank (Chicago) reported in 1990 delin-***quencies of 1%-2% (vs. a national average of 3% to 5%) on a $75 million portfolio of mostly multi-family real estate loans. Its losses were one-tenth of 1%.

- ***United Jersey Banks introduced an affordable mortgage*** product for low- to moderate-income first-time homebuyers and reported a delinquency ratio of only 1% on 605 loans booked between 1989 and mid-1992.

- ***U.S. Bank of Oregon introduced a FHA-insured afford-***able mortgage product in 1990 and experienced a delinquency rate well below the state average. None of the loans went into default.

- ***Wells Fargo Bank set a $41 million lending goal for*** itself in 1986 when it adopted a Community and Economic Development loan program. The results exceeded all expectations with more than $1.4 billion credit originated in the next six years. Each of the product categories has performed at least as well as the bank's conventional portfolios. The affordable housing loans have considerably outperformed their conventional counterparts. Regarding low-income housing, the bank reports performance has been generally better with experienced non-profit development agencies than with profit-motivated developers.

- ***The California Community Reinvestment Corporation*** (CCRC) funded $48 million of loans to very low- and low-income housing developments between 1990 and 1992 with no delinquencies or defaults.

- ***The Community Investment Corporation (Chicago)*** financed $200 million of multi-family rehabilitation in low- and moderate income neighborhoods between 1984 and 1992. Losses on loans were less than 0.3%.

- ***Community Preservation Corporation (New York)*** financed the rehabilitation of over 32,000 multi-family housing units at a cost of $1 billion between 1974 and 1993. Its investors have never had a loss.

- ***Delaware Community Investment Corporation lent*** $12.6 million between 1990 and 1992 for the development of 637 rental housing units. It has not experienced any delinquencies.

- ***Homes for South Florida (Miami) financed the produc-***tion of 900 housing units between 1989 and 1993 by community development corporations aimed at very low-income individuals. Only one project failed. It was sponsored by a for-profit developer.

- ***The Massachusetts Housing Investment Corporation*** lent $21.5 million since 1990 for construction of affordable housing. All loans are current and favorably rated for risk.

- ***Savings Association Mortgage Company (San Jose,*** California) has financed since 1971 over $300 million for the purchase and development of more than 10,000 units of affordable housing for low-income individuals. This for-profit lending consortium has never had a loss and has known only an occasional delinquency.

- ***National Equity Fund (Chicago) has invested since 1987*** more than $620 million in the construction or renovation of more than 14,000 units of affordable housing. It formed 15 investor partnerships to facilitate more than 300 projects. All are meeting or exceeding targeted returns. None have been in default. The investors are receiving an 18% annual internal rate of return.

- ***Local Initiatives Managed Assets (LIMAC) Corporation*** purchases loans originated in support of community development and housing for lower-income families. On a portfolio of almost $24 million LIMAC has incurred no losses.

- ***Neighborhood Reinvestment Corporation's*** NeighborWorks organizations use locally-capitalized revolving loan funds to lend to people who do not qualify for conventional bank financing of property acquisition, construction or repair. On a 1992 portfolio of over 10,000 loans aggregating $113 million, only 1.7% were in default.

SUCCESSES

APPENDIX A

in Community Development Lending...

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EXAMPLES

FROM

AROUND

THE

COUNTRY

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Community Reinvestment Advocates

A Publication (1993)

of

Community and Consumer Affairs Department,
The Federal Reserve Bank of Philadelphia

(215) 574-6458

- ***Four long-established lending consortia, based in New*** York, Chicago, Florida and California, have financed over $1 billion for the construction of 62,000 multi-family housing units with virtually no losses.

- ***Community loan funds nationally have made loans of*** over $120 million to some 4,000 borrowers and have had losses of less than 1%.

- ***The Enterprise Foundation and the Local Initiatives*** Support Corporation have lent over $150 million to community development organizations with delinquency rates of from 1% to 3%.

- ***Maryland National Bank has lent about $300 million for*** rental housing and commercial revitalization in low-income areas and found this activity to be both a profitable and a strong line of business.

- ***Bank of Boston has lent $140 million in mortgages to*** low- and moderate-income borrowers and found the performance to be no different than its regular mortgage portfolio.

- ***Bankers Trust Company started a community develop***ment loan function in 1990. By 1993 it had extended over $50 million into low- and moderate-income communities in New York without any delinquencies.

- ***Boatmen's National Bank in St. Louis has tracked the*** performance of its loans in low- and moderate-income communities for several years and says the performance has been as good as -- or better than -- that of its regular mortgage portfolio.

- ***Chase Manhattan's CDC originated over $200 million in*** low- and moderate-income loans, both housing and small business, in less than three years and found it could do so without any sacrifice to portfolio quality or profitability.

- ***CoreStates Bank has originated over $70 million in*** community development real estate loans with a loss experience below industry norms. They also have made small business loans in the amount of $42 million on which their losses have been less than $20,000.

- ***First Fidelity Bank increased its first-time home buyer*** lending by 300% between 1991 and 1992, eliminated its requirement for mortgage insurance and keeps the loans in portfolio. Delinquencies mirror their regular portfolio and their officers believe that, done right, uninsured conventional loans are as good as any insured loan.

- ***First National Bank of Chicago entered into agreements*** in 1984 and 1989 with community groups to expand its development activity. On a portfolio of $250 million only two loans were delinquent. None went into default.

- ***Great Western Bank in California has lent $4 billion in*** mortgages to persons in low-moderate income or minority neighborhoods. Their officers believe that small balance loans made to people where they live are less risky than more speculative credits to persons higher up the income ladder.

- ***Harris Trust Bank in Chicago lent $52 million for multi-***family housing in low- and moderate-income tracts between 1985 and 1992 and found only 3 of 190 loans were delinquent past 60 days. They also did $12 million in neighborhood commercial loans, all of which have been current. Management reports their community development loans have the lowest loss rate in the bank, just 0.1%.

- ***Huntington National Bank made over 400 first mortgage*** affordable housing loans in 1992 and 1993 and had delinquencies well below the national averages for comparable FHA mortgages.

- ***Indiana National Bank was surprised to find when it*** targeted the affordable housing market it could do so safely (with no delinquencies in its first $2 million of credits) and could either portfolio the mortgages or sell them in the secondary market.

- ***Integra Bank, Pittsburgh lent $282 million in housing,*** small business and commercial real estate loans in low- and moderate-income areas between 1988 and 1992 and had lower delinquency rates than the rest of the bank.

- ***Meridian Bank's foreclosure rate on its Delaware Valley*** Mortgage Plan products has been non-existent. Its consumer home improvement loans are performing very favorably compared to similar loans in its total market and delinquencies on its consumer loans to low-income individuals are, in many cases, lower than those in its other markets.

- ***Midlantic National Bank reports as "Good to Excellent"*** the performance on the affordable housing loans it has originated, an experience much more favorable than it has had on purchased FHA/VA loans. Its best performance was on loans to low- and moderate-housing projects where public financing supplemented the bank's assistance.

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APPENDIX B

Symposium

New Rules Would Spur Loans to Small Business

INSIGHT MAGAZINE 11/28/94

By Allen J. Fishbein

The emergence of strong, black-owned businesses in our inner cities is absolutely essential to the revitalization of distressed communities. Research shows that black owners consistently hire more minority workers than do white owners, thus making the expansion of this sector a key element of any successful strategy for opening up minority job opportunities. Consequently, new rules proposed by the Federal Reserve Board and three other banking regulators aimed at expanding credit availability for small businesses and firms owned by women and minorities are timely and necessary.

Since 1977 the Community Reinvestment Act, or CRA, has helped curb 'redlining,' the discriminatory lending practice whereby banks refuse to make mortgage loans to people within certain geographies based on the ethnic or racial composition of those areas or the age of their housing stock. CRA requires lenders to take affirmative steps to help meet the credit needs of underserved areas.

By most accounts, CRA regulation has spurred new lending to credit-starved urban and rural communities across America, and it has done so in a way that makes money for banks by developing new markets. A recent survey of 42 banks conducted by the Bank Insurance Market Research Group, an independent company based in New York, found that 62 percent said that they were making money or expected to make money by lending to low-income and minority neighborhoods. Only 5 percent said that lending to people in those geographic areas represented a financial burden to them.

CRA directs the federal bank regulators to evaluate the extent to which banks are meeting local credit needs, including the needs of low- and moderate-income areas, consistent with safe and sound banking practices. The regulators must "take such record into account" before they grant requests by these institutions to expand, either by opening new branches or through mergers and acquisitions of one another. A weak CRA record may be grounds to deny an expansion request. The Center for Community Change has calculated that more than $30 billion have been committed to underserved areas by lenders through negotiated CRA agreements and unilateral lender commitments.

However, continuing concerns about the deficiencies in the rating system led President Clinton last year to instruct the regulators to develop CRA regulations that placed greater emphasis on actual performance and less emphasis on the process the lender goes through to achieve its record. Among other factors, the "reform" plan that was issued for comment last December proposed a comparative market-share test for assessing whether lenders were as active in low- and moderate-income areas as they were in more affluent areas.

The banking trade groups backed away and opposed the plan. Some even advocated retaining the existing system they had so strenuously criticized. In the face of this opposition, the regulators went back to the drawing boards and substantially rewrote the December 1993 proposal.

The revised proposal, released in late September, represents an about-face: It allows examiners more flexibility in selecting measures to assess a bank's CRA performance. The September rewrite, however, broke new ground in at least one area. Banks with assets of more than $250 million would need to collect race, ethnicity and gender data on small-business and small-farm loans. Aggregate information would be made public to the extent to which individual banks are lending to small businesses owned by minorities and women. The availability of this data could be used to focus the CRA evaluation process on small-

and to exert pressure on the federal government to go after lenders that discriminate.

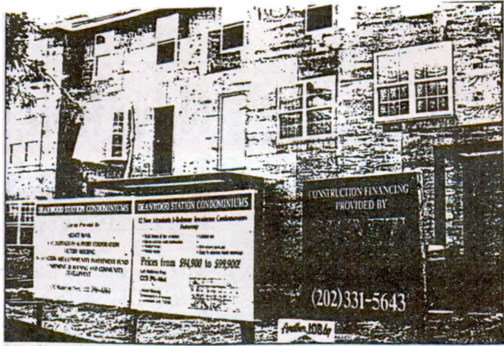
The regulators also revised their proposal with respect to collecting information on the geographies in which a bank made its small-business loans. Under the revised proposal, banks would not have to publicly disclose their small-business lending on a census-tract basis. Instead, lenders would prepare aggregate reports showing the number and amount of small-business loans they made in low-, moderate-, middle- and upper-income groupings of census tracts.

Unfortunately, the new reporting requirements appear to have created a firestorm within the banking community and among several Fed governors and some business media. Objections fall into three categories: skepticism about whether discrimination in commercial lending is really a problem; fear that race and gender reporting will lead to emergence of loan quotas for different minorities; and concerns about a variety of technical and privacy issues. Let's review the evidence showing that these concerns are unfounded.

Plenty of signs exist to underscore the fact that discrimination in commercial lending continues to be a serious problem. Racial discrimination pervades virtually every aspect of our society, as evidenced by nationwide investigations of housing markets that point to discrimination aimed at African-Americans and Hispanics in about half the cases, according to a 1991 study by the Urban Institute.

As for discrimination in lending, data provided in 1991 under the Home Mortgage Disclosure Act, or HMDA, revealed that African-Americans are more than twice as likely to be rejected by lenders for mortgage credit, even after controlling for income. The differences between Hispanic and white rejection rates are almost as wide. Applicants for mortgages on properties in predominantly black or Hispanic neighborhoods, regardless of income level, are far more likely to be rejected than applicants for properties in low-income white neighborhoods.

Building on the findings of the HMDA research, the Boston Federal Reserve Bank conducted a detailed review of mortgage loan files by Boston lenders and found that lenders rejected minorities 56 percent more frequently than comparable white applicants — even after controlling for all the relevant indicators of applicant



Some low-income housing *projects rely on the Community Reinvestment Act.*

risk. The Boston Fed study also helps explain how discrimination enters the loan-decision process. The study found that as many as 80 percent of all home-loan applicants, both white and black, had some flaws in their credit credentials; these flaws were more likely to be overlooked for whites than for blacks. In other words, whites seemed to enjoy a general presumption of creditworthiness not granted to minorities.

The decision by a lender to grant mortgage credit is relatively straightforward. Lenders tend to rely on three underwriting criteria to approve a loan request: the applicant's debt-to-income ratios, the credit history and a property appraisal. If bias can creep into mortgage lending with its objective criteria, then it certainly stands to reason that it can seep into commercial lending, which entails more subjective judgments by loan officers.

The research concerning credit access for white and African-American entrepreneurs also points to the existence of discrimination in the loan-decision process. For example, Timothy Bates, director of urban policy analysis at the New School for Social Research, studied census data for more than 10,000 small businesses in 28 cities. He found that black-owned firms are turned down for bank loans more often than are white-owned firms and that the loans they receive, especially those in inner-city neighborhoods, are smaller. The Bates findings are consistent with another study sponsored in 1988 by the U.S. Small Business Administration, which found that even after controlling for a borrower's credit risk, black businesses were more likely to be denied credit than white-owned firms.

Efforts to curb discrimination in small-business lending will require far better data collection and reporting than currently is required. It is virtually impossible for bank examiners to detect discrimination in commercial lending. Commercial loan borrowers are not required to indicate whether their firm is minority- or women-owned and, therefore, such records are not maintained by lenders. (In fact, it is illegal for lenders to keep such records.) Consequently, examiners have no paper trail to determine whether differential treatment is occurring.

Instead of systematic exams to ensure fair treatment, the regulators rely on complaints from small-businesses owners. Few minorities, however, are in a position to complain, since it is unlikely they would be aware that their credit requests were being treated differently than those of white-owned firms. As a result, the federal government has done little to ensure fair treatment in this area.

The proposed changes to CRA would require large banks to request that small-firm owners indicate the percentage of the business owned by men and by women as well as the percentage owned by racial and ethnic minorities. It would be up to the small-business owners to decide to provide this information to the lender. Some small-business operators initially might be reluctant to provide such data to lenders for fear it would be used in discrimination efforts. However, the experience with similar requirements in place for many years for mortgage lending strongly sug-

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gests that most loan applicants will check off the desired race and gender information, providing that they believe such information will be used to combat discrimination.

There is no evidence to support the view that loan data reporting leads to loan quotas to minority groups, although some have expressed concern that this could become the case. The fear appears to be based on the recent civil-rights suit against the Chevy Chase Savings Banks for redlining predominantly African-American neighborhoods in the Washington area. Critics of the Justice Department's action claim the bank was prosecuted for loans it did not make rather than for treating minority home-loan applicants unfairly.

In fact, the Justice Department looked at more than statistical data. The investigation by federal prosecutors revealed that the bank consistently was less active in its marketing and outreach efforts in minority neighborhoods, regardless of income level, than in white areas. The government case presented a classic example of racial redlining, which is illegal under federal civil-rights laws. Faced with this strong evidence, the bank anxiously settled with the Justice Department lawyers.

Requiring large banks to collect race and gender data does not lead to quota lending. Its goal is to ensure that similarly situated white and minority credit seekers are treated comparably. Moreover, banks cannot make high-risk loans to specific racial groups even if they do desire for fear of running afoul of federal bank examiners who inspect their books for safety and soundness.

Federal Reserve Board Gov. Lawrence Lindsey is leading the charge against the inclusion of race- and gender-related data collection for small-business lending. His opposition is based on a "parade of the horrible" he conjures up. But in fact, these concerns already have been addressed by the proposal. First, Lindsey maintains that race and gender reporting bears no relation to CRA. He is right in the sense that the regulators have not chosen to discuss in their revised proposal exactly how the race-and gender-related information will be used for CRA evaluation purposes. However, since this data will be used for fair lending enforcement purposes, and since a lender's record in complying with the civil-rights laws is a key component of their overall CRA grade, race and gender data should be relevant to agency examinations.

Second, Lindsey has stated that he believes the definition of race in the revised proposal is unclear. In fact, the regulators are proposing to use essentially the same set of definitions that has been used for many years on the standard Fannie Mae/Freddie Mac mortgage application form. It has worked well for mortgage credit; an overwhelming majority of applicants check off the racial group with which they feel most comfortable. Maybe this method is not perfect, but it is head and shoulders above that which we have now — absolutely no information.

Last, Lindsey has expressed concerns about whether the privacy of small-business owners adequately is protected. In fact, the revised proposal includes a number of features to provide privacy protection to small-business owners. To protect the privacy of individual borrowers, detailed information on the percentage of a business or farm owned by members of different minority groups and by women would not be included on the loan registers maintained by banks. To further safeguard privacy, the actual loan registers would not be available to the public.

Instead, lenders would provide only aggregate information about the loans they made to minorities as a single group and to women. Lindsey acknowledges all of this, but contends he is concerned that the Fed somewhere down the road would be less concerned than he about these issues. He also chooses to ignore some obvious facts. For example, the Small Business Administration makes data available about the street address of each company to which it makes loans, which is far more detailed than anything proposed in this regulation. Additionally, far more details about the race, gender and income levels of individual mortgaged-loan applicants is available to the public, but the Fed has yet to hear privacy concerns expressed from the nation's consumers. Clearly, Lindsey is grasping at straws.

Let me suggest an alternative explanation for why some banks and their allies are aiming their sights on this limited reporting requirement. Some big banks are worried about the effect of the release of this data on their images. They know that their industry generally is viewed as a vital provider of credit to the small-business sector, yet at least some research suggests that the nation's largest banks are not particularly good lenders to the smaller firms.

A recent report by the public-interest group Essential Information indicates a dramatic decline in small-business lending activity as bank size increases. The release of loan data for minority- and women-owned businesses is unlikely to make the big banks look any better. The banking industry still is recovering from the black eye it took when HMDA data revealed the disparities in lending to minority households and neighborhoods. No wonder some big banks are interested in stirring up opposition to the data collection requirement.

The major constraint on the formation and growth of black business has been inadequate capitalization, attributable in part to discriminatory treatment by banks. This must end. The collection and reporting of race and gender data is entirely consistent with the CRA and will provide a cost-effective means of breaking down unfair barriers to capital access. •

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NTIC National Training and Information Center
810 N. Milwaukee Ave. □ Chicago, Illinois 60622-4103 □ (312) 243-3035

TESTIMONY BEFORE THE SUBCOMMITTEE ON FINANCIAL INSTITUTIONS AND CONSUMER CREDIT

Submitted by Gale Cincotta

Executive Director of National Training and Information Center and Chairperson of National People's Action

March 9, 1995

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Thank you, Madam Chairwoman and other members of the Committee for the opportunity to testify, and for your interest in community reinvestment. I speak not only as Executive Director of the National Training and Information Center, but as Chairperson of National Peoples' Action. NPA is a national coalition of approximately 300 grassroots organizations who have been working on neighborhood issues since 1971.

In light of recent proposed cutbacks to programs in the Department of Housing and Urban Development's budget, I think it would be a tragic error to miss this opportunity to strengthen the Community Reinvestment Act. CRA has been a crucial tool in the revitalization of low and moderate income neighborhoods. Through the Community Reinvestment Act, communities have gained access to CRA agreements worth over $35 billion. These agreements were for loans in previously under-served areas. Thousands of communities have benefitted from these agreements. Most importantly, beyond the cost of regulating the lending institutions, these loans have been leveraged without costing the American taxpayers one dime.

Supporters of the Community Reinvestment Act often have been called "radicals". I have never understood this. All we want is the lending institutions to do regular business in our communities.

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What could be more American than supporting the conventional market? Furthermore, we have never asked a bank to make poor loans in our communities. We want the redlining of low and moderate income neighborhoods stopped.

The intent of CRA has always been for banks to do regular business in all communities located in their service area. What does regular business mean? It means making good, solid, direct loans in all areas, including low and moderate income neighborhoods. CRA was enacted to ensure that these loans are being made.

No other law on the books for equal credit or fair housing looks at the discrimination against entire communities. Individuals are able to bring action against banks for discrimination against them, as individuals, but entire communities who have been wiped out because banks redlined their neighborhoods must rely on the Community Reinvestment Act to prevent such action. If CRA were not available to the communities, every individual in that community would have to bring an action against a bank. Instead of relying on millions of people in America bringing individual suits against banks, neighborhoods have been able to use their collective force to get investment agreements totaling over $35 billion.

ENFORCEMENT OF CRA AND THE PAPERWORK BURDEN

It has always been our view that such use of enforcement was well

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within the authority of the regulators, although in the past the agencies have chosen not to use such authority. The Regulators should use every means available to them to insure that institutions fulfill their obligations under this law, just as they do for other safety and soundness and consumer laws and regulations. We strongly support the agencies' proposal to use full enforcement authority to compel CRA performance from institutions that are found to be in substantial non-compliance.

However, in 1993, 93% of the nation's banks received satisfactory or above ratings; in 1994, 94% received such ratings; and in the last six months of 1994, 95% received a rating of satisfactory or above. It is obvious that there are serious problems with the examination process. CRA enforcement is spread over 4 separate regulators, numerous examiners, and thousands of lending institutions of different sizes in different kinds of communities. The same conditions do not exist uniformly throughout this system.

The most important change which can be made in CRA regulation will be to make CRA examinations both uniform and predictable, and to train examiners to have good understanding of the laws. Common-sense standards must be put in place which are based upon a clear understanding of the statute's intent and of HMDA data interpretation.

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The inconsistencies in CRA examinations and the resulting uncertainty which lenders feel regarding their performance has created a vicious backlash against CRA. Lenders who do not understand the requirements of CRA feel insecure about how their compliance will be judged, feel that quantity, not quality, will secure them a positive rating. If requirements were clearly and simply spelled out, lenders would not rely on enormous CRA files as their insurance policy against a poor CRA rating.

In addition to a tendency for some lenders to compensate for uncertainties about the exam process by over-producing paperwork, in some cases it is the examiners themselves who directly or indirectly call for excessive documentation. It must be made clear that in the cases where this is true, regulators are asking for documentation which the statute does not call for, and which community residents have never been interested in.

Such paperwork burdens demonstrate the reliance on bureaucratic detail by examiners who lack an understanding of the real aims of CRA. For example, some examiners perform spot-checks of loan officers in which they ask for logs of every telephone conversation with community groups as well as every meeting attended. Such detailed reporting was never an aim of the CRA statute, nor was it suggested or desired by community residents active in community reinvestment.

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There is no onerous paperwork burden either explicit or implicit in the Community Reinvestment Act. The bankers' goal of removing CRA is inappropriate. CRA requires only negligible amount of paperwork. Killing the statute, as a remedy for what has been poor enforcement, is the wrong solution. Redlining cannot be sanctioned because of dissatisfaction with the methods of CRA enforcement.

The regulators have been charged with rewriting the CRA regulations. National Peoples' Action will support the second set of revised regulations if they include Direct Lending, Business and Small Farm Loan Disclosure, and no Safe Harbors for small banks and banks with satisfactory or higher ratings.

DIRECT LENDING

Direct lending is the backbone of community reinvestment. Only if banks do direct loans in neighborhoods will they have a stake in the success of that neighborhood. Banks have the lending expertise, staff, and funds available to make fair and safe loans. It is what they are chartered to do.

The revised proposal continues to place insufficient emphasis on the "Direct Lending" banks do. "Direct" Lending to local communities must be made the primary focus of the Lending Test. Lenders must be required to receive a least a "Satisfactory" grade based on their Direct Lending. This is what CRA is really about.

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The regulations should define "direct lending" to include housing, business, and farm loans originated or purchased by the lending institution itself or through the affiliates it owns. Consumer loans should not be counted as direct lending for purposes of the Lending Test.

BUSINESS AND SMALL FARM LOAN DISCLOSURE

CRA needs to include public access to business and small farm loan data. Without this crucial data, communities have been redlined by allowing financial institutions to ignore the credit needs of local businesses. Just as Home Mortgage Disclosure Data has allowed groups to gain billions in housing loans, information on business and farm lending could be used to negotiate loans for credit starved communities.

Full disclosure by census tract of small business and small farm loans (as HMDA currently requires for home loans) is needed to make the assessment process work. We are encouraged that the revised proposal requires large banks to disclose the extent to which they are making small business loans to minorities and to women. However, unlike the December proposal, the new version drops the original requirement for public disclosure of small business loans on a census tract level. This tradeoff is not acceptable.

Chicago's 1974 ordinance required that institutions seeking to be

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designated as municipal depositories disclose their commercial lending by census tract. After a meeting with Mr. Michael Moskow, President of Chicago's Federal Reserve Bank, last November, President Moskow investigated lenders' experience with the City's ordinance. He states in his letter to me, dated December 16, 1994, "Although there were questions about the accuracy of some of the data, our contact with thirteen of the twenty-one banks revealed no instances of privacy issues being raised in connection with the disclosure of the data".

Our experience with Home Mortgage Disclosure Act (HMDA) data shows that census tract level reporting is absolutely crucial for combatting redlining and exposing discriminatory lending patterns. HMDA-style reporting for business and farm loans reported by race, ethnicity, gender and census tract must be part of any proposal that purports to reform the CRA.

Accurate CRA evaluations cannot occur without effective public input. This cannot occur if vital parts of a bank's lending record are kept from the public. Banks with truly Outstanding CRA ratings should welcome the opportunity to demonstrate their overall lending performance by reporting and disclosing more detailed data on their business and farm loan activity.

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SAFE HARBORS

The "Safe-harbor" (i.e., special circumstances) provision the regulators are proposing would allow banks to withhold data that would otherwise be disclosed. This provision is unacceptable. It would protect those banks that make the fewest number of loans to underserved parts of their community.

There should not be a lower standard of CRA performance for small banks. The asset size determinant proposed for the so-called "streamlined examination" is too high. It would virtually exempt nearly 80% of the industry from CRA. Streamlined examinations should only be available for the truly small, "Mom and Pop" type institutions, those with assets at or below $50 million.

The recently introduced legislation includes safe harbors to banks which have previously received ratings of satisfactory or above. Since 95% of the reviewed banks received such ratings in the last half of 1994, these banks would be exempt from review. Small bank exemption for banks with assets at or below $100 million would exempt 95% of the nation's banks. If the safe harbor exemptions are included in the bill, it will for all intent and purpose, kill CRA.

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CONCLUSION

The Community Reinvestment Act is about making the conventional market work in neighborhoods. The gains that have been made in once under-served areas have been dramatic. To repeal the act or to pass legislation which undermines the Act's intent would destroy the revitalization process which is occurring in America's low and moderate income, urban, and rural areas. CRA has compelled lenders to learn that community banking is a good and profitable business.

In the words of a Chicago lender, "CRA is not bad business or "have to" business. CRA allows discretion and choice to the lender. It allows for reasoned negotiation and workable solutions. It has provided a forum where financial institutions, corporations, and community organizations can work in a spirit of cooperation to meet community credit needs".

I am grateful for the interest of the members of this Subcommittee in learning more about reinvestment. Thank you for your time.

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FEDERAL RESERVE BANK
OF CHICAGO

MICHAEL H. MOSKOW
President

December 16, 1994

Ms. Gale Cincotta
Executive Director
National People's Action
810 North Milwaukee Avenue
Chicago, Illinois 60622

Dear Gale:

I want to thank you and your associates for meeting with me and my staff on November 23. It was extremely helpful to hear your concerns about the proposed Regulation BB, the Community Reinvestment Act (CRA). During our discussions about the need to collect and disclose small business loan activity, you and Malcolm mentioned that Chicago's 1974 ordinance required that institutions seeking to be designated as municipal depositories disclose their commercial lending by census tract. You also stated that as far as you knew, the privacy issue had not been raised during the years of the data's collection.

After our meeting, we investigated lenders' experience with the City of Chicago's ordinance and its related disclosure of commercial loans. Although there were questions about the accuracy of some of the data, our contact with thirteen of the twenty-one banks revealed no instances of privacy issues being raised in connection with the disclosure of the data.

I have forwarded this information on the Chicago experience to the Board of Governors staff in Washington so that it can be considered in the Board's determination of whether small business loan data should be fully disclosed to the public.

As I indicated in our meeting, I would welcome meeting with you again so that we can work together in improving CRA and I appreciate your willingness to consult with our staff on its implementation.

Sincerely,

230 SOUTH LA SALLE STREET
CHICAGO, ILLINOIS 60604-1413

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LaSalle Talman Bank FSB

LASALLE BANKS

135 South LaSalle Street
Chicago, Illinois 60603-4105
(312) 443-2290

Thomas J. Gobby
Senior Vice President
CRA Officer

March 3, 1995

The Honorable Marge Roukema
U.S. House of Representatives
Chairwoman, House Subcommittee on Financial
Institutions & Consumer Credit
2469 Rayburn, House Office Building
Washington, D.C. 20515

Dear Representative Roukema:

Through our subsidiary, the LaSalle Talman Home Mortgage Corporation, we are the largest residential mortgage lender in both the Chicago metropolitan area and the state of Illinois.

Our orientation and focus of lending has been consistent with the mandates of the Community Reinvestment Act (CRA). In fact, it predates the actual introduction of the CRA in 1977. For the record, our institution was also providing voluntary mortgage disclosure data before the passage of the Home Mortgage Disclosure Act (HMDA).

CRA has proved to be a positive force here in Chicago. It has been the instrument that has provided millions of dollars in investment that has financed home purchase, rehabilitation and home improvement, and new construction in once underserved communities.

CRA is not bad business or "have to" business. CRA allows discretion and choice to the lender. It allows for reasoned negotiation and workable solutions. It has provided a forum where financial institutions, corporations, and community organizations can work in a spirit of cooperation to meet community credit needs.

Today we are disturbed by news coming from Washington, viz., that efforts are underway to repeal or undermine the Community Reinvestment Act.

There is a need to revise some aspects of the CRA, and recent hearings and rule changes were to do that. That has not happened. Changes are needed. **Repeal is not!**

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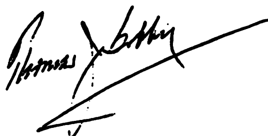
The Honorable Marge Roukema
Page 2

Chicago, and indeed all of our nation's cities, need the positive force of CRA. Without CRA the prospects of a return to the terrible social turmoil and destructive results of pre-CRA days becomes a very real possibility.

I express my support for the continuance of the Community Reinvestment Act.

Sincerely,



cc: President Bill Clinton, The White House
Gale Cincotta, Chairperson, National People's Action

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LaSalle National Bank

LASALLE BANKS

120 South LaSalle Street
Chicago, Illinois 60603
(312) 781-7058

Gary S. Washington
Senior Vice President and CRA Officer

March 3, 1995

Gale Cincotta
Chairperson
National People's Action
810 North Milwaukee Avenue
Chicago, IL 60622

Dear Gale:

Enclosed are copies of CRA support letters sent to elected officials from LaSalle National Bank. These letters were signed by M. Hill Hammock, Executive Vice President and Chief Credit Officer.

If I can be of further assistance please contact me.

Sincerely,

Enclosures

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LaSalle National Bank

LASALLE BANKS

120 South LaSalle Street
Chicago, Illinois 60603-3499
(312) 904-8481
Fax: (312) 904-6559

M. Hill Hammock
Executive Vice President
and Chief Credit Officer

March 3, 1995

The Honorable Marge Roukema
U.S. House of Representatives
Chairwoman, House Subcommittee on Financial Institutions & Consumer Credit
2469 Rayburn House Office Building
Washington, DC 20515

Dear Congresswoman Roukema:

As a major Chicago lender. I am writing to express my support of the Community Reinvestment Act (CRA) of 1977. We have worked in compliance with both CRA and the Home Mortgage Disclosure Act (HMDA) for nearly twenty years. Our lending which is in compliance with CRA and HMDA has repeatedly proven to be responsible and profitable.

CRA has been the catalyst for private sector investments into communities that never would have occurred without CRA. With the advent of the Community Reinvestment Act financial institutions have forged new partnerships and created unique lending programs in our communities. The CRA has shown lenders that community banking is good business.

We are asking for your endorsement of the Community Reinvestment Act. It has opened a community development market for the financial industry which is profitable.

The Community Reinvestment Act is about making the conventional market work in every neighborhood. To repeal or undermine the intent of CRA would jeopardize the revitalization process occurring in America's low- and moderate-income, urban and rural neighborhoods.

If we are serious about saving our neighborhoods and restoring opportunities, we must be serious about our commitment to the Community Reinvestment Act.

Sincerely,

cc: Gale Cincotta, Chairperson
National People's Action
810 N. Milwaukee Avenue
Chicago, IL 60622

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CHICAGO NEIGHBORHOOD LENDING PROGRAM

Total Loans, Goals and Units *

	Goals	Housing	Business	Total	Units	Grants
1984-89	$173,000,000	$69,851,761	$51,804,747	$121,656,508	5,651	$3,627,595
1990		32,624,435	46,300,676		1,759	
1991		105,628,924	50,098,617		1,656	
1992		52,247,460	15,489,736		2,525	
1993		43,915,693	14,196,909		1,688	
1994 **		8,257,588	2,728,229		747	
1990-94	250,000,000	242,674,100	128,814,167	371,488,267	8,375	3,747,183
Total:	$423,000,000	$312,525,861	$180,618,914	$493,144,775	14,026	$7,374,778

* Neighborhood lending Program Participants: Continental Bank, First National Bank of Chicago, Harris Trust and Savings Bank, and Northern Trust.

** 1994 is for 1st and 2nd quarters only.

NTIC Analysis: November, 1994. NTIC--(312) 243-3035.

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Continental Bank Corporation

231 South LaSalle Street
Chicago, Illinois 60697

News Release

Continental

For more information:
Kevin Anderson, Continental Bank, 312/974-0593
Jeffrey Smith, Continental Bank, 312/828-1739
Russ Yarrow, Bank of America, 415/953-1411

Continental and BankAmerica Target $1 Billion in Community Lending and Investments in Chicago Area

Plan will benefit small businesses in low- and moderate-income Chicago communities, as well as low-income housing and urban education

CHICAGO, Aug. 3, 1994 -- BankAmerica Corporation and Continental Bank Corporation, in connection with their pending merger, today jointly announced a five-year program to provide $1 billion in loans and investments targeted to low- and moderate-income neighborhoods in Chicago.

"We have worked closely with the Illinois governor's office, the state banking commission and local community groups to develop a significant new long-term commitment to community and economic development in Chicago," said Continental Vice Chairman William M. Goodyear, who will become chairman of Bank of America Illinois when the merger is completed. "We want to make it absolutely clear Bank of America Illinois will continue working to create new opportunities for lower-income Chicagoans and for Chicago businesses."

BankAmerica's acquisition of Continental Bank was approved by Illinois State Banking Commissioner Richard N. Luft on July 26, and by the Federal Reserve Board of Governors on July 18. The acquisition is scheduled to be completed later this month. In conjunction with the state approval, BankAmerica also announced the opening of a Community Development Division office of Bank of America, FSB (Federal Savings Bank), in Chicago.

- more -

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The $1 billion community investment program will include increased lending to local businesses, including small firms and those owned by women and minorities. Bank of America Illinois also will provide credit, financial, advisory and technical assistance to increase the availability of single- and multi-family housing; enhance the quality and availability of social services; improve urban education; and create and expand job opportunities in low- and moderate-income communities.

"We're delighted by this commitment to Chicago," said Gale Cincotta, executive director of the National Training and Information Center. "The combination with BankAmerica will significantly enhance Continental Bank's leadership role in the revitalization of Chicago's low- and moderate-income neighborhoods and in the creation of new jobs. We believe the merger will be a major benefit for the Chicago community."

The five-year, $1 billion program consists of:

- $750 million in credit for middle-market businesses located in low- and moderate-income communities or employing persons of low or moderate incomes.
- $125 million in credit for small-, women- and minority-owned businesses.
- $125 million in credit, investments, grants and other capital and fund-raising efforts for third-party loan pools and community development organizations that support the availability of affordable single- and multi-family housing, small businesses, social services and community development projects in low- and moderate-income communities.

In addition to these programs, Bank of America, FSB, will invest $10 million in the 1994 National Equity Fund Partnership, a nonprofit, Chicago-based organization that funds low-income housing.

Also, subject to approval by the Office of Thrift Supervision, Bank of America, FSB, will invest $1 million in The Retail Initiative to provide equity capital for the development of retail business properties in low-income Chicago neighborhoods.

- more -

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"Bank of America, FSB, will offer services that will complement the efforts of Bank of America Illinois," said Donald A. Mullane, chief executive officer of the FSB's Community Development Division. "Together, they will help make BankAmerica one of the leading providers of community development resources in the Chicago area."

The Community Development Division of Bank of America, FSB, will provide Small Business Administration and other types of government-assisted business loans, targeting 25 percent of its lending to minority- and women-owned businesses, and 33 percent to loans of less than $100,000. It will also provide a variety of financing for the construction and preservation of low- and very-low-income housing.

Since changing its focus in 1988 to serving midsize and large U.S. businesses, Continental Bank has been a catalyst in revitalizing low- and moderate-income communities, improving educational programs, and creating and maintaining jobs in the areas it serves. Bank of America's existing commitment to community reinvestment was recognized by federal regulators recently with an "outstanding" rating under Community Reinvestment Act (CRA) guidelines; Continental received a "satisfactory" rating.

Notes to Editor:

1. Continental Bank Corp. is a bank holding company that focuses on meeting the capital and financial management needs of public and privately held businesses nationwide. Through its subsidiaries, the company provides business financing, specialized financial and operating services and private banking services. Continental also engages in equity finance and investing, as both principal and arranger, and international trading.

2. With assets of $197.2 billion, BankAmerica Corporation is the nation's second-largest bank holding company.

# # #

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Harris Trust and Savings Bank
111 West Monroe Street
Chicago, Illinois 60603

News Release

FOR IMMEDIATE RELEASE

Contact: Pam Kassner
312/461-6625

HARRIS SETS $305 MILLION FIVE YEAR COMMUNITY LENDING GOAL

Bank Exceeds First 10-Year Goal by $30 Million

Chicago, May 31, 1994 – Harris Bank announced today a commitment to extend $305 million of credit for affordable housing, small business and other community revitalization initiatives during the next five years. The announcement comes as Harris marks the ten year anniversary of its Neighborhood Lending Program.

In May 1984, Harris committed $35 million for multifamily, single family, mixed-use, home improvement and commercial real estate loans. Five years later it set a goal of an additional $50 million for a ten year goal of $85 million. At the end of 1993, the Harris had already committed $115 million, exceeding the ten year goal by $30 million.

"The accomplishments of the past ten years to help stabilize and improve our neighborhoods are numerous, but the job is certainly far from finished. Many communities still have unacceptable levels of investment, lack affordable housing and have high unemployment. Our new $305 million goal renews and expands our long-standing commitment to Chicago and Cook County's many communities," said Edward Williams, Harris executive vice president, Community and Public Affairs.

Under its new goal, areas of special focus will include:

- $100 million for residential mortgages (1-4 units)
- $50 million for multifamily and mixed-use mortgages
- $30 million for commercial real estate
- $75 million for small business, including special attention to women-owned businesses
- $50 million for third party loan and equity pools

(more)

Wholly owned subsidiary of Harris Bankcorp, Inc.

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HARRIS LENDING GOAL/2

The $305 million commitment is believed to be the largest ever community lending goal established in Chicago.

Additionally, the Harris plans to extend $2 million in Harris Foundation grants to community redevelopment organizations. The Bank will also continue to offer financial, technical and educational assistance to community-based credit unions and other third-party deliverers of credit and continue to provide financial education seminars.

The Harris is playing an active role in supporting the City of Chicago's application under the Federal Government's Empowerment Zone Program by pledging private sector support and investment in the city's proposed zone. Areas designated an Empowerment Zones will receive $100 million in federal grants, tax breaks and other resources to stimulate economic development.

"These community development activities combined with the opening of new Harris branches throughout the City of Chicago and Cook County will allow the Harris to bring financial services and products to an expanding number of people, their neighborhoods and their businesses," Williams said.

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Consumers Union
Publisher of Consumer Reports

Testimony of
Michelle Meier
Counsel for Government Affairs

Consumers Union

on

The Community Reinvestment Act: Its Role In Giving Families Financial Security and Promoting the American Dream

Consumers Union[1] appreciates the opportunity to appear before this subcommittee today. I am Michelle Meier, Counsel for Government Affairs in the Washington Office of Consumers Union, the publisher of Consumer Reports magazine.

Although I have worked on Banking Committee issues affecting consumers for over 10 years, this is my first appearance before this subcommittee during the 104th Congress. I am delighted to be here today and look forward to working closely with every member of this subcommittee under the distinguished leadership of Mrs. Roukema and Mr. Gonzalez. We believe that consumer protection is a goal shared by Americans of every political stripe, and one that this subcommittee will strive to achieve on a bi-partisan basis.

The Community Reinvestment Act (CRA) is a critical consumer protection law. It recognizes that banks play a unique role, and enjoy unique benefits, in our economy. The credit they provide plays a vital role in whether a family is able to achieve the dream of homeownership or the practical necessity of purchasing an automobile. The deposit services they provide determine whether a family is able to save money and function within the modern payments system.

We look forward to working with members of this sub-committee to ensure that this CRA reform proposal pending at the banking agencies moves forward in a form that cuts costly red tape and bureaucracy while preserving fundamental consumer protection.

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[1]Consumers Union is a nonprofit membership organization chartered in 1936 under the laws of the State of New York to provide consumers with information, education and counsel about goods, services, health, and personal finance; and to initiate and cooperate with individual and group efforts to maintain and enhance the quality of life for consumers. Consumers Union's income is solely derived from the sale of Consumer Reports, its other publications and from noncommercial contributions, grants and fees. In addition to reports on Consumers Union's own product testing, Consumer Reports with approximately 5 million paid circulation, regularly carries articles on health, product safety, marketplace economics and legislative, judicial and regulatory actions which affect consumer welfare. Consumers Union's publications carry no advertising and receive no commercial support.

Washington Office
1666 Connecticut Avenue, Suite 310 • Washington, D.C. 20009-1039 • (202) 462-6262

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The CRA Repeats a Longstanding and Fundamental Principle of U.S. Banking Law -- That Banks Are Chartered to Serve the "Convenience and Needs" of their Community

The Community Reinvestment Act (CRA) states as its general premise a principle that is repeated throughout U.S. banking law. This is the principle that a bank is to "serve the convenience and needs" of the community in which it is located. The law recognizes that "convenience and needs" encompasses not just deposit account services, but credit services as well.

This longstanding principle reflects two integral facts. First, like hospitals and utilities, banks provide a service that is critical to the well-being of American families and the well-being of our economy.

Consumers who cannot get a mortgage loan because they live in a redlined neighborhood, i.e., one that banks have agreed not to serve, cannot achieve financial security regardless of how hard they try.

Consumers who cannot open a bank account because the high cost eats away at their modest savings, or because no bank branches serve their neighborhood, are doomed to live in an underclass that is vulnerable to theft and the price gouging practices of the check cashing industry.

Second, the American public shields banks from competition by the federal deposit insurance system, which allows banks to attract consumer savings with a promise that American taxpayers will make good on the full deposit even if the bank becomes insolvent. This is not just a theoretical protection from American taxpayers. In 1989 American taxpayers committed an estimated $100 billion to pay for insured deposits squandered by the S&L industry. Similarly, in 1991, American taxpayers bailed out the banking industry with a taxpayer loan of $70 billion to help pay the claims of insured depositors at the banks that had gambled their way into insolvency in record numbers.

Federal deposit insurance gives banks even a bigger public handout than occasional multi-billion dollar taxpayer bailouts. Banks are able to save significant interest costs by paying low interest rates on deposits because of the deposit insurance system. This is because consumers are willing to forego market rates for the value of the security of the government deposit insurance guarantee.

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The CRA Has Helped Give All Consumers Access to Basic Banking Services -- But Significant Problems Remain

The CRA has played a vital role during the last two decades in getting banks to meet the modest goal of serving the convenience and needs of their local communities. As the record profits enjoyed by the banking industry during the last few years indicate, the CRA has accomplished this goal without undermining bank profitability. Indeed, the CRA helps banks discover new products and new markets.

Deposit and Other Branch Services

The CRA has discouraged banks from making deposit accounts unavailable and unaffordable for lower income consumers through unnecessary price hikes and systemic branch closures in poorer neighborhoods. Although these phenomena are on-going problems, over the years the CRA has played a dramatic role in helping to reduce these accessibilty problems in various markets throughout the country.

- In recent years the California Reinvestment Committee has negotiated CRA agreements with several California banks to make lower cost deposit services available to all consumers. The account provided by the Bank of America agreement costs $3.50 per month with no minimum balance requirement.

- Similarly, a group in Brooklyn recently used the CRA to encourage Chemical Bank to help establish a credit union in a Brooklyn neighborhood where Chemical was closing its own branch.

Credit Services

The CRA has also played a vital role in making credit available to families who have historically found it difficult to participate in the American dream because of discriminatory practices, such as redlining.

The following are just a few examples of CRA success stories in the area of credit:

- In 1989, Bank of America in California made a commitment to lend lower income neighborhoods $50 million per year. Since 1991, the bank has met or greatly exceeded this commitment.

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- In 1990, the Community Coalition for Fair Banking in East Harlem, New York, challenged the merger of Banco de Ponce and Banco Popular on the grounds that neither bank was lending to East Harlem. The Coalition reached a written lending agreement settling the challenge with Banco Popular (the surviving bank). As a result of this agreement, from 1991, when the agreement took effect, through March 1993, Banco Popular made more than $4 million in small business and affordable housing loans in East Harlem.

- In 1993, the Cypress Hills Local Development Corporation and the Cityline Coalition in Brooklyn, New York, began a community reinvestment initiative by hosting a community forum at which they disclosed the results of their analysis of neighborhood banks' lending performance, as reflected in data submitted under the Home Mortgage Disclosure Act. The results indicated very low lending levels, despite millions of dollars of deposits from the community in community banks.

  In response to requests from community groups, Chemical made a commitment to lend more in these neighborhoods, setting a dollar lending goal equal to 5 percent of its average Brooklyn branch deposits. Since then, Chemical has nearly doubled its lending in the local community -- from $1.5 million in 1992 to nearly $4 million in 1993.

The Pending CRA Reform Proposal Overlooks Key Aspects of Bank Performance and May Lack Real Enforcement "Teeth"

As you know, for almost two years the federal bank regulators have been working to reform the program under which the CRA is implemented. While that proposal would slash the redtape and paperwork requirements of the current program, it disappoints us on other grounds. We hope we can secure your support in getting the regulators to correct some of these flaws and the misconceptions on which they are based.

For example, the revised proposal issued last September eliminated the market share component of the lending test. This could minimize the weight given during a CRA evaluation to the fact that a bank has high market share in the upper income neighborhoods of its community, but virtually no presence in the lower income neighborhoods of its community.

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Similarly, the revised proposal gives very little weight to whether a bank has branches or even limited branch services in lower income neighborhoods. Consequently, a bank could get a high CRA evaluation without providing any deposit services to these neighborhoods. (See attached letter.)

Additionally, since the revised proposal was released in September, the OCC has released a legal opinion that signals a major retreat on the question of CRA enforcement. As formally proposed, the pending CRA reform would allow the regulators to use cease and desist orders and other regular enforcement tools to get banks to comply with their CA obligation. The OCC opinion rejects that approach on legal grounds, which we believe do not support that conclusion.

We hope members will support our efforts to strengthen and preserve the pro-consumer aspects of the pending proposal.

In the balance of this testimony, we will address the questions posed in our letter of invitation to testify.

1. Is the CRA fulfilling its original purpose of ensuring that banks and thrifts are meeting the credit needs of their communities, including low-and moderate income neighborhoods? If not, what steps need to be taken to improve compliance?

As we describe above, the CRA has been remarkably successful in getting banks and thrifts to devote more effort toward designing, marketing and selling their products in lower income neighborhoods. However, this goal has been hampered over the years by a recalcitrant industry and lax enforcement by the federal regulators. Until CRA ratings became publicly available through the 1989 S&L bailout law, banks simply refused to take the law seriously.

While many banks now approach the law with more seriousness, others still try to skirt its intent with meaningless gestures instead of real performance. And serious hurdles in making the banking system fair and accessible to average Americans remain.

- The Communities for Accountable Reinvestment and the Los Angeles Planning Department found in 1991 that there were 133 check cashing centers, but only 19 bank branches, in all of South Central Los Angeles.

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- In the early 1990s the Hayward Daily Review reported the absence of any bank office whatsoever in all of West Oakland, California, a predominately low income minority area with a population of 48,000.

- HMDA data consistently indicates that banks reject black loan applicants far more frequently that white applicants. It has shown that white loan applicants are approved 2 to 3 times more often than black applicants with similar incomes. After controlling for other variables related to underwriting, the Federal Reserve Bank of Boston concluded in its 1992 study, "Mortgage Lending in Boston: Interpreting HMDA Data," that race alone accounted for a significant part of this persistent discrepancy.

While we have serious concerns about some aspects of the pending CRA reform proposal we warmly embrace the dramatic shift it takes in focussing on a bank's actual performance instead of its success in generating paper and redtape. We believe Congress should embrace this general approach and encourage the banking industry to support it, too. (See response to question 3)

2. Does the CRA overlap or conflict with other existing equal credit and fair housing laws?

We see little, if any, overlap between existing equal credit and fair housing laws and the CRA. We see no conflict whatsoever.

3. Would the revised proposal address the problems lenders see with the current system, which they believe is vague and subjective and imposes undue paperwork? Specifically, how would the proposed race and gender reporting requirements on small business and agriculture loans affect depository institutions?

We believe the revised proposal eliminates the red-tape and meaningless paperwork requirements that have strangled effective enforcement in the past. Red tape and meaningless paperwork do not get loans and basic banking services to needy consumers or communities. That is why we hope that bankers will not weaken or stand in the way of the pending anti-paperwork reforms.

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These revisions were initiated in response to the complaints of consumer advocates, community groups and bankers alike that CRA enforcement has focussed too much on paperwork and bureaucratic paper pushing, rather than the real-world performance of banks in their communities. Although we believe the proposal overlooks critical aspects of performance, it cuts to the quick of the redtape and paperwork problem by eliminating all reporting except that which is critical in evaluating a bank's performance.

- It reduces the criteria by which a bank's CRA performance is judged from twelve to three.

- The three evaluation criteria -- lending, service, and investment -- all focus on performance rather than process or paperwork.
- Banks only have to supply performance data that is relevant to the question of whether they have met the "convenience and needs" of their entire community, including lower income neighborhoods and consumers. None of the required data is irrelevant to this fundamental question.

- Additionally, the data required is only that which a bank would normally collect anyway for its own internal planning and assessment purposes.

4. Since the original intent of the CRA was to meet community credit needs, and not result in credit allocation, would the revised rules meet that original goal?

Bankers complaining that the pending reform proposal involves credit allocation are simply crying wolf. Many bankers criticize all efforts to encourage banks to help serve all consumers by calling it "credit allocation." Under this standard, the Fair Housing Act is "credit allocation." We urge members to reject this extreme and non-constructive approach.

Far from credit allocation, the proposed CRA reform gives banks the flexibility that is critical in making wise decisions on what products to market and where to market them.

- The revision avoids any effort to prescribe the number or dollar value of loans a bank must originate in low income neighborhoods to achieve a passing grade.

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- **Rather than setting an inflexible and specific lending requirement for each lender, the revisions identify a broad array of measures that will be taken into consideration in evaluating a bank's performance. The proposal expressly makes this clear: "(T)he proposed regulation does not require examiners to use any single type of analysis, and would not link a particular market share ratio, or any ratio, with a particular lending test rating."**

5. What are your views on recently introduced legislation that would give qualified small institutions and those with ratings of at least "satisfactory" a "safe harbor" protecting them from having an application denied on CRA grounds?

We believe these proposals would produce a major loophole in the law. All banks receive federal deposit insurance and serve a critical role in the economy of their local communities. All should be obligated to meet the fundamental "convenience and needs" requirements of the CRA.

Similarly, an exemption from all CRA scrutiny, which is implicit in the "safe harbor" proposal, should not be available if a "satisfactory" or higher rating is old or was never justified in the first place. If a bank's performance is truly acceptable, it bank should have nothing to fear from a CRA review that reaches that very conclusion.

Conclusion

We believe these hearings are a good opportunity to review the constructive dialogue that has occurred for almost two years now between government officials, consumer groups, and bankers regarding CRA reform. So long as we keep our eyes on the bouncing ball of reducing bureaucracy and redtape, this constructive dialogue can produce a CRA reform package that truly enhances the financial security of all Americans.

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Testimony of

Benson F. Roberts
Vice President for Policy
Local Initiatives Support Corporation

Regarding

Community Reinvestment Act

Before the

Subcommittee on Financial Institutions and Consumer Credit

Committee on Banking and Financial Services

U.S House of Representatives

March 9, 1995

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Testimony of

Benson F. Roberts
Vice President for Policy
Local Initiatives Support Corporation

Good afternoon, Madame Chairwoman. My name is Benson F. Roberts. I am Vice President for Policy at Local Initiatives Support Corporation (LISC). I am here today to talk about the Community Reinvestment Act and what it means for the rebuilding of low-income neighborhoods and rural areas.

Although I will discuss LISC in greater detail below, let me mention at the outset that LISC is a nonprofit conduit through which the private sector provides financing and technical support to nonprofit low-income community development corporations (CDCs) in 34 local programs, a list of which is attached. In 15 years, we have raised over $1.5 billion, 97 percent of which has come from 1400 corporations and foundations. We have used these funds to help 1,378 CDCs develop 57,635 housing units and 9.6 million square feet of retail, industrial and other commercial facilities. We provided $278 million in grants, loans and investments to CDCs in 1994 alone.

There is little doubt that the problems besetting low-income urban and suburban neighborhoods and rural areas are serious and impede both individual opportunity, regional stability, and the national interest. We know that community distress reflects the interplay between social, economic, and physical deterioration. And we also know that the private sector, government at all levels, and most important, the residents of these low-income communities must share the responsibility for turning decaying neighborhoods around.

About Community Development Corporations

CDCs are a principal mechanism through which community residents are showing that community renewal is achievable. As of 1990, over 2000 CDCs nationwide had developed about 320,000 units of housing serving about one million people, as well as numerous economic development projects and community facilities. Equally important, CDCs have brought residents together with the private sector and government to create a new sense of hope for neighborhoods that the popular press and most other outsiders write off as irretrievable. I invite you to come with us to low-income areas in Newark, Southern California, St. Paul, New York, from Washington State to Washington DC, or any other community where CDCs work to see this process in action.

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CDCs succeed in so many diverse places because they embrace mainstream American values. Because these values transcend ideology, CDCs have been able to generate broad participation and are an attractive instrument of public policy. We believe CDCs have been ahead of many of the emerging changes in federal policy.

- **Self Help**: CDCs are vehicles that community residents create to take responsibility for improving their neighborhoods and enforcing pro-social behavior.

- **Community Building**: CDCs bring people together, reinforce the social fabric, and bolster community institutions from churches to little leagues. Their mission to rebuild communities physically, economically and socially transcends housing or any other single issue.

- **Local Control**: CDCs bring decision making down to the neighborhood level, where it is closest to the people. CDCs work well with city and state officials.

- **Partnership**: CDCs are pragmatic and collaborative, not confrontational. They recognize that no single organization can revive a neighborhood alone. CDCs, government, and the private sector -- lenders, investors, property owners, developers, businesses, foundations, and others -- all contribute to and benefit from community development activities.

- **Investment**: The only long-term, sustainable way to revive low-income communities is through investment, private as well as public. A principal function of public investment is to stimulate private investment, create healthy, functioning markets, and to connect isolated, distressed communities to the economic mainstream.

- **Tangible Results**: This is perhaps the most important and distinguishing characteristic of CDCs. The visible results of community development, such as housing and retail development, are verifiable proof that community development works. Less tangible outcomes -- greater community cohesiveness, new relationships with public and private institutions, stronger community leadership, and a new sense of hope and progress -- are undeniably important, but it is CDCs' tangible results that set them apart from many other efforts and impart credibility to claims of less visible outcomes.

We are encouraged that the CDC strategy is receiving broad support. Just three days ago, New Jersey Governor Christine Todd Whitman unveiled a new urban agenda based largely on the community-based development approach. Her remarks are especially relevant to today's subject of CRA:

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> For our urban strategy to truly succeed, we are calling oneveryone -- community groups, businesses, clergy, educators, local officials, police and charitable foundations -- to work together. The power that comes from these partnerships will revitalize our cities neighborhood by neighborhood.

We believe that a strong and effective CRA will be critical to realizing the Governor's vision. A copy of the New York Times account of her announcement is attached.

How LISC Helps CDCs

LISC was created by six corporations and the Ford Foundation 15 years ago as a nonprofit organization to enable the private sector to assist CDCs in their efforts to transform distressed neighborhoods into healthy communities. LISC operates with the convictions that: community regeneration must come from within the community itself; that government at all levels, the private sector, and community residents all have critical roles to play and must work together as active partners; and that CDCs are the most effective agents for fighting poverty in the most distressed communities in the United States.

Our first name is "Local." We are a constellation of 34 local programs nationwide, and have become the nation's largest private, nonprofit community development intermediary. Funds raised locally are matched by national LISC on a formula basis. Each LISC area is served by local staff and governed by a local advisory committee which recommends CDC projects for funding to LISC's national Board of Directors. We are also planning to serve 48 rural CDCs nationwide through a new initiative.

We believe that engaging the private sector is essential to the community development process. Private involvement is not a substitute for governmental funding, and public funds are necessary to make private investment feasible. But community development requires that isolated neighborhoods join the economic mainstream; public funds alone will always be insufficient unless they stimulate private investment; the rigor of business discipline is fundamental to effective project development; and business leaders' endorsement increases the stature of CDCs. Not only is the active involvement of the private sector necessary to community development, but business leaders genuinely want to participate. It is our job -- and, we would assert, the government's job as well -- to create opportunities for them to do so.

Our primary focus has been to build the financial and technical capacity of CDCs to sponsor housing and commercial development projects. We provide technical assistance and project financing to CDCs: grants, loans, recoverable grants, equity investments and loan guarantees for project development, operating support, and up-front predevelopment costs.

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In 1994, LISC provided $278 million in grants, low-interest loans and equity for CDC-sponsored projects. LISC's support is often the first money committed to a project, helping to leverage additional private and public resources and adding credibility to the project. Equally important, we seek to strengthen emerging CDCs and create new organizations and leadership.

Since its inception, LISC has:

- Raised $1.5 billion in grants, loans and equity investments from more than 1,300 corporations, foundations, individuals and public agencies.

- Enabled CDCs to use these funds to leverage an additional $2.6 billion in project financing.

- Helped 1,378 CDCs nationwide build or rehabilitate 57,635 homes and apartments and create 9.6 million square feet of commercial and industrial space.

- Identified, elevated, and nurtured indigenous leadership in inner-city neighborhoods.

To support local community development activities, LISC has created new mechanisms to attract new resources at the national level.

For example:

- In 1987, LISC formed the National Equity Fund (NEF) to syndicate corporate investments in CDC-sponsored low-income rental housing via the federal Low Income Housing Tax Credit. NEF is the nation's largest nonprofit affordable housing investment program. It has raised $1.2 billion from 117 corporations, helping CDCs to create 22,000 housing units. Almost one-half of that investment has come from institutions subject to CRA.

- In 1993, LISC formed The Retail Initiative (TRI), a corporate equity investment fund to help CDCs develop supermarket-anchored neighborhood retail shopping centers. Last fall we announced capitalization of $24 million for an unprecedented initial investment pool. Six of the 10 initial investors are subject to CRA. We expect to invest in 10 - 12 projects over the next three years.

- We established the Local Initiatives Managed Assets Corporation (LIMAC) in 1986 to attract new capital for CDCs by creating a secondary market for affordable housing and community development loans made by nonprofit Community Development Financial Institutions. LIMAC has raised about $40

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million from private sources, including insurance companies, pension funds and banks, and is in the process of raising an additional $25 million. LIMAC has committed to purchase $63 million in loans from CDFIs and has already purchased $40 million in CDFI loans, using funds raised and recycling loan repayments as they are received. We believe that LIMAC can play an important role in expanding resources for CDFIs.

- LISC helped to conceive the National Community Development Initiative (NCDI), under which seven private foundations and Prudential Insurance Company provided $62.5 million in grants and loans to assist CDCs in developing 4,400 affordable new homes. LISC and the Enterprise Foundation administer the funds. A second phase of NCDI is unfolding over a three-year period. In 1993 the Congress authorized and appropriated $20 million for HUD to contribute for this second phase. This modest federal participation has attracted $67.65 million in grants and low-interest loans from 10 national foundations and corporations as match for the federal funds. LISC and Enterprise will pass every federal grant dollar through to CDCs, primarily for capacity building activities. We expect these nationally raised funds to generate at least another $660 million in project financing, a remarkably effective use of federal funds.

LISC plans to expand the scope of its activities to include rural community development, social community development, and a wider range of economic development activities, all through CDCs.

The Role of CRA

We believe that CRA is one of the most important laws affecting low-income communities and is essential to the national interest. For any community, rich or poor, capital is the life blood of its economy. Imagine any neighborhood, any town or city in which families cannot get a mortgage and businesses cannot get financing. The American ideal individual opportunity would be undermined. Economic progress would be slow or impossible. Social stability would be fragile, weakening families and a sense of common national purpose. People with the choice would feel compelled to move away, even those with a deep and abiding affinity for their hometown. The area would become an economic drag on the nation, instead of contributing to economic competitiveness. Government programs, even if generous and well run, would be further strained and less likely to succeed. Capitalism without capital would be an empty promise indeed.

Bringing capitalism to communities is what CRA is all about. Its premise is simple but fundamental: that federally insured financial institutions should help meet the credit needs of their entire communities, including the low- and moderate-income parts of the

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community. CRA does not dictate exactly what or how much each institution should do; that appropriately depends on the particular situation of the institution and its community. CRA is not a substitute or alternative to government programs, but rather an essential complement. It does, however, require that each institution takes its responsibility to its local community seriously, and do what financial institutions do best -- provide credit to credit worthy customers.

CRA has been instrumental in showing that community reinvestment is entirely compatible with the safety and soundness of our financial system. A great many financial institutions have failed over the last decade, but none because it was too aggressive in low-income communities. Indeed, the risky end of the market is the high end. Moreover, many institutions have learned that operating in low-income communities can be profitable and that risks there are manageable. Community reinvestment is in many ways similar to other lending and investment activities; the fundamentals of credit still apply.

But not all markets or all financial products are the same, and effective community reinvestment requires institutions to learn about some new markets, re-examine whether conventional underwriting wisdom is always necessary and appropriate, and to find new partners. Many institutions have told us that CRA provides the incentive to discover valuable business opportunities within their own communities. They also tell us again and again how pleased they are -- often the phrase they use is "pleasantly surprised" -- they are with the performance of their community reinvestment portfolios. I urge all Committee members to read the speech by Richard Rosenberg, Chairman and Chief Executive Officer of Bank America Corporation, entitled "Banking on the New America: The Business Case for Investing in the Inner City," a copy of which I have attached to my testimony.

In our 15 years of operation we have worked closely with many banks and other financial institutions -- 385 have directly participated in LISC -- so we have learned a great deal about what works. Let me offer a few concrete illustrations of how CRA has been successful in just some of the 34 parts of the country where we operate:

- In Newark, financial institutions have supported community development by providing technical assistance to CDCs, serving on CDC boards, making debt and equity investments in CDC projects, and providing small grants to help CDCs beef up their development capacity. For example, First Fidelity, National Westminster Bank, and Midlantic have provided construction loans for rental housing developed by such CDCs as Corinthian, St. James, and Donald Jackson Neighborhood Development Corporation. Through a statewide lending consortium, these and other institutions are providing permanent financing for these projects. Midlantic, for example, is also a participant in the National Equity Fund, a LISC affiliate which assembles corporate equity investments for CDC-sponsored affordable rental housing.

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- In St. Paul, Norwest Bank and First Bank System have been aggressive in designing and deploying first mortgage programs that are helping to expand homeownership in lower income neighborhoods, such as Frogtown, Dayton's Bluff, and West 7th Street/Fort Road. These and other St. Paul financial institutions are active participants in a broad-based homeownership production program that involves the City of St. Paul, LISC, the Minneapolis St. Paul Family Housing Fund, the Minnesota Housing Finance Agency, and several CDCs. In addition to providing first mortgages on flexible terms, financial institutions are supporting a homeownership counseling program and providing capacity building funding to CDCs to help strengthen St. Paul's system for delivering affordable ownership housing.

- Here in Washington, DC, eight lenders, including Signet Bank, NationsBank, Crestar Bank, and First Union, formed a banking group to assist CDCs to undertake the redevelopment of four parcels in the Shaw/Columbia Heights neighborhood. The bankers group is providing construction and permanent financing for 61 new homes and a neighborhood shopping center, all developed by CDCs. The District conveyed the land at a deep discount and is providing second mortgages for the homebuyers. LISC assisted with predevelopment and partial construction financing.

- In the Puget Sound area of Washington, financial institutions are supporting community revitalization through direct lending, lending consortia, loans and grants to community loan funds, and through equity investments based on the Low Income Housing Tax Credit. For example, in the single family arena, US Bank makes construction loans (backed by a partial LISC guarantee) to Seattle HomeSight, a local CDC, and then offers permanent mortgages to HomeSight homebuyers, whose incomes range between 60 and 90 percent of the area median. On the multifamily side, Washington Mutual Savings Bank and Seafirst have provided permanent financing for affordable rental housing projects sponsored by CDCs in Tacoma, Everett, and Seattle. Moreover, they participate with Key Bank, First Interstate, and other lenders in providing such financing through the Washington Community Reinvestment Alliance, and contribute to a predevelopment loan program operated by the Washington Community Development Loan Fund. These institutions also support the development of affordable rental housing by investing in LISC's affiliate, the National Equity Fund.

- In New York City, CDCs, the City's Department of Housing Preservation and Development, LISC and the more than 20 financial institutions participating in LISC's New York Equity Fund (e.g., JP Morgan, Chase, Republic National, National Westminster, and Bank of New York) have created more than 3400 units of affordable rental housing, turning around whole neighborhoods in the process. Beyond equity investments, these institutions are providing

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permanent financing (e.g., Citibank's $3.5 million loan for a 33-unit apartment building developed by St. Nicholas Neighborhood Preservation Corporation), construction financing (e.g., Dime Savings Bank's $7.5 million loan for St. Nicholas' 59-unit Williamsburg Court), bridge financing (e.g., Fuji Bank & Trust's and IBJ Schroeder's bridge loans to the New York Equity Fund for several CDC projects), and working capital loans (e.g., Chemical's loan to Hope Community for a transitional housing project). As people have returned to live in neighborhoods once written off as beyond hope, financial institutions are now lending for commercial and business development. One example is Bankers Trust's innovative working capital program which is helping to finance the Fifth Avenue Committee's automobile-related business in Brooklyn and Mid-Bronx Desperadoes' supermarket and retail center in the Bronx.

- In California, LISC operates local community development programs in Los Angeles, San Diego, and the Bay Area, and offers development training to CDCs statewide. More than 20 financial institutions participate in LISC's California Equity Fund, which has invested in affordable housing projects sponsored by CDCs in diverse areas across the state. These include Coachella Valley (Coachella Valley Community Housing Corporation), San Francisco (Chinatown Community Housing Corporation), and Orange County (Civic Center Barrio Association).

  In Los Angeles, Wells Fargo, Bank of America Community Development Bank, and Home Savings of America are among several financial institutions that are actively supporting CDCs' efforts to spur the revitalization of their neighborhoods. These institutions provide financing directly and through LISC. Wells Fargo provided construction financing for Esperanza Housing's development near the Los Angeles Coliseum that combines rental housing with a literacy center and a child care center. This project also involved a LISC predevelopment loan, an award from the Federal Home Loan Bank System's Affordable Housing Program, gifts from philanthropies, and equity investments through the California Equity Fund. Bank of America Community Development Bank provided the permanent financing for Concerned Citizens of South Central's 53-unit family housing development that includes an after-school program for children specializing in computer literacy. These efforts complement other bank programs, such as the minority business assistance centers operated by Bank of America in Los Angeles, Orange, and Riverside counties.

CRA has accomplished much, but its job is not finished. To some observers, CRA may at first appear superfluous. In theory, after all, our competitive market system should be able to identify and meet all credit needs. But reality is not quite that simple. If no one will lend in a neighborhood, it is easy to assume the area is too risky, and that may be to

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some extent be a self-fulfilling prophesy, an invisible barrier that keeps all lenders out. Such conventional wisdom is destructive, unnecessary, even tragic in its implications for individual families, communities, and the nation as a whole -- and it can be very powerful. What is needed is to break through this invisible barrier. It would be understandable that many banks might balk at the prospect of being a lonely pioneer. Moreover, at a basic level, lending decisions still come down to judgements about borrowers and neighborhoods. Most of us are simply more comfortable with what we know than with the unfamiliar. If a lender does not know a neighborhood and its residents, it is only natural, at least subconsciously, to shy away from certain loans. CRA gives a bank the reason to reach into unfamiliar areas and the assurance that it will not be alone, that other institutions have similar obligations.

CRA works, but its lessons are not necessarily obvious from afar. We all hear so many bad things through the media about cities and low-income areas -- and many of those problems are undeniable -- that it is easy to miss the good news that is equally undeniable but less frequently reported. In virtually every low-income community, there are many good people with jobs who want to borrow money, stay in the neighborhood and make it better, and pay that money back. In a thousand neighborhoods, tangible progress is being made. But like some other things in life, many of us have to see it, to experience it first hand to believe it. CRA has helped involve many banks in many neighborhoods, and we are genuinely heartened by this process. But CRA has not yet made enough institutions accessible to enough neighborhoods, and the commitment to community reinvestment varies among banks and is still fragile within many. If CRA is strengthened, it can do much more. If CRA is weakened, progress will slow down and perhaps reverse itself.

The Pending Regulations

A specific reason for these hearings today is to review the new regulatory framework that have been in process for the past year and one-half.

LISC agrees with the need for a new regulatory approach. The old one has focused too much on paperwork and process and not enough on actual performance. Community groups and banks alike complain that this system rewards the bank that meets with everyone in the neighborhood and documents the meetings carefully but does not lend to them, while punishing the bank that spends less effort on process and paperwork but actually makes loans. Of course, any institution that intends to serve its community must get to know its needs, but that process should only be a means, not an end in itself. As one CDC director puts it, "We want loans, not lunch." Moreover, community groups and banks alike have complained that expectations of CRA have been vague, inconsistent, and poorly enforced by the regulators.

The four banking regulatory agencies have been trying to operationalize this principle of performance over paperwork now for about a year and one-half. The process has been

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slow but necessary and productive. The issues being addressed are those that can only be avoided by offering little real or consistent guidance to anyone involved -- the bank, the community, or the examiners. The rulemaking process has surfaced many issues that had been lurking unseen for a long time. The very difficulty of the rulemaking process underscores just how important and overdue it is.

As you know, both sets of the proposed rules have attracted literally thousands of comments from all sides. It is our observation that: (1) the issues are inherently complex, and it has been difficult to develop a system that is clear, consistent, and flexible enough to accommodate different communities and institutions; (2) the regulators have responded in good faith to the constructive comments they have received; (3) under the new framework, paperwork and process would be reduced, especially for small banks, and assessment of actual lending, investment and service provision would be more clear and consistent; and (4) while no one, ourselves included[1], will be fully happy with each aspect of the final rule, the fundamental approach is sound and the revised proposal would be a significant improvement over the current system.

The guiding principle of the new rules is to apply subjective judgement to quantitative performance data. We believe that, on balance, the right kinds of data are called for and that subjective judgement is necessary to interpret those data within the context of each community and institution. Prolonging the debate at this point would be unproductive. It is high time to wrap up the new regulations, let everyone learn what is expected, and get back to the business of doing more business in our communities.

CRA Is Not Credit Allocation

Madame Chairwoman, you have specifically asked us to comment on whether the proposal would lead to capital allocation.

We view "capital allocation" as a rigid requirement for specific provision of various amounts and forms of capital without regard either for institutional or community contexts or for safety and soundness. By this standard, the proposed CRA regulations are far from capital allocation, but still provide clear incentives for meeting community needs.

Any CRA framework must provide clear and consistent expectations, generate data to analyze performance, and consider these data within the context of individual communities and institutions. We believe that the second proposed rule strikes the right balance. In particular, this revised proposal: (1) clearly specifies the institutional and community contexts within which performance will be assessed; (2) creates a rating system

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[1]Attached is a copy of comments to the second proposed rule jointly submitted by LISC and the Enterprise Foundation.

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that provides ample flexibility for institutions to follow differing reinvestment strategies; (3) balances the twin needs for basic housing and business loans and for more specialized community development lending; and (4) reduces the prominence of an institution's market share with low-income communities to one of many indicators of performance.

We also believe it is critical to see CRA in its proper context, as a modest component of a very broad system of government intervention in, and regulation of, the banking system. While this broad system of intervention and regulation is dominated by the federal government, through federal deposit insurance, federal regulatory examinations and enforcement, and Federal Reserve "lender of last resort" authority, it should also be noted that every state government is also actively involved in regulating banks.

A centerpiece of this broad system of government intervention is federal deposit insurance. By playing a central role in guaranteeing the safety of deposits and maintaining public confidence in the banking system, federal deposit insurance has resulted, literally, in the channeling of trillions of dollars into the banking system.

Government involvement not only has played a key role in supporting the growth of the banking industry, it also has provided a significant degree of protection for banks from competition from other banks. The theory of free market competition holds that market imperfections will arise unless there is both ease of entry and ease of exit of firms from an industry. According to this theory, in order to promote economic efficiency, there should not be barriers to new firms entering the industry to compete with established firms. Moreover, firms that are not efficient should be disciplined by the market, by failing and thus exiting from the industry. In contrast with these principles, the bank regulatory system imposes substantial barriers to entry, and has as a central purpose the prevention of exit from the market.

Starting a bank necessitates a lengthy and difficult process of obtaining approval from bank regulators. For example, millions of dollars of equity capital must be raised, detailed market studies must be conducted, and directors and officers must be reviewed and approved by the regulators. Indeed, before the bank can obtain its charter and begin operations as a bank, the regulators, in their judgment, must be satisfied with the future earnings prospects of the bank, as well as other factors.

This entire process of obtaining a charter and starting a new bank is likely to take several years and involve substantial transaction costs. Moreover, once in business, specific regulatory approval must be obtained for branching and other forms of expansion.

Once a bank has been chartered, the overriding thrust of the regulatory system is to ensure "safety and soundness," to directly influence the activities of the bank in such a manner as to prevent its failure. For example, specific minimum numerical ratios for capital adequacy and other financial indicators have been established. Indeed, the new risk based capital standards have refined this process in a detailed manner.

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Moreover, in addition to a variety of regulatory restrictions, if problems develop in a bank, the reach of the regulator can become even more intrusive. For example, if a bank's capital is inadequate or if the regulator determines that a bank's asset quality, management, earnings, or liquidity is "less than satisfactory," the regulator may issue an order for the bank to take explicit, affirmative corrective actions and/or to limit its activities or functions in specific ways.

One of the central effects of the bank regulatory system is to prod banks towards being risk averse in their allocation of credit. For example, an important part of the bank examination process is the review and classification loans, which is designed to discourage risk taking. While risk taking is normally considered an important ingredient of entrepreneurial competition, it is heavily discouraged by bank regulation.

In making these points, I am not, in any manner, intending to criticize the role of federal deposit insurance or bank safety and soundness regulation. Indeed, there are powerful public policy arguments in favor of these interventions in order to promote the key objectives of depositor safety and economic stability. However, keeping in mind the nature and the impact of these interventions is useful when placing in context the nature of the intervention embodied by CRA, which pales in comparison with the support, protection, and intrusiveness inherent in the system of deposit insurance and safety and soundness regulation. As a small part of this broader regulatory system which has directed and channeled trillions of dollars into a risk averse environment, CRA is simply intended to encourage banks to help meet the credit needs of the low- and moderate - income communities which are part of their market area, in a safe, sound and market disciplined manner.

Safe Harbors and Small Bank Exemptions

LISC opposes proposals to create a safe harbor from application denials based on CRA for institutions with satisfactory or higher ratings and to exempt small banks from CRA.

Safe Harbors. As you know, application denial is the only real enforcement mechanism for CRA, and roughly 95% of all institutions currently receive satisfactory or outstanding ratings. Such a safe harbor would effectively gut CRA for all but the most egregiously recalcitrant banks.

We believe that two steps could be taken to prevent CRA from unreasonably hindering applications from institutions that are performing well.

- First, CRA examinations must be conducted much more thoroughly and consistently, so that ratings accurately reflect performance. Many people question the reliability of current CRA ratings. The proposed rules would go

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a long way toward redressing this problem, if supported by examiner training and quality control by regulatory managers. These improvements should greatly expedite application approvals.

- Second, to prevent excessive delays in application reviews, the regulators should create a clear process and timetable for airing community projects on a timely basis. Community protests are an important way to ensure that all relevant concerns are fully taken into account when applications are reviewed, and must be considered on timetable that is fair to everyone.

Small Bank Exemptions. We believe that small banks should continue to be subject to CRA, because CRA should be the responsibility of all institutions and because small banks do not necessarily serve all segments of their communities. The proposed regulatory framework imposes much less scrutiny on small banks and should be given the chance to work.

Conclusion

This concludes my testimony. I would be happy to respond to your questions.

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LISC PROGRAM AREAS

1. BATON ROUGE
2. BAY AREA
3. BOSTON
4. CHICAGO
5. CLEVELAND
6. CONNECTICUT MULTI-CITIES
7. DETROIT
8. HOUSTON
9. INDIANA MULTI-CITIES
10. INDIANAPOLIS
11. KALAMAZOO
12. KANSAS CITY
13. LAS VEGAS
14. LITTLE ROCK
15. LOS ANGELES
16. MIAMI
17. MICHIGAN MULTI-CITIES
18. MILWAUKEE
19. MID SOUTH DELTA
20. MONONGAHELA VALLEY
21. NEW ORLEANS
22. NEW YORK CITY
23. NEWARK
24. NORTHWEST INDIANA
25. PALM BEACH COUNTY
26. PHILADELPHIA
27. PHOENIX
28. PUGET SOUND
29. RHODE ISLAND
30. RICHMOND
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THE NEW YORK TIMES METRO TUESDAY, MARCH 7, 1995

Whitman's Urban Agenda Outlines Self-Help Program

Cities Will Get Aid in Economic Planning

By IVER PETERSON

TRENTON, March 6 — On a hill where rioters tore the heart out of New Jersey's capital city in 1968, Gov. Christine Todd Whitman announced a new urban agenda that offers the cities of New Jersey help in planning for economic recovery, but not much help in paying for it.

Calling for the creation of neighborhood-based development groups that would seek money from private and nonprofit groups, the program announced today was carefully tailored to the Republican self-help philosophy of a tax-cutting Governor with no money to spare and scant political support in the cities.

"For our urban strategy to truly succeed, we are calling on everyone — community groups, businesses, clergy, educators, local officials, police and charitable foundations — to work together," the Governor said in her remarks. "The power that comes from these partnerships will revitalize our cities neighborhood by neighborhood."

The proposal calls for the creation of neighborhood-based development groups.

Governor Whitman's plan envisions the creation of numerous Neighborhood Councils, composed of local businesses and residents and assisted by nonprofit development groups such as Isles Inc., based in Trenton.

These local councils would create revitalization plans that they would submit to city governments and to the Governor's Urban Coordinating Council, a new group made up of cabinet members whose role would be to cut through red tape in focusing state aid to local groups with approved revitalization plans. New Jersey currently spends $2 million a year in urban aid, and the Governor said that figure would not be increased any time soon.

Four cities — Trenton, Camden, Elizabeth and Asbury Park — will take part in the program initially, and their mayors joined Mrs. Whitman under the spire of the Trenton Battle Monument, where George Washington dug in his artillery for the Battle of Trenton in 1776, and where, in 1968, rioters ended Trenton's life as a working city.

The mayors, all Democrats, said they were glad to have the state pay attention to their problems, which include negligible business investments, soaring real estate taxes and crime.

"It creates a discussion, it creates a framework, but clearly, it's no panacea," said J. Christian Bollwage, the Mayor of Elizabeth.

Trenton's Mayor, Douglas Palmer, declaring that the Battle Monument area would be the first district of the city to begin a renewal under the Governor's plan, said: "Today, the Governor has given Trenton what we have needed all along, a hand up, not a handout, to accomplish our goals."

The announcement of an urban development strategy makes good a promise Mrs. Whitman made early in her administration. While it may lack specifics in how each local government will accomplish its goals, the initiative fills a gap in the social agenda of a Governor whose political base is in the suburbs, far from the blight that surrounded her today.

Mrs. Whitman also has yet to mend her relations with New Jersey's black and Hispanic political and religious leaders, who have often accused her of ignoring their issues. New Jersey's cities missed out on the economic boom of the 1980's, and their leaders are intent on positioning their communities to catch the next wave, if and when it comes.

Evidently intent on deflecting criticism that she is not coming up with new money for urban areas, Mrs. Whitman said that $7 billion from a variety of state programs had gone to the four target cities over the past 10 years without solving their problems.

The mayors argued that the way that money was spent was out of their hands. Of the $2 billion given Elizabeth over that decade, Mayor Bollwage said, better than two-thirds went to education, medical services and welfare, programs over which mayors have scant control.

"The philosophy espoused by state and national leaders that urban areas just throw money away is not true, and I challenge anyone who believes it to come to Elizabeth and see that it is not true," he said.

Although the state does not have new money to offer the cities, Governor Whitman said special stress will be put on attracting money from private companies and nonprofit groups.

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BankAmerica Corporation

Banking on the New America: The Business Case for Investing in the Inner City

Richard M. Rosenberg
Chairman and Chief Executive Officer
BankAmerica Corporation

17th Annual Real Estate and Economics Symposium

U.C. Berkeley Center for Real Estate and Urban Economics

San Francisco
December 14, 1994

Thank you. I am pleased to be here to share some thoughts with you on real estate and urban economics.

This event has become one of the country's premier platforms for examining trends in the real estate field and for prognosticating about the future.

I would like to do a little of both today — and in the process, I hope to challenge some of the conventional wisdom about investing in the inner cities of America.

Conventional wisdom seems to exist solely so that it may be challenged. That is because conventional wisdom is just that — predictable at best...not very interesting...and frequently wrong.

For example, conventional wisdom said that when the economy is strong, the stock market will go up...and that no matter what condition the economy is in, California real estate will always hold its value.

And conventional wisdom has told us, at various times, that there would be no consumer market for computers...that the Democrats would probably always rule Congress...and that every October there would be a World Series.

Well, conventional wisdom has also suggested that investing in the inner city, or any low-income community for that matter, is neither a safe bet nor a sound idea.

To a banker, the words safety and soundness define the cornerstones of our industry's world — so I do not take lightly the task of challenging this particular notion of conventional wisdom.

But, in fact, rebuilding our inner cities is good for the country, good for the community, and good for business.

I would like to think that all of us can agree that the economic problems plaguing America's inner cities have to be among our highest priorities as a nation.

The lack of business, lack of investment and lack of jobs in the inner city accelerates a wrenching spiral of poverty, crime, drug abuse and welfare that undermines economic recovery and revival.

In virtually every large city in America, the economic and social fabric is unraveling, and there are threadbare spots of economic and social decay in many of our smaller cities as well.

Across America, the numbers are staggering. In South Central Los Angeles alone, a minimum of 75,000 new jobs must be created to give that community a fighting chance at economic viability.

Harvard Professor Michael Porter, author of "The Competitive Advantage of Nations," notes that economic development policies and programs must not fall into the trap of only *redistributing* wealth, but instead focus on how to *create* wealth.

In other words, to create health, we must create wealth. That is the only lasting way to smash the cycle of poverty in our central cities.

From the massive government housing programs of the 1960s through today's "empowerment" programs, we have tried a number of different models to turn our cities around — all with mixed results.

We have tried government incentives to attract industries to the inner city, but most companies stay committed only as long as the incentives last.

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We have tried government mandates, but the fact is that companies which grow with mandates rarely move beyond them, and pass the extra costs on to buyers.

And we have tried the community entrepreneurship model to create a "bottoms-up" approach with government support of new business formation. But this is aimed at small retailing and personal services businesses that typically only employ a handful of people serving a local market.

All of these models are founded on sound principles of community and economic development. And each can report their share of success. But if we want to create a broad-based, long-term recovery in our inner cities, we must work to build *all* of these models into a cohesive whole.

You and I know that we cannot have vigorous economic development without a decent, affordable housing base . . . but we cannot expand home ownership without a stable employment base . . . and we cannot grow *large* businesses without also supporting the growth of *small* businesses.

That means that inner city development needs an integrated approach that weaves all of these successful models together.

And the cord that binds them together is not mandates or subsidies, but the profit motive. This will create the essential expectation that development efforts will benefit not only inner cities and the surrounding community, but also businesses and investors.

At Bank of America, we believe that a long-term, sustainable community reinvestment program *does* benefit the corporation and its shareholders. And it also meets the rising expectations among our larger universe of stakeholders who believe that business should actively address the social challenges of our time.

Businesses that learn how to meet this demand profitably, and integrate it into their business lines, will gain a tremendous competitive advantage.

In fact, many businesses today are doing this in their own unique and creative ways. But since Bank of America is a company about which I have some knowledge, I would like to talk briefly about how we have tried to build a business case for community development.

Bank of America was founded in 1904 by *defying* conventional wisdom and catering to the needs of San Francisco's immigrant and working class, who were virtually ignored by banks at the time.

The bank's early strategic business philosophy was to meet the banking needs of these new Americans — and thereby be an agent in the creation of new wealth.

The new bank was a spectacular success. It created a network of bank branches that channeled the flow of capital into hundreds of California communities, and helped drive the state's tremendous growth through much of this century.

Ninety years later, the creation of wealth is still our strategic objective. But today our markets are, of course, larger . . . more diverse . . . and far more challenging than they were in 1904.

So in the late 1980s, Bank of America began focusing on the low-income market in a more coordinated and strategic fashion. And again, we found we had to question conventional wisdom.

We had to ask ourselves if there was a different way of getting out of the traditional underwriting box in order to allow a much more diverse base of customers to qualify for loans. And we had to do this while still meeting the cornerstones of safety and soundness demanded by our regulators and our shareholders.

So we developed a home loan program that considered the employment and credit history of applicants in new ways.

First, we decided that having multiple jobs over a two-year period was not in itself a negative factor, so long as an applicant's income stream remained steady or increased.

Second, we decided that, for some people, it might be easier to establish a credit history by demonstrating timely payment on rent and utilities, rather than major credit cards or real estate ownership.

And third, we decided that some people might still be good credit risks even if we didn't require the standard down payment of 20 percent, but allowed down payments of 5, and sometimes 3 percent.

These and other nontraditional underwriting criteria were the basis of a new home loan program that we introduced in 1990 called Neighborhood Advantage.

This nontraditional underwriting was a measured risk we took to serve an underserved market — low- and moderate-income individuals, and low-income communities.

And it wasn't just ourselves that we had to convince. We needed Fannie Mae to ensure that these loans would be viable in the secondary market. When we introduced the program in 1990, we had Fannie Mae's commitment that it would, on an experimental basis, buy $100 million worth of these nontraditional loans.

Neighborhood Advantage unleashed a tremendous wave of business. Since its introduction, it has generated $6 billion in home loans, and now accounts for 50 percent of all our home loan originations in California. Let me repeat that: 50 percent of all Bank of America home loan originations in California are Neighborhood Advantage loans. These loans are made at market rates, so the profitability factor speaks for itself.

Frankly, we have been pleasantly surprised with how well they perform. In fact, when we compare the delinquency and foreclose rate of the Neighborhood Advantage portfolio with our conventional home loans, it is about two-thirds lower — even during a period when residential real estate was falling in value.

This tells us that when you extend the opportunity for home ownership in low-income neighborhoods, it is taken very seriously.

One of the fundamental lessons we learned is that the conventional wisdom — in this case traditional mortgage underwriting — may in fact be an obstacle to opportunity and the creation of wealth.

We discovered that we could move beyond conventional wisdom and still build in the fundamentals of safety and soundness.

So we applied this type of thinking to other lending streams.

We developed a new consumer loan product that we call BASIC, which uses modified underwriting criteria to qualify individuals earning less than 80 percent of median income.

We developed Advantage Business Credit, a small business loan product that provides loans with a simplified application process and no collateral requirements.

And in 1990, we took the unusual step of creating a new subsidiary, Bank of America Community Development Bank, to focus on the commercial credit needs of the low-income market.

Modeled after Chicago's South Shore Bank, BofA Community Development Bank has become the largest bank provider of affordable housing construction financing in the United States.

Typical of Community Development Bank's housing portfolio is a $4.7 million construction loan for the 144-unit Mercado Apartments in San Diego. The project's nonprofit developers are hailing the Mercado as the cornerstone for the economic revitalization of the Barrio Logan neighborhood where it is located.

Another Community Development Bank project is the Roberta Stephens Villas in South Central Los Angeles, which provides 40 units ranging in size from two to four bedrooms for very low-income families.

The nonprofit developer, Concerned Citizens of South Central Los Angeles, is also expanding into economic development. It has plans for a 90,000-square-foot shopping center in the neighborhood anchored by a supermarket and a major auto parts retailer.

In four years, Community Development Bank's multifamily housing loans have almost tripled. It has helped generate approximately 13,000 units of housing, with more than half serving households earning less than 50 percent of the area's median income.

Despite the fact that the projects and customers we focus on are traditionally considered high risk — there is that conventional wisdom again — the Community Development Bank loan portfolio, in some respects, is outperforming its conventional counterparts.

For example, the rate of charge-offs and nonaccrual loans within Community Development Bank is roughly half the comparable rate for all California banks' commercial and construction real estate loans.

Of course, its portfolio is relatively young, but the performance trend is very positive.

Even more relevant to the bottom line is the fact that Community Development Bank has contributed $10 million to corporate earnings through the first 10 months of 1994.

Taken together, all of our low-income lending programs — home loans, affordable housing, small business loans and consumer loans — totaled more than $5 billion in 1993 in the western U.S. Considering that these loans generate market rates, and considering the performance levels that I have just shared, the business case for low-income, inner-city lending is becoming very clear — and not just to Bank of America.

Mortgage lenders throughout our industry are increasingly turning to low-income neighborhoods and the inner city for new business, and they are developing similar types of nontraditional underwriting to do so.

In fact, these new underwriting standards are becoming so prevalent in our industry that they could do as much to expand the housing market as the 30-year mortgage did 60 years ago.

Of course, the growth of low-income lending has been driven, in part, by a strong regulatory push over the past several years for fair lending and CRA compliance.

But in a very real sense, this activity can be viewed as nothing more than anticipating the markets of the future.

By now, we're all familiar with the statistics that illustrate the new America in which we will all be doing business. Within the next 15 years, for example, nearly 60 percent of California's youth population will be minorities. The youth population of the country's four largest states — California, New York, Texas and Florida — will be 55 percent minorities in the year 2010. And it is estimated that 32 million people in this country speak a language other than English at home. In California, that number is 8.6 million potential customers, almost one-third of the state's population.

These numbers represent demographic shifts on a scale that we have not witnessed since the great waves of immigration earlier in this century.

They represent the emergence of a *new* America — a diverse, energetic, dynamic market that will expect — and even demand — that businesses anticipate and cater to its unique needs.

In this new America, those businesses that do not respond and get ahead of the diversity curve will have it done *for* them — or *to* them — by their competitors.

As I said, this is the perspective of just one financial institution. But the challenges that we face in our inner cities are far too great for any single institution to solve.

In fact, Michael Porter's model for inner city development — the *creation* of wealth and not just the *redistribution* of wealth — is a very large challenge for all of us.

And for it to succeed, *all* of us must play a role, starting with the inner city itself.

To attract capital and investment, the inner city must aggressively market its competitive advantages, which Porter has identified as:

- One, a location near downtown concentrations of other companies;
- two, the demand conditions inherent in a high-density population with substantial total purchasing power; and
- three, a vast potential for human resources.

Complementing the community's own responsibilities, there are very important roles for the public

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sector, the government and the nonprofit community to play in the resurrection of the inner city. I'd like to address each of them briefly.

First, government must enhance its efforts to clear the decks for development.

Real estate development, for example, is important for the economic revival of cities, but it is often blocked by competing bureaucracies.

Vacant property is abundant, but individual sites are small, fragmented, and controlled by a number of city, state and federal agencies.

Government has to play a role with private developers to assemble workable parcels of land and facilitate the demolition and environmental clean-up necessary for productive investment.

A good example of how government can promote development involves the shopping center development planned by Concerned Citizens of South Central Los Angeles, which I mentioned earlier.

The City of Los Angeles has committed $3 million to purchase the site. The Mayor's Office was instrumental in working with the board and management of railroad companies to donate a rail spur that bisects the site. And the city will also provide predevelopment financing for the project.

The role of the private sector in community development is to broaden its investments — not only directly, through functions such as lending and capital investments, but also indirectly, through community-based intermediaries.

A major step in the right direction was the action that Congress took last year to make Low Income Housing Tax Credits permanent. These incentives offer investors a credit against federal income taxes to offset equity investments they make in the construction or rehabilitation of low-income housing.

There are few tools as effective as tax credits for helping corporations to do well by doing good. Over the past several years, Bank of America has invested more than $120 million in tax credits, and we are earning a market rate of return on that investment.

Other leading corporate investors in tax credits include Berkshire Hathaway, which gives you some idea of the quality of investors who are taking advantage of this tool.

There is also a very real potential for increased private-sector support of inner-city development under the Community Development Financial Institutions Act of 1994. This new federal legislation will help fund community-based financial institutions all across the country that are working to provide capital for housing and job creation in distressed neighborhoods.

The CDFI bill provides incentives for mainstream financial institutions to increase their investments, and Bank of America has set a goal of providing $50 million in loans, grants and investments over the four-year life of the bill.

Finally, nonprofit groups must play an even larger role in the successful rebuilding of our cities.

An excellent model is LISC, the Local Initiatives Support Corporation, which has been particularly effective in syndicating tax credits for low-income housing. LISC is now setting its sights on business development in the inner city.

Just this year, LISC unveiled a new program called The Retail Initiative, which will provide capital for new shopping centers anchored by supermarkets in low-income communities.

The Retail Initiative has initially drawn $24 million in equity investments from eight major corporations, including BankAmerica, Prudential Insurance, J.P. Morgan and General Electric.

Participants expect a 10 percent return on their investment in the equity fund, which will help finance businesses that will provide job growth and essential goods and services. The goal of The Retail Initiative is to have all of the shopping centers community-owned within 10 years of construction.

All of these are innovative and effective steps to promote economic growth as we move into a new century. The needs have rarely been greater, but fortunately there are very clear roles for all of us to play.

To sum up, government must become an enabler of community development, not an obstacle.

Businesses must view the inner city as a potential market, not an object of philanthropy.

And nonprofit groups must become more effective links between the community, lenders and investors.

I believe that if we work toward these goals, we can make our inner cities become what we would all like them to be: thriving centers of commerce and opportunity and wealth ... stable communities for the people who live there ... and new sources of revenue for companies that do business there.

We have spent a lot of time today questioning conventional wisdom, which is a good thing.

But I believe there is one piece of very old conventional wisdom that still holds true today — the notion that a rising tide lifts all ships.

The true creation of wealth is not a zero-sum game. When we create wealth instead of merely redistributing it, we create opportunity where it did not exist before.

We expand the possibilities for sustainable, market-based community renewal.

And by doing so, we create a powerful tide that truly does lift all ships.

And it is all entirely possible.

Thank you.

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THE ENTERPRISE FOUNDATION
LOCAL INITIATIVES SUPPORT CORPORATION

Communications Division
Office of the Comptroller of the Currency
250 E Street, S.W.
Washington, D.C. 20219
Attention: Docket No. 94-15

William W. Wiles
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, N.W.
Room B-2222
Eccles Bldg.
Washington, D.C. 20551
Attention: Docket No. R-0822

Robert E. Feldman
Acting Executive Secretary
FDIC
Room 402
1776 F Street, N.W.
Washington, D.C 20429
Re: CRA Regulations

Director
Information Services Division
Public Affairs
Office of Thrift Supervision
1700 G Street, N.W
Washington, D.C. 20532
Attention: Docket No: 94-213

Dear Sir or Madam:

The Enterprise Foundation and Local Initiatives Support Corporation appreciate the opportunity to comment on the revised proposed regulations issued by the Office of the Comptroller of the Currency, the Federal Reserve System, the Federal Deposit Insurance Corporation and the Office of Thrift Supervision on the Community Reinvestment Act (CRA).

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The Enterprise Foundation's mission is to see that all Americans have access to fit and affordable housing so that they can move up and out of poverty and into the mainstream of American life. Enterprise works with more than 500 nonprofits in over 150 locations by providing below-market rate loans, grants, and technical assistance. Enterprise works with community groups to increase their capacity to provide low-income housing, and helps them build their ability to grow, manage, organize, and carry out their community development initiatives through expertise in construction and rehabilitation management, project financing, development, and property management. The Enterprise Foundation has directly invested over $1 billion of grants, loans, and equity that has helped make possible more than 43,000 new and rehabilitated units of housing for low-income families.

Local Initiatives Support Corporation (LISC) was created by the Ford Foundation and six corporations in 1979 to channel private-sector financial resources to non-profit community development corporations (CDCs) to turn their neighborhoods around. Part funder, part broker, part technical assistance provider, LISC finances projects and helps CDCs work with banks and local governments to build decent, affordable housing and improve commercial and retail services for community residents. LISC operates through 35 locally based and directed programs in cities ranging in size from New York to Kalamazoo, Michigan and in regions as diverse as California and the Twin Cities. Since 1979, LISC has provided $1.2 billion in grants, loans, and investments to over 1000 CDCs nationwide.

General Comments:

The Community Reinvestment Act has been essential to our work with community development corporations and non-profit organizations across the country. Bank support of our programs, investments in Low Income Housing Tax Credit projects and other vehicles, as well as lending both through our affiliates and directly to support of affordable housing and community revitalization has been driven by CRA. As we stated in our comments earlier this year, the obligation that a bank must help meet the credit needs of its entire community is an essential building block of an community revitalization strategy. Moreover, access to credit generally, including home mortgages, residential and commercial lending, and small business financing, is as essential for low-income areas as for any other community.

We welcome the opportunity to participate in the effort to strengthen the regulations enforcing CRA. The rule proposed last December was a substantial improvement over the current system because of its emphasis on performance over process, and we appreciated the thoughtful effort which went into drafting it. We do note that in an effort to respond to many issues raised in the comment letters, the revised regulations have moved away from some of the purely objective standards used in the December regulations. While there are sometimes perverse results when rigid and formulaic standards are applied, the increased subjectivity of assessment standards in the revised regulations concerns us. To the extent possible, examiners should use objective measures such as comparing the market share of

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various institutions. Even if it is necessary to temper objective, numerical tests with subjective considerations, objective analysis is still important to ground the CRA examination process.

We understand that given the complexities of community reinvestment, reliance on examiner judgement may be inevitable. This means that examiner training is the single most important aspect of the new CRA system. To be blunt, the new CRA regulations will not be an improvement over the current twelve assessment factors if bank examiners are not trained to be discerning and consistent. It is vital that the banking agencies consult with experts in community development in devising the regulatory handbook and examiner training. Examiner competence is the key to the success or failure of this new regulatory scheme.

We were among the thousands of commenters on the first proposal, and we were pleased to note that many of our comments were heard and incorporated into the second draft which was issued on October 7. We would like to identify those issues on which we feel the regulations have been modified positively.

Community Development. We are pleased to note that community development activities are now an explicit component under which institutions are evaluated as a part of the lending, service and investment tests. We feel strongly that attention to the particular community development needs of low- and moderate-income geographies is an essential aspect of any bank's fulfillment of its community reinvestment obligations. The assessment of the credit needs of the community by examiners (including community-based organizations as a potential source of such information) strengthens this obligation by providing a context for it. We are pleased to note that the assessment context applies not only to community development needs, but to all three tests (lending, investments and services). This is a positive improvement over the previous version of the regulations. While we have some recommendations for improving upon the terms used in the discussion of the community development, overall we feel that this is a crucial change which will improve community participation and input into the process and as a result strengthen and improve the CRA regulations.

Needs Assessment. Another improvement in the revised regulations that complements the increased emphasis on community development activities is the requirement that the examiners complete a community needs assessment. This is crucial to an accurate assessment of a bank's CRA performance. Community development needs vary widely depending across the country, and a CRA examination that does not take into account the local context for the bank's activities will not be complete. The requirement that the examiners do a community needs assessment is a welcome improvement.

Primacy of Lending. We are also glad to see that lending performance is the primary focus of the proposed regulations. The proposed regulations issued in December would have allowed a bank to get an overall satisfactory rating while failing the lending test. While we

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believe that investments and services are both essential elements of community reinvestment, we are pleased to see that the current proposed regulations have modified this provision to insure that direct lending is the primary focus of the proposed regulations. In our specific comments which follow we suggest some language changes which would clarify and strengthen this provision.

Investments. We strongly support the narrowing of the definition of qualified investments. As stated in our December comments, the authority for banks to make investments is a special power granted by the regulators. As such, the use of this special authority should add value by meeting affordable housing or community economic development needs not met by the private investment market. The examples of qualified investments provided on page 7 of the Supplementary Information should be incorporated into the proposed rule as one way to clarify what types of investments meet this criteria.

Additional changes to the proposed regulations which clarify this point are needed. First, we note that the Supplementary Information includes a reference to deposits as qualified investments. The regulations should state clearly that deposits which are federally insured, and which can be withdrawn on demand do not meet the criteria for qualified investments. Additionally, the Supplementary Information provides as an example of qualified investments "state and municipal obligations that specifically support affordable housing." Only such obligations which primarily support affordable housing should qualify. In addition, it should also be clear that the benefits to low- and moderate-income persons from lawful investments and grants should include benefits through the provision of jobs and services to low- and moderate- income persons.

Multifamily Lending. Another positive change in the proposed regulations is the support of multifamily lending provided under the proposed regulations. The treatment of multifamily housing loans both as housing loans under the lending test and as community development loans is appropriate and warranted. Financing for multifamily housing is essential to low- and moderate-income community development because a relatively large share of the buildings in many distressed neighborhoods are multifamily buildings. As a result, the future of the neighborhoods is integrally tied to the conservation of this stock. Particularly in central city neighborhoods, the disappearance of traditional financing resources is undermining property values and discouraging maintenance and recapitalization of this housing. At the same time, multifamily financing is sufficiently common in other contexts as to warrant further clarification of geographies and beneficiaries. In the detailed comments below, we offer some suggestions on clarifying the language relative to low- and moderate-income benefits resulting from such loans.

Safe Harbors. The December regulations included a presumption that banks with "satisfactory" or "outstanding" ratings would have their merger applications approved. We commented that the proposed system was too new and too untested to include such a presumption in the first draft. We are pleased to see that this presumption was omitted in the second version.

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Affiliate Activities. We also welcome the addition of the provisions in Section 25.22 and Section 25.23(b)(4) for the inclusion of lending or investments by affiliates in the evaluation of an institution's performance under the lending and investment tests. There may be legal or other business reasons why an institution would prefer to have loans or investments made by an affiliate which should not distort the evaluation of whether an institution is reinvesting in its community. The addition of these regulatory provisions is a recognition of this business reality. The proposed regulations should be modified to state if the regulating agency determines affiliate lending is integral to the business of the bank under evaluation, its inclusion for purposes of CRA assessment should be required, rather than optional.

Additional Targeting: We are also pleased to see that Appendix A, which provides a more detailed description of the factors which are taken into consideration in evaluating a bank's performance, includes one element which looks at the bank's record of lending for the most economically disadvantaged areas of the institution's service area and low-income (as differentiated from moderate-income) individuals or businesses. It is appropriate and very important to award additional credit to banks' efforts to meet the credit needs of the neediest individuals and communities.

Use of HMDA-like data. We support the expansion of the geocoding requirement to include loans in non-MSA areas. To the extent that regulated initiations make loans outside of MSAs, and are currently required to provide number and volume data on loans in those areas, this additional requirement will not be burdensome for the large majority of institutions that already report HMDA data.

Recommended changes to the Revised Proposed Rule:

While we support a member of the changes which have been made, we still have a number of specific recommendations for strengthening and improving the proposed rule. The are as follows:

1. Service area delineation (Section 25.41) and community development test (Section 25.25) for limited purpose and wholesale banks.

Proposed rule: Section 25.41 provides that service areas for limited purpose and wholesale banks are to be identified as an area around the banks' offices, or a broader statewide or regional area. This is a change from the December proposed rule, which provided a national service area for limited purpose or wholesale banks.

Additionally, Section 25.25(d) mandates that community development activities by a wholesale or limited purpose institution outside of its service area shall be considered only to the extent of such activities occurring inside the bank's service area.

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Analysis: The idea of an institution's responsiveness to its local community is fundamental to the notion of community reinvestment. Wholesale and limited purpose banks should serve the communities in which they operate. However, limited purpose and wholesale institutions generally lend to, and to the extent that they do, accept deposits from a national market. Moreover, some specialized community development financing instruments work far better on a broader scale than local markets can accommodate. Although we recognize and support the importance of working locally, our organizations (and others) have created special vehicles to aggregate financing on a national level when critical needs cannot be addressed efficiently on a local level. The National Equity Fund, The Enterprise Social Investment Corporation, The National Community Development Initiative, The Retail Initiative, Enterprise Mortgages, Local Initiatives Management Assets Corporation (LIMAC) and other mechanisms were created to operate nationally for this reason. Wholesale and limited purpose banks match up particularly well with these kind of instruments because 1) they serve national markets, and 2) these intermediaries perform a retailing role, particularly in a community development context, that wholesale and limited purpose banks typically find difficult to do. A national service area as was proposed in the December version of the regulations was consistent with this premise.

In analyzing activities of certain wholesale and limited purpose banks, we observe that their local activities tend to focus on small-scale financing to fill special community development needs while their national activities tend to focus on larger-scale participation through third parties. Both are important and appropriate and should be encouraged. Volume alone is the wrong measure, particularly in such cases. We infer the intent of this revision was to encourage greater local activities by limited purpose and wholesale banks, rather than to reduce the extent of national activities. However, because of the concentration of limited purpose and wholesale banks in a few national financial centers (like New York City), there may be limited opportunities for expanded local activities in those markets. Additionally, such banks will then be hesitant to increase their participation in national community reinvestment efforts for fear that they will not be able to expand local activities commensurately to claim CRA credit. Several institutions are already reconsidering plans to invest at least $30 million through those national vehicles as a direct response to the revised proposed rule. As a result, the net effect of this proposed regulation is not to encourage greater local activity, but to discourage national activity. This will result in less resources to underserved areas nationwide, including rural communities, which have fewer local institutions and more limited access to capital as a result of locally-based community reinvestment activity. While wholesale and limited purpose banks should meet the needs of their local communities, the proposed regulation should not serve to limit the amount of community development lending, investment and services in rural and underserved urban areas to an amount limited by the volume which can be sustained in a few major financial centers in which many such institutions are concentrated.

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Recommendation: Maintaining the idea of a regional or statewide service area, examiners should consider the level of community reinvestment activity by a wholesale or limited purpose bank both within that service area and outside of it. However, there should be no limitation of CRA credit based upon an arbitrary ratio between what occurs inside and what occurs outside of their service area.

Examiners should consider broadly the distribution of an institution's community development activities. While all wholesale and limited purpose banks should have an affirmative obligation to serve their local community, they should not be required to match on a 1:1 basis community development activity inside the service area with community development activity within the service area. Moreover, participation in national programs such as the National Community Development Initiative which include some local component should qualify as CRA activity within the service area. This is consistent with a principle stated in the supplementary information relative to retail banks' activities inside and outside of their service area: "Institutions would receive favorable consideration for lending to low- and moderate-income individuals and small businesses and farms outside of their service area, so long as they have not neglected those borrowers inside their service area." The same principle should apply to the activities of limited purpose and wholesale banks.

2. Balance between Direct and Indirect Lending (Section 25.22(d)).

Proposed Rule: The regulations provide banks with the option to make community development loans through third parties or consortia. The Supplementary Information included with the proposed rule states that third party loans can be attributed to an institution only if they meet the definition of community development loans; that is, primarily benefitting low- and moderate-income persons, businesses or farms and meeting needs not being met by the private market. Therefore, institutions may not include third-party loans for purposes of evaluating their lending pursuant to the geographic distribution and borrower characteristics assessment criteria.

Analysis: We endorse the approach taken in the proposed regulations which allows for balanced consideration of both direct and indirect lending. While direct lending ought to be the principal focus of the lending test, indirect lending should not be ignored or discounted. It is appropriate that third party loans not be included with direct loans for the purposes of evaluating the geographic distribution of loans under the lending test. However, indirect lending can be extremely valuable in cases where a bank is unable to undertake activities directly. For example, banks with very limited experience in multifamily lending might participate in a consortium that makes multifamily loans and is run by an experienced community development lender. In this way, the banks can increase their lending in an unfamiliar area. In some cases, loan consortia allow banks to lend to lower income borrowers than would otherwise qualify under the banks' underwriting guidelines. Indirect lending can encourage flexibility and innovation in bank lending policy.

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Recommendation: The principal focus of CRA should be upon direct lending for housing, small business and community development activities. Only those retail institutions with substantial direct lending activities in these three areas should receive a satisfactory or higher composite rating. It is appropriate to encourage institutions to make loans directly, rather than through third parties, where both routes are possible. We believe that indirect lending should always be encouraged, but direct lending should be encouraged more.

The totality of a bank's lending activity must be considered by the examiners in making assessments under the lending test. Banks should not receive satisfactory ratings under the lending test solely upon the basis of their indirect activities, but an emphasis on direct lending does not mean that indirect lending should be arbitrarily discounted or penalized. We disagree with those who would limit indirect lending to a fixed percentage of direct lending. A bank which participates in a multifamily loan consortium should have these activities considered as part of the lending test, but the examiners should very carefully scrutinize the banks' direct lending to small business borrowers and single family homeowners as well.

We believe that the priority placed on direct lending should not prevent banks from receiving consideration for legitimate community development activities undertaken indirectly. For this reason, it would be useful to incorporate the language found in the Supplementary Information into the regulations to ensure that institutions and examiners are clear about the priority placed on direct lending.

3. Community development (Section 25.24(c)(1)) lacks geographic focus.

Proposed rule: The December version of the proposed rule considered in each of the three tests whether a bank's activities benefitted low- and moderate- income geographies was well as wealthier geographies (see December 21, 1993 rule Sections 25.7(a), 25.8(a) and 25.9(b)). However, the current proposed rule looks only to the benefits to low- and moderate- income individuals, not geographies.

Analysis: The purpose of community development loans or investments is to develop and strengthen distressed communities. In the absence of a geographic focus, a community development loan or investment has no meaning. An assessment of loans to individual borrowers at different incomes is the focus of the lending test. The purpose of the community development test is to evaluate a bank's activities benefitting low- and moderate-income communities in ways not well reflected under the lending test, such as participation in construction or rehabilitation in low- and moderate-income geographies, participation in activities sponsored by non-profit low- and moderate-income community-based organizations, participation in commercial real estate, day care and primary health care centers and similar activities, and participation in government-assisted activities. This criterion provides the qualitative balance to the quantitative assessment of activities found in the lending and investment tests.

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Recommendation: The predominant focus of the community development test must be to evaluate an institution's loans, investments and services to low- and moderate-income geographies. In the absence of this focus, the community development test does not differ from the assessment of benefits to low- and moderate-income individuals under the lending and investment tests. The community development test is designed to assess those activities which cannot be adequately evaluated as part of the lending, investment or service test. The community development test must be predominately focused upon activities benefitting low- and moderate-income geographies.

4. Definition of community development loans (Section 25.12(f))

Proposed rule: A community development loan is defined in the proposed regulation as a loan that addresses "affordable housing or other community economic development needs not being met by the private market". This phrase is also applied to investments through its use in Section 25.23(b)(ii). This qualification may be unclear.

Analysis: "Needs not being met by the private market" refers to those activities for which private financing is typically difficult to obtain. Our suggestion of the use of this standard in our December comments was intended to apply only to investments and indirect loans. For example, as discussed in the Supplementary Information, it was designed to exclude investments in instruments such as untargeted municipal bonds and standard mortgage backed securities which are traded in the private market and which add little or no real community reinvestment value.

However, it is unclear what "needs not being met in the private market" means in the context of direct lending. In contrast with investments, in which banks do not regularly participate in the private market, banks are the private market provider loans. Direct loans to individuals will be evaluated as part of the lending test, and lending, including indirect lending, to benefit low- and moderate-income communities will be evaluated through the community development test.

Recommendation: The proposed definition may be clarified in several ways. One, the reference to "needs not being met by the private market" should be eliminated in the definition of direct community development loans. In the context of investments and indirect loans, the reference to "needs not being met by the private market" should be retained. It may be clarified with the inclusion of some examples. Community economic development relates to activities which revitalize and develop low- and moderate-income neigborhoods. It includes both real estate development and business development. Examples include commercial and retail development, day care, health care and educational facilities and small business development. It should also include examples of vehicles for such investments and indirect lending which are included in the Supplementary Information: intermediaries including but not limited to community development financial institutions, community development corporations. community development support organizations, and low-income or community development credit unions that primarily lend or facilitate lending

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in low- and moderate-income communities.

5. Effect of discriminatory or other illegal credit practices on CRA evaluation (Section 25.28(c)).

Proposed rule: The proposed rule states that evidence of discriminatory or other illegal credit practices shall adversely affect the evaluation of an institution's performance pursuant to the Community Reinvestment Act.

Analysis: It is unclear how such evidence is to be taken into account. The proposed rule provides criteria to be met in order to satisfy each of the five rating categories under each of lending performance, investment performance and service performance. None of these criteria includes any reference to fair lending.

Recommendation: It is appropriate to consider not only the extent of any evidence of discriminatory or illegal credit practices but also the institution's policies and procedures relative to fair lending, as well as corrective action and past practices. We suggest that the regulations clearly state that evidence of discriminatory or other illegal practices be taken into account as part of the composite rating. This would be consistent with the approach taken by the proposed rule of providing a proper balance between objective analysis and subjective judgment. It would also insure that an institution which has engaged in discriminatory or other illegal credit practices in the area of lending, investment or services could not compensate for those practices by an outstanding performance in another area.

6. Community Development Loan Data (Appendix C).

Proposed Rule: The proposed rule requires the reporting of community development loan data only by number and aggregate dollar amount of outstanding loans.

Analysis: There is no differentiation in the reporting of small community development loans among business, small farm, single family, multifamily or commercial real estate loans, nor is there any distinction made between construction and permanent lending. Additionally, community development loans are not required to be reported in a way which indicates the extent to which such lending serves low- or moderate-income geographies.

Moreover, the proposed rule only requires the tracking of outstanding loans. There is no consideration of loans which were actually made during the period of time under evaluation. A bank could receive credit for community development lending which was made (and evaluated) in an earlier period, even if no further loans were made in the period for which the bank's performance is being evaluated. A focus on loans outstanding also penalizes lenders for selling loans on the secondary market, rather than rewarding such lenders for developing a secondary market for community development lending which ultimately increase the capital available for community development activities.

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Recommendations: Community development loan data should be reported in a disaggregated format, by low- and moderate- income census tracts and identified by type of project: small business or farm, single family residential or multifamily residential, community facilities (such as health care, day care or other public facilities which serve the community), or commercial real estate. Additionally, construction loans should be distinguished from permanent lending or bridge financing. The submission of disaggregated data will not be an additional burden on most institutions. The reporting of disaggregated data would allow for an easier analysis of the quality of an institution's community development lending over time.

Reporting must primarily track new extensions of credit, and secondarily loans outstanding. We are very concerned about a single aggregated reporting of community development loans. By its nature, community development lending should respond to the assessment of particular community development needs. The assessment requires an analysis of how various community development loans fill market gaps in order to respond to those needs. Examiners must analyze the types, volume and location of community development loans to assess the responsiveness of an institution's community development lending activities. The public must have access to this data (or at least the examiner's analysis) in order to verify whether community development needs are truly being addressed.

7. Small Business Loan Data Reporting (Appendix C).

Proposed Rule: For the reporting of small business lending, the proposed rule requires the reporting of all loans to small business or farms with more than 50% minority ownership. All minority groups are considered in one category. This data is reported on an aggregate basis rather than by census tract.

Analysis: Credit needs of different minority groups differ in different communities. In some communities there may be a greater need among certain minority groups which represent recent immigrants; in other communities some minority groups may be well-served by the private market. It should be noted that analyses of lending patterns have indicated that in some communities the rejection rate for Asian applicants are often lower than the rates for whites. For small business lending to be aggregated for all minorities does not indicate whether or not lending is addressing the needs of the particular service area or minority populations. In addition, the lack of data by census tract makes it difficult to assess the geographic distribution of the bank's lending.

Recommendation: We suggest that minority ownership be reported in greater detail for small businesses and farms which are more than 50% minority owned. Loans reported should identify minority ownership as predominately African American, Asian, Hispanic, Native American or other ethnic and racial categories and should be reported by census tract. More detailed reporting allows for a better identification of the fit between community needs and small business lending and is consistent with the emphasis on

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geography in the CRA statute.

8. Overall Point System (Section 25.21 and Appendix A).

Proposed Rule: Under the proposed rule a regulated institution can receive up to twenty-four composite points, with only nine points required for a satisfactory rating. Institutions can be rated from 0 to 12 (in three point increments for each category) under the lending test. Under the investment and service tests, institutions are rated 1 point for a 'needs to improve,' 3 for a 'low satisfactory,' 4 for a 'high satisfactory,' and 6 for 'outstanding performance.'

Analysis: We are concerned that the low point score required for a satisfactory rating does not provide an adequate incentive for banks to perform well under the investment and service tests. We support the emphasis upon the lending test as the primary element of the composite rating but believe this principle is mostly addressed by making a satisfactory performance under the lending test a threshold requirement. However, we are concerned that banks which perform poorly under the investment and service tests will still be able to receive an overall satisfactory lending. This does not support the principles outlined on page 5 of the September 26, 1994 Summary of the Revised Proposal issued by the Office of the Comptroller of the Currency, which states: "An outstanding rating on the lending test would result in an overall rating of at least satisfactory." Actually, even a high satisfactory score on the lending test (nine points) guarantees an overall satisfactory rating even with a 'substantial noncompliance' score on both the investment and service tests.

Recommendation: We agree with the principles articulated in the summary that encourages banks to strive for an outstanding performance under the lending test. The primary focus of community reinvestment should be lending. We are concerned, however, about instituting a system which would reward institutions with failing grades on two of the three tests with an overall satisfactory rating.

We recommend raising the threshold number of points required in order to receive a satisfactory composite rating from nine to twelve points. This would accomplish several objectives.

- It would encourage banks to achieve an outstanding rating under the lending test, consistent with the principles stated by the Comptroller of the Currency in the summary.

- A bank achieving a high satisfactory rating under the lending test must achieve at least a low satisfactory rating under the services or investment test in order to receive a satisfactory composite rating.

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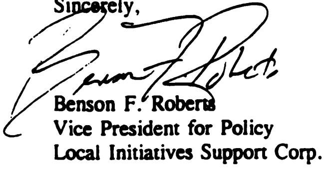
We would be pleased to discuss these comments in further detail. For further information, please contact Kristin Siglin at Enterprise at (202) 543-4599 or Benson Roberts at LISC at (202) 785-2908.

Sincerely,



Benson F. Roberts
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CRA: The Spirit and the Letter of the Law

Keynote Remarks by Edward D. Miller
President, Chemical Banking Corporation
Annual Community Reinvestment Conference
Sponsored by The Federal Reserve Bank of Dallas
Houston, August 23, 1994

Thank you, Bob, and good morning. I am pleased to be with you and very honored to have been asked to take part in this conference which has become one of the most influential forums on community reinvestment and fair lending.

I commend the Dallas Fed for its foresight in initiating these gatherings. I emphasize the word "foresight" because three plus years ago, as you know, CRA was a far less visible issue. Today, as Steve Cross just reminded us, we are in the midst of a great debate about the effectiveness of CRA and how it might be recast to ensure that implementation and enforcement reflect both the spirit and the letter of the law.

I, for one, welcome this dialogue and particularly welcome the constructive role that bankers and regulators in Texas are playing to see to it that a meaningful exchange of views takes place.

On that score, I want especially to thank my friend and colleague, Marc Shapiro of Texas Commerce Bank, for getting me involved in this conference. Coming from the Manufacturers Hanover side of the Chemical merger, one of the great things about the merger for me personally has been the opportunity to work with Marc and his colleagues, and to have the excuse to visit Texas on a frequent basis.

Texas may lack the friendliness, warmth and open spaces of my native Brooklyn, but I have grown to love this great state, and am always delighted to return.

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The assignment Bob McTeer and his team gave me this morning was to discuss CRA and fair lending in the context of corporate culture -- specifically, what kind of internal values, mindset and philosophy work best for a bank in approaching the challenge of community development and equal access to credit.

I'll be touching on that theme throughout, but I thought it would be useful if I went a step further this morning and shared with you some of the personal points of view that I bring to the current re-thinking of CRA. The three opinions I would put on the table are as follows:

First, as bankers, we need to move beyond an irrational fear of expanded disclosure and instead welcome disclosure as an invaluable tool to enhance access to credit, and ultimately, to build stronger communities. In 1991, HMDA was widely seen as more burdensome than useful. Today, I think we can all agree that HMDA led to actionable solutions and results -- more mortgage lending to lower income and minority homebuyers.

Second, while we should not fear additional disclosure per se, we should stand up and insist that the disclosure we are asked to make is meaningful and can lead, as HMDA did, to greater innovation, closer coordination of efforts, including more public-private initiatives and substantially better results. For example, I happen to think that additional disclosure on all consumer lending would be unproductive, whereas additional disclosure on small business lending will be extremely useful.

Third, and finally, as a subset of my second point, I think we need to look beyond sterile ratios to the real question of what is -- or is not -- being accomplished. Often, the most beneficial programs are the most difficult to assess through cut and dried formulas. How, for example, do you quantify creativity, persistence or leveraging of resources? The focus, I believe, must be on solutions and impact -- and not on a numbers game.

Now, let me put some meat on these bones, turning first to the potential benefits of additional disclosure.

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In 1991, with the first release of HMDA data broken out by race and gender, we had access for the first time to solid information on lending to minority homebuyers. The numbers made clear that we did not have the right products and that we were not penetrating many of the markets we serve.

I might mention that, at the same time in late 1991, we were in the midst of the Chemical and Manufacturers Hanover merger. Both our institutions had long and proud histories of meeting the needs of lower-income individuals and communities. Both cultures carried a deep-rooted abhorrence of discrimination of any kind. As we pooled our resources and our individual traditions, we were determined that the new Chemical would pursue an active fair lending and community development agenda.

So, the internal debate at the new Chemical was never over the "unfairness" of the disclosure, but how to apply it to get the results we intended. Rather than spend energy attacking what some saw as the "flawed" methodology of HMDA reporting, we decided to learn from the new layers of disclosure and to develop new approaches to close lending gaps.

Since then, throughout our New York, New Jersey and Texas markets, we have put in place aggressive, multi-faceted initiatives to sharply increase mortgage lending to minority and lower-income consumers. We have developed new and more flexible mortgage products that feature lower down payments, higher than conventional debt-to-income ratios and, often, reduced costs to the borrower.

To provide financing for borrowers who would be denied credit under conventional guidelines, we created a special lending pool specifically for lower income applicants. Working with our Community Advisory Boards, we initiated intensive and targeted outreach and marketing efforts.

In conjunction with local groups and non-profit organizations, we developed community-based and community-administered credit counseling and education programs and seminars. And, we created a five-step review process for mortgage applicants to ensure that qualified borrowers are not being denied the credit they deserve.

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In addition, the challenge of improving HMDA performance has encouraged a number of joint efforts among financial institutions, such as the New York Mortgage Coalition, which Chemical spearheaded in 1992, and the Credit Coalition Mortgage Review Board in Houston, of which Texas Commerce is a founding member.

As a result, since 1991, Chemical Bank has increased the percentage of mortgages to minorities from 13.9% to 18.6% in 1993. Texas Commerce, during the same period, increased mortgage lending to minority customers from 10% to 22%. Declination rates for minority borrowers have fallen from 55.6% to 26.4%, at Chemical Bank, and from 38% to 28% at Texas Commerce. And, in 1993, mortgage originations to minority borrowers rose 58% in dollar terms, and 54% in number of loans from 1992 levels at Chemical, and 60% and 64%, respectively, at Texas Commerce.

It is important to note that while we have significantly increased the base of our home lending and established new and more flexible credit guidelines, we have not taken imprudent risks. The credit performance of our Affordable Mortgage and Affirmative Mortgage Programs is on a par with our conventional lending efforts.

Clearly, from our perspective, HMDA has been a success. Timely disclosure of information on home mortgage lending by race and gender has shown us where we needed to step up our efforts and has given us the impetus to move forward.

Our response, I might add, in keeping with my assigned theme, was true to our corporate culture. At Chemical and at Texas Commerce, we place a high value on openness in dealing with our challenges, whatever they may be. We value innovation in the search for solutions to what we know are complex problems. And our commitment to being leaders in our chosen markets drives us to initiate change, rather than follow its path.

That doesn't mean we always hit home runs. The analogy I like to use is a 70% solution that is 100% implementable. In the real world, our solutions can't always be perfect, but they have to get the job done.

This leads me to my second point -- that additional disclosure must be meaningful. It must shed real light on concrete problems and provide direction toward our real goals.

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For example, I am in strong favor of open disclosure of how much credit is being made available to small businesses. First steps have been taken in this direction under FDICIA legislation and recent New York State banking law. I support this, again because I see disclosure as a tool to encourage more lending to small enterprise.

It is widely acknowledged that one of the most challenging roadblocks to community development is the absence or stagnation of local business: retail and service businesses and light industry. Without the economic base that these businesses create, residents are left without vital services while local economies continue to decline.

Disclosure of small business lending would encourage financial institutions to identify far more accurately the communities and potential borrowers that we are not reaching.

At Chemical and Texas Commerce, we have already taken major steps to broaden access to financing for all business owners. We have developed more flexible lending products and approval processes that reflect the realities of operating a small business today.

These new approaches, such as Chemical's Access Network for Development Opportunities -- our CANDO loans -- take into account a business owner's expertise and track record, reputation within the community, and what has been described as the final lending criterion, "character."

Working with local non-profit and community groups, we sponsor workshops, seminars and networking sessions on the issues that confront business people. For example, this month Texas Commerce will open a satellite office of the University of Houston Small Business Development Center in its Riverside branch, which serves the diverse Third Ward community.

In New York, Chemical has launched a Small Business Resource Center, to provide business owners -- at no cost -- with long-term support in determining opportunities, developing business plans and setting financial goals.

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The Center is not exclusively tied to our lending activities -- in fact, while we have provided loans for some promising businesses, we encourage our clients to explore all their financing options. Our goal is to create a breeding ground for new ideas on how to build healthy businesses from the ground up.

Chemical and Texas Commerce are taking a lead as well in encouraging business at its smallest and most vital level, through micro-lending initiatives, such as those of Accion International, which works to support very small businesses in New York and Texas, beginning in San Antonio.

The issues are bigger than we are; we can't do it all alone. If economic revitalization is a nationwide goal, then developing even-closer public-private partnerships is critical.

One strong partner in this effort is the U.S. Small Business Administration, which has become far more responsive to smaller and minority businesses, and more creative in approaching their needs. I would encourage the Small Business Administration to go further, to develop more flexible lending programs and to continue to streamline its procedures.

Local government is also becoming a much more active participant in the fight to rebuild local economies. Both Houston and New York City have established programs to support private lending to small business. In Houston, for example, Texas Commerce has worked closely with the City and the Metropolitan Transportation Authority, as well as the SBA, to develop financing programs for minority vendors as they bid on valuable municipal contracts. We are working with the State of Texas, as well, on similar ventures.

Another important part of the equation, I believe, must be greater emphasis on the formation of large lending consortia dedicated to economic revitalization. Again, we must be guided by our past experience, both in mortgage lending and in developing affordable housing stock, where by pooling resources and distributing risk, our investments become more effective and meaningful.

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We are seeing this principle put to work today. For example, Texas Commerce was a founding member of the Southern Dallas Development Fund, which was chartered to invest in small business in that area. Just recently, the personal efforts of Marc Shapiro and several other Houston-area bank CEOs led to the formation of Alliance Financial, a venture capital fund targeted toward small enterprise in Houston. I applaud Texas Commerce for taking this lead, as well as the other lending consortia that have recently been assembled in California and New York. This is the wave of the future.

Given my strong belief in the benefits of disclosure as a catalyst, why do I feel that additional disclosure on all non-housing consumer lending would not be useful? To answer that question, we must return to the issue of what is meaningful and what is not.

To determine that, we need to set clear priorities, and I believe the priority today must be on community development and economic revitalization. That means focusing our efforts on affordable housing and rebuilding our cities, on developing a strong base of local small business and on generating jobs. And, from my conversations with community and municipal leaders, I think most of them would agree with this agenda.

The next question then is does additional disclosure on non-housing consumer lending provide us with the tools we need to take on these tasks: I would argue that it does not. Will it spur the kind of targeted, creative, coordinated -- and above all, effective -- response that is necessary? I would argue that it is a distraction from the original spirit of CRA legislation -- better lives in more prosperous communities.

To me, it is an example of disclosure for disclosure's sake, cumbersome and expensive -- particularly so for smaller banks throughout the United States -- with little or no actionable initiatives or concrete results in mind.

Which leads me to my final point: we must keep our focus on accomplishment and not on numbers.

This is very much part of the culture of Chemical and Texas Commerce where, every day, we must weigh the immediate benefits of our actions and their long-term implications in order to provide our customers and shareholders with real and not "paper" profitability.

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I want to add that our commitment to workable, long term solutions, particularly in the area of community development, is set at the board level. Our directors believe that we must be leaders in serving all our communities.

In doing so, we are fortunate to have the guidance and wise counsel of directors like Barbara Jordan at Texas Commerce who, as chairman of the board's Community Action Committee, is closely involved in reviewing and approving policy.

As bankers and regulators alike, I think we recognize that our business today is both an art and a science -- and that success is often more dependent on art than science. This is especially true in approaching the challenge of making a meaningful contribution to the communities we serve.

As I mentioned earlier, many of the most ambitious and meaningful community-based activities are the most difficult to quantify in simple terms. To evaluate them fairly, we must factor in any number of less easily measured elements.

Let me give you an example.

This summer, Chemical and Texas Commerce participated with the National Housing Partnership Foundation, the not-for-profit arm of the largest owner of affordable housing in the United States, in an innovative transaction that will make available more than 400 units of affordable housing in Dallas.

Leveraging a subordinated debt investment of approximately $900,000, the National Housing Partnership purchased from the Resolution Trust Corporation -- which provided 95% financing -- four garden apartment complexes, containing a total of 841 units. By deed restriction, 50% of the housing must be leased to low-to-moderate income individuals.

This deal makes sense on many levels. First, it provides lower income Dallas residents with access to high quality, affordable housing. Second, the transaction is good business, and was structured as such. The cash flows are excellent and the project will generate income, not only for investors, but to fund future capital improvements as needed.

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Finally, this deal exemplifies the determination to blend public, private and non-profit efforts, and demonstrates the power of leveraging relatively small but critical amounts of equity or subordinated financing to meet significant goals.

I don't think it will surprise any one that closing this transaction took over a year of solid work on the part of the RTC, the National Housing Partnership, Texas Commerce and Chemical Bank.

Using a cut and dried formula to evaluate this project, the total investment was under $1 million. In fact, one colleague of ours has been heard to say, "Never have so many worked so hard to lend so little." But judged on the impact to the community, this transaction was a sizable success. More than 400 units of quality, affordable housing were made available, using an entirely new and powerful financing structure.

I would argue that these are the type of transactions CRA regulation should encourage -- not discourage -- and I urge our regulators not to lock up the creativity that banks can bring to community development through application of across-the-board, simplistic analysis.

By measuring action rather than simply dollars, regulation can spur banks to work smarter and harder and spur the kind of partnerships that create tangible difference in our communities.

In closing, let me summarize my points:

As bankers, we need to reject our "kneejerk" fear of additional disclosure. Let's look at disclosure not as a weapon -- held over our heads or that we hold defensively in front of ourselves -- but as an effective tool leading to action-able solutions and real impact;

Just as we must not fear additional disclosure, we must insist that it must be meaningful -- and its requirements flexible enough to encourage creativity, the leveraging of resources and the development of effective public-private initiatives. And, we must keep our focus on real accomplishments and benefits rather than cold and often utterly misleading formulas or tests.

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In the final analysis, these points reflect the values we share at Chemical and Texas Commerce -- and that I believe all of us in this room share:

o A determination to be positive and open in the face of new and ever-more complex challenges

o A commitment to fostering new ideas, new approaches and new tools in order to reach all the communities we serve;

o And a firm commitment to working together and pooling the resources of the many rather than the few, to address problems that no one sector should or can address alone.

Let me again thank Bob McTeer and the Dallas Fed for the opportunity to share my thoughts at this important conference. My association with bankers and banks, large and small, across the country leads me to conclude that the current debate over CRA is not about goals but the best way to achieve them.

All bankers support fair lending and meaningful community development. Through gatherings like this, and the continued open exchange of view points and experience, we can assure that our shared objectives are met.

Thank you very much.

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Testimony Submitted
By

Elena Hanggi
Past National President

Association of Community Organizations for Reform Now (ACORN)

On

The Community Reinvestment Act

To

The Subcommittee on Financial Institutions and Consumer Credit
The Honorable Marge Roukema, Chairwoman

March, 1995

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The Community Reinvestment Act is an issue of tremendous importance to ACORN members, and to low and moderate income people all over the country, and we appreciate the opportunity to add our comments on this subject to the record.

More than anything else, ACORN would like to emphasize that the Community Reinvestment Act has made a difference. While there remain tremendous unmet credit needs in our neighborhoods, there are tens of thousands of new homeowners all across America who would still be renters, or even public housing residents, without CRA. The Community Reinvestment Act is not charity, and it entails no large government bureaucracy. It *is* a tool which helps to provide people with an opportunity to participate in the market, and to invest in improving their own lives and their communities. CRA has worked to make a fundamental element of the American dream a reality for many hard working people. And it has done so while expanding banks' pools of profit-making mortgages, and without costing taxpayer dollars.

We hope that the members of the Banking Committee will consider very seriously what the Community Reinvestment Act has accomplished, and what more it can still accomplish, and not weaken or destroy it in a fit of anti regulatory fervor. We should all look for additional ways to strengthen, rather than reduce, the commitment of financial institutions to broadening home ownership and the advantages it brings both to individual homeowners and to the communities in which they reside.

To that end, we hope that the pending new regulations will be published expeditiously, in a form which delivers the intended strengthening and clarification of CRA, and that improved regulations will be given a chance to show their usefulness.

ACORN

ACORN, the Association of Community Organizations for Reform Now, is the country's largest grassroots organization of low and moderate income people. Founded in 1970, ACORN has grown to include over 400 multiracial neighborhood chapters in 35 cities and 26 states across the nation. ACORN members work on a broad range of issues that affect their every day quality of life, including affordable housing, neighborhood safety, voter registration, unemployment, and school improvement.

For over twenty years ACORN has been at the forefront of community based efforts to ensure that low and moderate income neighborhoods obtain

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life sustaining credit from private financial institutions. In 1978 we filed the first ever challenge to a merger application under the Community Reinvestment Act, securing the first ever CRA agreement that same year. Since that time, our efforts have led to over 40 agreements with private lenders, and have resulted in commitments for billions of dollars in loans to undeserved and historically redlined communities all over the country.

Capital shortage and the decline of our neighborhoods.

ACORN members have focused so much attention on community lending because we understand that the absence of capital is one of the fundamental sources of decline in our neighborhoods. Boarded up houses, vacant lots, empty storefronts, and exploitative check-cashing outlets are the scrourge of our streets, and they are the symptoms of a credit famine. Lack of access to credit has a ripple effect, impacting on whole communities. The inability of area residents to secure mortgages often leads to abandonment, which in turn leads banks to shun small businesses and other borrowers in the neighborhood. At the same time, abandoned property is taken off cities' tax rolls and frequently becomes a haven for drug abuse and crime, thereby lessening the quality of life for everyone. Individual denied loans are barred from accumulating assets, which could have been used to leverage other opportunities, such as starting a business or financing an education.

Community Reinvestment is not the only solution to our urban problems, but without bank participation any other efforts are doomed to failure. Without capital people cannot buy homes, they cannot improve them, and they have no opportunity to start businesses that will increase individual and collective prosperity. CRA has been a unique and vital tool for drawing financial resources to our starved communities. The lifeline of credit it provides must to be swelled, not diminished.

CRA success stories

The successes of CRA can, and should, be measured in billions of dollars of loans, but they can perhaps be most fully appreciated by considering the experiences of individual homebuyers who have reaped its benefits. Every day ACORN members and their neighbors experience profound difficulties in accessing credit; because of CRA every day a few are able to secure loans. I would like to share with you just a few concrete examples among the thousands we have seen of new home ownership made possible solely through this law, and through the community involvement that ensures that it does what it is designed to do. These successes have come through loan counseling programs established as partnerships between ACORN and various banks.

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1. When Mr. and Mrs. Castellanos went to a bank in Salinas for a loan, they were turned away immediately, indeed, they felt laughed at. The loan officer they spoke with told them that Mr. Castellanos's income of about $10,000 a year from his job with the school district was too low, and that the small business Mrs. Castellanos had begun 18 months before was too new for her income from that source to count. Although they were no longer very hopeful, when the couple heard about loan counseling, they tried again. With the more flexible standards worked out through ACORN's agreements with a number of area banks, the Castellanos discovered that they could indeed afford their own home.

Today , after 8 years of living in public housing, Mr. and Mrs. Castellanos have bought a small condominium. They are concerned their new neighborhood is in is not as safe as it should be, and mindful of their property value, aswell as of their safety and security, they immediately became active members of the newly formed neighborhood security group.

2. Alexis Kimball is a resident of Atlanta, Georgia, and a single mother of two children. In hopes of buying a home, Ms. Kimball was convinced to give the landlord of the house she was living in $5,000 in earnest money, which she deposited contingent on receiving financing. However she was turned down everywhere she applied for a mortgage. Her landlord took advantage of her situation by refusing to return the money she had given him. Ms Kimball was told repeatedly that her loan application was being denied because of bad credit. She did in fact have one episode of poor credit in her history. It dated from a period when her daughter had required heart surgery, and was an extraordinary, one time occurrence, but no loan officer had given her a chance to explain this, or to demonstrate that she was now able to meet a mortgage obligation.

Although she was extremely discouraged, Ms. Kimball sought out ACORN's loan counseling program. The loan counselors sent her application, including extensive documentation regarding her daughter's heart surgery, to one of the banks with which they had negotiated an agreement through the CRA process. Ms. Kimball has now been approved to receive a mortgage, and is ready to buy a home.

3. Elnora Thompson lives in Boston. She has worked for NYNEX for almost 20 years, and makes more than 30,000 dollars a year. Buying a home of her own was a cherished dream, but for years she applied for mortgages and was turned down again and again, twice by the same mortgage company connected to her employer. Banks and mortgage companies questioned her debt to income ratio, her credit history, her small savings for a down payment, and the neighborhood in which she wanted to live.

Today Elnora lives with her daughter and grandson in a house of her own. After multiple denials she was able to receive credit through a program

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established between ACORN and Citizens Bank. The program was developed in discussions between ACORN and the bank which were initiated by ACORN's CRA challenge to Citizen's purchase of Boston Five Savings Bank. By recognizing the credit-worthiness demonstrated by Ms. Thompson's years of steady employment, and on time bill and rent payments, this CRA inspired agreement secured Ms. Thompson a mortgage that just did not seem to be available to her without it, and allowed the bank to originate a solid, profitable loan.

4. After 29 years of marriage and 29 years of renting, Bessie Ruth and Pearlestra Perrie recently bought their first home in Little Rock Arkansas. Mr. Perry, a retired veteran, has back problems which have required expensive surgery, and frequently interrupted his employment history. With a low income, and a credit record ruined by medical bills, the family could not get a mortgage.

Through ACORN loan counseling established through CRA, however, the Perrys were able to communicate with their creditors, establish a report acceptable to the bank, and receive a loan. Mr. and Mrs. Perry along with their daughter, son-in-law, and two grandchildren, have now moved from the two bedroom home they all rented into a four bedroom, two bathroom house. They used to pay $325 a month in rent, and their mortgage payments are considerably less, only $196 monthly.

These stories are individual, but they also illustrate some of the obstacles that very often stand between the residents of low and moderate income communities and the loans that would permit us to invest in and secure our own futures, and those of our neighborhoods. We may have incomes considerably lower than those of the mortgage applicants banks are used to working with, but they may still be sufficient to keep up with mortgage payments; if we pay more than a third of our incomes for rent, we can certainly pay more than a third in order to purchase homes of our own. Some of us may not have bank accounts, because of mistrust of banks, or because there are no branches convenient to our homes or workplaces - we may need to pay larger portions of a down payment in cash. Some may rely heavily on an extended family or community network for financial support. We need to be able to use such fund - and not only personal monies - towards a down payment. The neighborhoods we want to purchase in may seem "questionable" to bank personnel who live elsewhere, but denying us credit on these grounds worsens conditions in our communities, and deprives us of the opportunity to contribute to revitalizing them.

Some of these obstacles are beginning to be overcome, enabling more families to secure loans, and to realize the American dream of home ownership, because of a whole series of changes that are the product of CRA agreements between banks and community organizations like ACORN. These

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new developments include important changes in underwriting criteria, and judgments about what constitutes an acceptable credit record. Many banks initially oppose such changes as too risky. In fact, while altered standards such as the substitution of steady income for years at a single job as a requirement for loan worthiness have greatly expanded the numbers of people who are able to buy their own homes, they have not proven particularly risky. Indeed, bank records show that loans to low and moderate income people, and loans made through loan counseling programs using such altered standards, have a lower default rate than loans to higher income individuals.

In reviewing some of these stories, and some of this history, part of my intent is to emphasize the vital role that active community involvement has played in the successes of the Community Reinvestment Act. The real access to credit of low and moderate income people has expanded where banks have worked with community groups which have a detailed and first-hand understanding of the needs of their neighborhoods.

Proposed changes in CRA

There appear to be two significant alterations to CRA under discussion; providing "safe harbors" for banks which receive satisfactory ratings from the regulators, and exempting, or providing lower standards, for smaller banks. ACORN believes that both of these proposals threaten to fatally weaken the present trickle of credit into underserved and historically redlined areas.

"Safe harbor" : Proposals to prevent regulators from taking any comments on community lending performance into account when considering the merger applications of banks which have received at least a satisfactory rating would devastate the Community Reinvestment Act's effectiveness in actually broadening access to credit. The overwhelming majority of banks continue to receive at least satisfactory ratings every year, and ACORN members know very well from experience that this is not because they all are excellent performers in community lending. " Grade inflation" on the part of the regulators is a standard practice. We are hopeful that improvements will be made in the process, but for the moment community residents remain fearful that the regulators are much more familiar with the perspective and the concerns of bankers than they are with those of low and moderate income borrowers.

It is important to remember also that while the present system does allow community residents to comment on banks' lending performance, the regulators retain the authority to dismiss any community CRA complaints which they judge to be frivolous or lacking in substance. Under the present system as well, a bank which has done a truly excellent job in meeting community lending needs has nothing to be concerned about. Information

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from the Federal Reserve also indicates that even meritorious CRA challenges do not significantly delay the merger process. It shows that on average protested applications were processed within the same time frame as other non-protested applications.

The active and effective community review which enters into the process only when institutions submit merger applications is vital to a realistic evaluation of banks low and moderate income lending performance. Moreover, the encouragement of negotiated agreements between banks and community organizations which often results from the merger application process has been, as I suggested, one of the fundamental sources of the successes of CRA. If the goal is to improve community lending, eliminating community involvement is hardly a wise way to meet it.

Lowered standards for smaller banks : Proposals to provide lower CRA standards for smaller banks also threaten to diminish access to credit, especially in underserved rural communities. There is no reason to believe that smaller banks are necessarily fair lenders; in fact smaller banks have received a disproportionate share of lower CRA ratings. Proposed threshold levels of $250 million or $500 million for determining what constitutes a small bank are also extremely high, encompassing the vast majority of banks.

The proposed new CRA regulations

ACORN is a strong supporter of the Clinton administration's stated goals for the promulgation of new regulations. We are in favor both of strengthening enforcement of CRA and of focusing CRA evaluations on performance rather than process. Regulations which promote both of these goals should be released, and should be given the chance to be put into practice. At the same time, however, we do have some serious concerns about the proposed rule published by the regulatory agencies in October of 1994. We fear that unless these concerns are addressed, the new rule may have a neutral, or even detrimental, impact on lending in low and moderate income communities.

Direct Lending : ACORN believes that " direct" lending to local communities should be made the primary focus of the lending test. Direct loans, including housing and business loans originated or purchased by the lending institution itself, or through owned affiliates are what CRA is about. Certain other forms of lending, such as community development loans made through third parties should also be considered, but they should in no way substitute for direct lending to low and moderate income people.

Disclosure by census tract of small business and small farm loans: We are pleased by the specific attention to small business loans, and to quantifying these loans by race and by gender. However, we believe that census tract

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reporting of such loans is vital if community members are to make clear judgments about small business lending performance. Our experience with the home mortgage data suggests that this is the kind of reporting needed in order to examine whether redlining is taking place.

In conclusion, I would like to stress again the central importance of a strong CRA to low and moderate income Americans. Preserving and enhancing the effectiveness of the Community Reinvestment Act is absolutely essential to lifting the sentence of despair that today hangs over many of our urban neighborhoods and low income communities.

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STATEMENT
OF THE
CONSUMER BANKERS ASSOCIATION
BEFORE
THE SUBCOMMITTEE ON FINANCIAL INSTITUTIONS AND CONSUMER CREDIT
OF THE
COMMITTEE ON BANKING AND FINANCIAL SERVICES
UNITED STATES HOUSE OF REPRESENTATIVES

CONCERNING
THE COMMUNITY REINVESTMENT ACT

March 9, 1995

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Madam Chairwoman, Members of the Subcommittee, my name is Donald A. Mullane. I am Executive Vice President of Bank of America, NT&SA. I am also Co-Chair of the Consumer Bankers Association (CBA)[1] Community Reinvestment Committee, which is made up of CRA professionals from twenty of the nation's leading financial institutions. I am testifying today on behalf of the CBA. I would like to thank you for providing us with the opportunity to participate in these hearings.

First, we would like to stress our belief in the important role of financial institutions in helping to meet the needs of their communities -- including low- and moderate-income neighborhoods, and low- and moderate-income families, through safe and sound lending. We support the active participation of banks in community development and affordable lending; and we have long sought the means to make these products and services a viable part of the business of banking. This is equally true of CBA and BankAmerica. This week, BankAmerica reported a total of $5.9 Billion in CRA loans in the western U.S. during 1994, an increase of more than 9% over the previous year. We have clearly demonstrated that CRA loans can become a viable mainstream business product.

We also wish to assert our long-standing commitment to the eradication of discrimination in banking. We strongly support the notion of fair lending and oppose discrimination in all forms. On this point there can be no equivocation.

Summary

Our testimony today will make it clear that banks are committed to serving their communities. With this testimony, CBA is releasing our second annual compendium of community development activities, which once again demonstrates the tremendous involvement of banks in all forms of lending and investment in their communities. In addition, the information from CBA's affordable mortgage survey reveals that the overwhelming majority of the

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[1] CBA was founded in 1919 to represent retail banks nationwide. Today it represents approximately 750 federally insured bank holding companies, banks and thrift institutions that hold nearly 80 percent of all consumer deposits and more than 70 percent of all consumer credit held by federally insured depository institutions. CBA's focus is on retail issues, including deposit, investment, and lending products and services. Its membership includes bank holding companies, regional, super-regional, and money center banks, thrifts, and credit unions.

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surveyed banks offer affordable mortgage products, and that the number and variety of those products continues to expand. CRA is clearly a major part of the business of banking in today's financial services environment.

The original purpose of CRA was to ensure that regulated lenders were doing their part to help meet the credit needs of their communities. It is clear from all the evidence, that banks are doing just that. Unfortunately, the pressures for CRA ratings and the threat of application protests are not creating a good environment for sustained and viable community lending. We do not support the repeal of CRA. However, we need to focus on incentives instead of sanctions, reduce burdensome data collection instead of increasing it, and encourage more financial service providers -- not just banks and thrifts -- to enter the low- and moderate-income marketplace on a voluntary, business-oriented basis. In that regard, our recommendations for immediate consideration include:

- Market share tests and similar comparative measures of volume should be eliminated.
- Banks rated "satisfactory" or better should be exempt from application protests.
- A moratorium on additional data collection and reporting should be adopted.
- New incentives should be developed to encourage broad, voluntary participation.
- Consistency of CRA ratings should be enhanced, through examiner training and a uniform appeals process.

We commend the agencies for their diligent and tireless efforts on behalf of CRA reform. They have begun and continue an important debate on the appropriate measure of a financial institution's commitment to lend and invest in its community. Many improvements were made by the agencies between the first and second proposals. Nevertheless, unless several additional revisions are made to the proposal, we do not believe we can support its adoption. In particular, we are most disturbed by the proposal to expand the requirements to collect and report data, because any value would be exceeded by the cost on affected institutions. In addition, we believe that the proposal to include the market share test -- even as a alternative measure available to examiners -- is a serious mistake. The comparison of market shares creates a completely

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inappropriate measure of CRA performance and leads to competitive pressures toward unsafe and unsound lending.

The Commitment of Banks

We have included with this testimony evidence of the impressive involvement of banks in community lending and investment programs. For the second year, CBA has compiled a compendium of community lending and investment efforts of banks and other financial service providers. The compendium, called *Taking Responsibility: Financing America's Community Development*, displays the broad range of programs in existence, from bank community development corporations, to small business investment corporations, to community development loan funds. It demonstrates the tremendous commitment to CRA lending by financial institutions, and belies the argument that banks are not actively engaged in this effort.

As the compendium shows, banks, bank holding companies, and thrifts are actively involved in an array of community reinvestment programs. Many financial institutions engage in direct lending to low- and moderate-income individuals and communities. A great many banks also enter into partnerships with intermediaries to funnel billions of dollars into underserved communities; and many employ federal, state and local government programs to leverage their capital to serve their communities. Regardless of which vehicle for development is employed, the compendium makes one thing abundantly clear-- regulated financial institutions are playing a major role in efforts to meet the community credit needs of America.

In addition, the results of CBA's most recent *Affordable Mortgage Survey* of the larger banks that comprise its membership -- released in November 1994 -- show that the vast majority of the surveyed banks offer affordable mortgage products. The survey measures a wide variety of affordable mortgage products designed to make mortgage loans and other banking products available to minorities and to low- and moderate-income communities and individuals. Of the 130 total respondents (with an average asset size of $15.2 billion), *over 93 percent* said they have a program or programs to increase purchase-money

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home mortgage lending to minority or low- to moderate-income borrowers. Among the features mentioned most often were a lower down-payment requirement, and more flexible debt-to-income, loan-to-value and credit history standards. In addition, over 94 percent have an automatic second review of some or all mortgage denials, and an impressive 86 percent sponsor or support a pre-homeownership counseling program. The facts are clear: America's banks are committed to affordable mortgage lending.

Re-evaluating CRA Lending

As we stated, banks are committed to their communities, through community development and affordable lending, using whatever vehicles are most appropriate to their corporate philosophy and their market. CRA has been beneficial in ensuring that commitment. However, CRA is not effectively developing affordable lending as a profitable and sustainable line of business. CRA was enacted in 1977 to encourage banks and thrifts to help meet the credit needs of low-and moderate-income communities, consistent with safe and sound lending practices. Instead, it is creating a disincentive to safe and sound lending; it is encouraging financial institutions to lend below market and subsidize costs, and to compromise credit quality in the name of CRA.

The disincentives that are so dangerous to the continued viability of CRA lending appear to be the result of two main forces. The first is the regulatory-driven competition for volume in affordable mortgage lending. This is most egregious when it pits institutions against each other for shares of the low-income markets -- a process that was made explicit with the development of the "market share" test during the agencies' CRA reform. The second negative pressure that is working on financial institutions is the ever-present threat of a protested application for a merger or acquisition.

Examiners regularly rate institutions by assessing their volume of lending in underserved communities and comparing it with others. Under any comparative measure of volume, an institution is not judged on whether it is actually helping to meet the local credit needs, but instead on its number or percent of loans in lower-income communities compared with other institutions. Institutions may be tempted to sacrifice their lending standards and profitability to "buy" greater

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volume than others, and this creates the pressure for every lender in the market to do the same.

The "market share" test is an example of a volume measure that pits institutions against each other directly. As we will explore in greater detail later in the testimony, the market share test is a formula that compares a bank's share, or percent, of the market in low- and moderate-income census tracts with its share elsewhere. In our original comment to the agencies, we argued that market share analysis can be dangerous because it can lead institutions to make loans that are unsafe and unsound in order to "buy" a larger share of the market. Since a lender can only excel at the expense of one or more competitors, regardless of absolute performance, the community does not necessarily see more loans. Whether a lender obtains adequate market share in low- to moderate-income loans is likely to have more to do with the competition among lenders in the market area than with true CRA performance.

Unfortunately, some examiners -- perhaps anticipating the passage of the new regulation -- *are already using the market share analysis* as a means of measuring lending performance. The competitive pressures we predicted are already being felt, and their results are beginning to be seen. In more and more markets, profitability is being squeezed, lending standards are being sacrificed, and loans are being made at below market terms.

In addition to the pressure from examiners, banks are faced with pressure from community groups and consumer groups that are permitted by regulation to protest applications at regulatory agencies for mergers, acquisitions and other actions requiring approval. The threat of such a protest must be taken seriously by a financial institution. The cost to an institution that has an application delayed can be astounding.

Even banks with "satisfactory" or better CRA ratings from examiners must consider the threat of protests during an application to merge or expand. The historical performance of the institution and its demonstrated commitment to the community are no guarantee that its application to expand will be unimpeded. As a result, every institution must undertake a cost-benefit analysis that could result

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in their folding under the pressure from a potential protestant to compromise their standards or profit.

The pressure to increase the amount of affordable mortgage lending forces many lenders to subsidize costs, thereby reducing profit margins. CBA's Affordable Mortgage Survey for 1994 gives us some indication of the developing problem. According to the survey, profitability for affordable mortgage products is being increasingly sacrificed, in the form of product subsidies -- with the use of subsidies *increasing* from 1993 to 1994. In the survey, those banks providing a subsidy were asked to identify the source. Over 82 percent (up from 76 percent in 1993) listed bank profits as the source of their subsidies.

The rate at which institutions are making these loans in low- and moderate-income communities cannot be sustained. First, it is clear that rising interest rates will require subsidies to be even greater to bring the same low- and moderate-income borrowers into the market. Second, the drive to make loans is resulting in overcapacity in some low-income communities. Banks have reported that in certain low-income markets, the competition is so intense, with the overcapacity in the industry, that they have to book business below their costs simply to penetrate each census tract.

Between below market loans and loans that do not meet secondary market guidelines, more and more banks are finding that they are forced to keep many of their CRA loans in their portfolio. The secondary market has taken steps to ease their guidelines, but still more could be done. Unless the secondary market is more accommodating, the pace at which banks are making affordable mortgage loans could slow, as bank portfolios fill up. At the same time, banks may find they have taken on more than acceptable levels of risk. Although many banks, including Bank of America, are finding that these loans are performing as well or better than others, the results will differ with each bank's requirements for affordable mortgage loans, and with the different regional markets.

In the long run, the communities most in need will not benefit from this trend. Unless CRA lending can be allowed to develop as a business, it will not be sustainable and the communities that come to rely upon it will lose out in the end. An example of this negative process recently occurred in Washington, D.C. As

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part of a Settlement Agreement with the Department of Justice, Chevy Chase Federal Savings Bank and its mortgage affiliate have been required to invest $11 million in neighborhoods it allegedly redlined. At least $7 million of the investment will be provided in the form of special mortgage loans that must be offered below market. These below-market lending practices create a situation where other lenders in the market cannot compete with Chevy Chase without making unprofitable loans.

What can be done to begin to address this developing trend? First, we do *not* advocate the repeal of CRA. Quite the contrary, we believe that CRA is and should continue to be a part of the *business* of banking. However, we need to develop a new CRA paradigm that places greater emphasis on the word "business." CRA should not be a measure of the generosity of financial institutions. CRA, at present, is regarded as a compliance matter, which penalizes (through the examination and application process) those who do not measure up to the regulators' standards. We are beginning to see the limits to this approach. If CRA is to be a viable part of banking into the twenty-first century, we need to find better ways to focus on incentives instead of sanctions, reduce burdensome data collection instead of increasing it, and encourage more financial service providers to enter the low- and moderate-income marketplace on a voluntary, business-oriented basis.

In a small way, the following approaches would take us part way toward the new CRA paradigm:

- **Market share tests and similar comparative measures of volume should be eliminated.** Although the market share test is part of the CRA reform proposal, it is already in use by many examiners. Market share data cannot and should not be a measure of CRA performance. It creates the incentive for regulatory-induced destructive competition leading to below-market lending at too high a cost to the institutions involved. Ultimately, the institutions and the communities are both losers.

- **Banks rated "satisfactory" or better should be exempt from application protests.** The threat of protests during applications puts the CRA emphasis on sanctions rather than on sound business. A 60-day application process

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that ends up taking six months or more can cost the institutions involved millions of dollars in fees, expenses and lost opportunity costs. If the examination process is to have any integrity, it must be considered a meaningful measure of an institution's commitment.

- **A moratorium on additional data collection and reporting should be adopted.** As noted above, there is insufficient evidence that the additional data reporting would add substantially to the value of the CRA process. However, the costs to the institutions who must comply with the new requirements would be considerable.

- **New incentives should be developed to encourage broad, voluntary participation.** Congress and the regulatory agencies could do more to assist institutions by providing incentives for performance, increasing the flexibility of the secondary market, and offering tax credits and other enhancements. Not only are incentives needed for originating loans, but, as we have seen, a viable secondary market must be developed if CRA is to be a sustainable business. At CBA, we will be happy to work with the agencies toward that end.

- **Consistency of the CRA rating process should be enhanced.** Examiners must have the ability to obtain consistent results within a flexible system. Improved and enhanced examiner training -- with bank participation -- would increase the consistency and value of exams. If examiners are to understand the intricacies of CRA lending, financial institutions should not be isolated from the process. They are the ones with the greatest understanding, and they should be an active part of the training regimen. One uniform means of appealing examination ratings would also enhance the consistency and integrity of the process.

CRA Regulatory Reform

The CRA reform process has been a long and often frustrating undertaking. We have nothing but the highest praise for the heads of the regulatory agencies for taking up the challenge, risking criticism from all sides, and trying to improve the regulations that implement CRA.

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The agencies undertook the reform effort because, after 15 years with CRA on the books, progress was being made, but CRA was becoming a source of complaint. Some regulated lenders believed that the current CRA regulations put too much emphasis on process and not enough on product. At the same time, the community groups and consumer groups argued that CRA was not meeting their needs. The call for change from both sides created much of the impetus behind the reform process.

When the first proposal was published in December 1993, the agencies received over 6,700 comment letters. CBA and the banking industry as a whole utilized the opportunity to suggest many ways in which CRA could be improved. The agencies clearly listened to the comments, and they made many favorable changes. These improvements were reflected in the second proposal, which was published in September 1994. They included the following beneficial changes from the first proposal:

- The emphasis on community development was strengthened.
- The market share formula's negative impact was reduced.
- The strategic plan option was made more workable.
- The service test enhanced the role of alternative delivery systems.
- The investment test included a wider array of products and services.
- The time allowed for reporting was expanded.

We were also very gratified to see that banks would be given CRA recognition for indirect lending through consortia or other intermediaries. As our compendium makes abundantly clear, these vehicles are an important means of pooling resources, mitigating single-bank risk, and permitting banks without a particular market strength or expertise to help address important community needs.

CBA provided detailed comments to the agencies on the second proposal. We have continued to review it since, assessing and reassessing both the positives and negatives. We have now concluded that, unless certain changes are made, we could not support its adoption at this time. Two issues have proved to be most significant: The first is the additional data collection and reporting

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requirements, and the second is the use of the so-called "market share test" to measure performance.

1. New data reporting. The CRA proposal would require significantly increased data collection and reporting requirements for regulated financial institutions. Under the proposal, the reporting institutions would be required, for the first time, to collect data on all small business and small farm loans, and on mortgage loans made outside of the lender's service area. Consumer loan data reporting would also be required for those who wished to receive CRA recognition for their consumer lending. The requirements would be assessed only against the large retail financial institutions, since small banks (independent banks with assets under $250 million) as well as wholesale and credit card banks would be exempt from the reporting requirements.

These new data collection and reporting requirements would involve a cost to the industry that far outweighs any perceived benefit. Although it is difficult to quantify, our experience with Home Mortgage Disclosure Act (HMDA) data reporting suggests that the cost of all the additional data reporting would be considerable. The Federal Reserve Board staff estimated[2] that it could cost as much as $3.00 per loan application to comply with the new data collection requirements of the proposal, without taking into account the one-time costs to develop the computer systems to collect and report the required information. Using this figure, the staff estimated that aggregate compliance costs for covered commercial banks would be roughly $21 million annually for the small business portion of the data collection alone. This would not take into consideration the cost of the additional HMDA data collection, nor the considerable cost of any consumer data collection. One mid-western bank holding company, for example, relying on the Federal Reserve Board's per-item cost assessment, calculated that the consumer loan data collection, by itself, would cost that institution in excess of $7 million annually.

[2] Federal Reserve Board staff memorandum to Board of Governors, regarding Community Reinvestment Act Reform Project, Proposed Amendments to Regulation BB, dated, December 7, 1993. The cost estimates were based on the first proposal, which did not then include the requirement to collect information on the race and gender of small business borrowers.

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As we noted, the data would be reported by only a narrow segment of the small business lending community. No information would be obtained from non-bank lenders (including some of the largest small business lenders in the country -- such as The Money Store, Merrill Lynch, GMAC, GE Credit Corp, and commercial finance companies), and none from a large percent of banks. In fact, it has been estimated that less than one third of the small business lending industry would report data. This would result in information of extremely limited value. Since it would be natural for people to draw conclusions from the available information -- even if it is inadequate -- it would result in a seriously distorted view of lending patterns. The result -- which would be reported with no explanation of market forces that provide the context -- would be of no help to the very communities we are trying to serve.

In addition -- to note just one part of new reporting requirement -- the race and gender data collection in particular is totally inappropriate for CRA. Presently, such data collection by lenders is prohibited by the Equal Credit Opportunity Act (ECOA) as being contrary to the interests of fair lending. If it is now determined that the information is essential to the requirements of fair lending, then anti-discrimination laws such as ECOA would be the appropriate vehicle. CRA is properly concerned with low- and moderate-income communities, without regard to race or gender issues. The race and gender of borrowers is, and should remain, the concern of the anti-discrimination laws.

Finally, we are troubled, as are many small businesses, by the potential for public availability of proprietary data, and the ability of competitors to obtain such information. Although the proposal would create some safeguards initially, the protections may dissipate over time -- due to future Congressional or regulatory action -- leaving businesses vulnerable to the scrutiny of their rivals and others. Small businesses will naturally prefer to obtain loans from those lending institutions that do not require additional information for the purposes of government monitoring. This will put the larger banks or subsidiaries of bank holding companies at a competitive disadvantage.

The growing cost of regulatory compliance now puts banks at a serious competitive disadvantage as compared with nonbank financial service providers. According to the Office of the Comptroller of the Currency:

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> Banks spend up to 14 percent of their non-interest expenses on costs directly associated with complying with regulatory requirements. Given the increased competition in the financial services market from nonbank providers who are not subject to this burden, this places banking institutions at a significant competitive disadvantage. It is one reason why deposit-taking institutions now hold only 33 percent of the Nation's credit market assets, down from 60 percent two decades ago.[3]

This data gathering requirement presents one more significant cost to larger financial institutions, while providing little substantive benefits to the institutions, small business owners, or the community at large.

2. The market share test. The "market share test" was first introduced in the December proposal as the principal feature of the lending test, which was itself the most significant of the three tests -- lending, investment, and service -- that together would compose the CRA exam. As we have said, it compares the bank's percentage share of loans in the low- and moderate-income neighborhoods with its share elsewhere in its lending area. The "market share" is the share of the market comprising reportable loans (that is, small business loans, small farm loans, mortgage loans covered by HMDA, and optional consumer loans) made or purchased by reporting institutions (that is, depository institutions that are not otherwise exempt).

In the December proposal, a bank would have had to obtain a market share in low- and moderate-income geographies that "significantly exceeds" its market share elsewhere to obtain an "outstanding" rating on the market share portion of the lending test. A "satisfactory" rating would have required the low- to moderate-income market share to be at least "roughly comparable" to the market share in wealthier geographies. The test would have been employed for each reportable loan type and aggregated to achieve a score on the lending test.

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[3] Memorandum re: OCC's Regulation Review Program, dated January 26, 1995.

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Since many commenters took issue with both the idea of the market share test and its formulaic application, the agencies attempted in their second proposal to mitigate its impact somewhat. Rather than making the market share test into a rigid requirement for CRA performance, the test would become one of an arsenal at the examiner's disposal. As the agencies put it:

> The lending test would continue to give significant weight to the geographic distribution of an institution's lending; and, as part of the assessment context, examiners would consider, among other considerations ... the performance of other similarly-situated lenders where appropriate. In this regard, examiners would use market share and other analyses to assist in evaluating the geographic distribution of an institution's lending where such analyses would provide accurate insight. However, the proposed regulation does not require examiners to use any single type of analysis, and would not link a particular market share ratio, or any ratio, with a particular lending test rating.[4] (emphasis added)

Thus, the market share test would continue to be available for use by examiners.

Although we are gratified that the rigid use of the market share test was abandoned, we cannot support its continued availability for use as a measure of bank performance. For the reasons we have already stated, we believe that the market share formula is a dangerous way to measure CRA compliance because it encourages unsafe and unsound practices, and because, in the long run, it is not in the best interests of either the industry or the communities they serve. If institutions must compete for loans in low- and moderate-income neighborhoods, they may be tempted to "buy" market share through aggressively low lending standards, thereby potentially undermining safety and soundness and jeopardizing, in the long run, those very neighborhoods they are trying to serve.

3. Additional concerns with the proposal. In our letter to the agencies on the second proposal, we provided detailed comments, and we have since examined

[4] 59 F.R. 51237 (October 7, 1994)

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the proposal still further. Some of our additional concerns with the proposed regulation include:

- The regulation should make it clear that no institution should be required to lend at below market rates or impair credit quality.
- Strong and uniform examiner training should be given greater emphasis.
- Institutions must determine the needs of their own communities, rather than being forced to operate based on an assessment context provided by the regulators.
- Many of the requirements for maintaining a public file are unnecessary and costly.

Conclusion

In conclusion, we reiterate that we are committed to the involvement of banks in helping to meet the credit needs of their local communities. We do not advocate the repeal of CRA; indeed, we believe that CRA is a part of the business of banking. However, we need to ensure that CRA encourages all lenders to develop affordable lending as a profitable and sustainable line of business. To accomplish this, we need to find better ways to focus on incentives instead of sanctions, reduce burdensome data collection instead of increasing it, and encourage more financial service providers to enter the low- and moderate-income marketplace on a voluntary, business-oriented basis. We would recommend that the following steps be taken:

- Market share tests and similar comparative measures of volume should be eliminated.
- Banks rated "satisfactory" or better should be exempt from application protests.
- A moratorium on additional data collection should be adopted.
- New incentives should be developed to encourage broad, voluntary participation.
- Consistency of the CRA rating process should be enhanced through examiner training and a uniform appeals process.

The agencies should be commended for their efforts on behalf of CRA reform. Much that is valuable has been learned. However, without several

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additional revisions, we cannot support the adoption of the latest reform proposal. In particular, we are most disturbed by the proposal to expand the requirements to collect and report data, because any value to be gained would be exceeded by the cost to the reporting institutions. Nor can we support the proposal to include the market share test -- even as a alternative measure available to examiners. The comparison of market shares is an inappropriate measure of CRA performance, leading to competitive pressures toward unsafe and unsound lending.

Thank you once again for the opportunity to provide our testimony. We will be happy to provide any additional information or to answer any questions.

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CONSUMER BANKERS ASSOCIATION

TAKING RESPONSIBILITY:

Financing America's Community Development

A Compendium of
Financial Institution
Community Development
Programs

February 1995

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February 1995

The Consumer Bankers Association welcomes this opportunity to shed some light on the extensive community development efforts of financial institutions. *Taking Responsibility: Financing America's Community Development* paints a picture of how banks and bank holding companies are working to reinvigorate America's neighborhoods. The evidence is conclusive — financial institutions have been and continue to be dedicated to providing financial, managerial, and technical assistance for community development needs.

As the compendium shows, banks, bank holding companies, thrifts and other financial institutions have been actively involved in a myriad of community development efforts. Most financial institutions stimulate the development process by engaging in direct lending to low- and moderate-income individuals and communities. Others have entered into partnerships with intermediaries to successfully funnel billions of dollars into underserved neighborhoods. Yet others have teamed up with federal, state and local governments through various community development programs. Finally, some lenders have chosen to create separate community development corporations or other community development financial institutions. Regardless of which vehicle for development is used, one fact is clear — banks and bank holding companies are genuinely addressing the community development needs of America.

This compendium is even more comprehensive than the previous version. Each section provides a brief explanation of a different development activity or vehicle employed by financial institutions. Extensive lists illustrate the large number of participating financial institutions, and wherever possible, financial figures show the volume of investment and lending activity by financial institutions. An appendix provides readers with the addresses and telephone numbers for many important government agencies, associations and non-profit organizations.

We hope that this compendium will serve as an effective tool to educate those who share the same goal with the financial services industry — fostering community development.

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The Consumer Bankers Association (CBA) is a well respected advocacy group on Capitol Hill. The backbone of CBA's efforts is its Government Relations Council. Together with CBA staff, the Council gathers information on emerging legislative, regulatory, and judicial issues in order to support industry positions.

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Community Reinvestment Committee

Many of CBA's community development initiatives originate with our Community Reinvestment Committee. This select group of highly dedicated bankers has taken the lead on formulating the industry's response to legislation and regulatory proposals in the community development arena. Members include:

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Taking Responsibility: Financing America's Community Development

BANK AND BANK HOLDING COMPANY LENDING AND INVESTMENTS

Community Development Corporations (CDCs) are organizations funded by banks and bank holding companies (BHCs) which are authorized to make investments that may not otherwise be permitted for banks or BHCs, such as equity investments in local real estate and business projects. CDCs may make such investments if they result in public benefits such as economic development, jobs for low- and moderate-income people, affordable housing or capital for small businesses. Banks and BHCs each have distinct, although similar, authority to invest in CDCs. The most recent comprehensive information available on BHC community development investments and lending is contained in the Federal Reserve Board (FRB) *Directory of Bank Holding Company Community Development Investments**.

Bank Holding Company CDC Investments

A BHC CDC may purchase, own, rehabilitate, construct, manage, and sell real property. A BHC CDC also may make equity or debt investments in development projects and in local businesses. Such activities are expected to directly benefit low- and moderate-income groups, however, the investment dollars should not represent an undue risk to the banking organization. Any real estate ownership should generally be temporary, with ownership reverting to members or organizations in the community.

The FRB has specifically authorized dozens of BHCs to invest in CDCs and community development projects. The purposes of such investments have included: construction or rehabilitation of rental housing for low- and moderate-income families; purchase, rehabilitation and sale of affordable homes; industrial development and the development or expansion of small and minority business enterprises in economically distressed areas; and development of community facilities that provide health, education and other essential services for low- and moderate-income persons. According to information from the FRB, as of July 1994, at least 46 BHCs either had BHC CDC subsidiaries or were otherwise invested in CDCs. Some of these BHCs include:

- American National Bankshares, Inc., Danville, Virginia
- Banc One Corporation, Columbus, Ohio
- BMC Bancorp, Inc., Benton, Kentucky
- Boatmen's Bancshares, Inc., St. Louis, Missouri
- Citicorp, New York, New York
- Cleveland Development Bancorporation, Cleveland, Ohio
- Comerica Incorporated, Detroit, Michigan
- Corestates Financial Corporation, Philadelphia, Pennsylvania
- Farmers Holding Company, Jacksonville, Illinois
- First American Corporation, Nashville, Tennessee
- First Bank Corporation of Ohio, Akron, Ohio
- First Fidelity Bancorporation, Trenton, New Jersey
- First Financial Corporation, Wellington, Kansas
- First National Corporation, Strasburg, Virginia
- First of America Bank Corporation, Kalamazoo, Michigan
- First Bank Systems, Inc., Minneapolis, Minnesota
- First Union CDC

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- First Union Corporation, Charlotte, North Carolina
- Fleet Financial Group, Providence, Rhode Island
- Fourth Financial Corporation, Wichita, Kansas
- Huntington Bancshares, Inc., Columbus, Ohio
- J.P. Morgan and Company, New York, New York
- Key Corporation, Cleveland, Ohio
- Keystone Financial, Inc., Harrisburg, Pennsylvania
- Luxemburg Bancshares, Inc., Luxemburg, Wisconsin
- McCreary Bancshares, Inc., Whitley City, Kentucky
- Mellon Bank Corporation, Pittsburgh, Pennsylvania
- Mercantile Bancshares, Inc., St. Louis, Missouri
- Merchants and Manufacturers Bancorporation, Greendale, Wisconsin
- Merchants Bancshares, Inc., Burlington, Vermont
- Midland Capital Company, Oklahoma City, Oklahoma
- Moxham Bank Corporation, Johnstown, Pennsylvania
- National City Corporation, Cleveland, Ohio
- NBD Bancorp, Detroit, Michigan
- NBD Indiana, Inc., Indianapolis, Indiana
- PNC Bank Corporation, Pittsburgh, Pennsylvania
- Shorebank Corporation, Chicago, Illinois
- Society Corporation, Cleveland, Ohio
- Southern Development Bancorporation, Arkadelphia, Arkansas
- SouthTrust Corporation, Birmingham, Alabama
- Summit Bancshares, Inc., Ft. Worth, Texas
- The Chase Manhattan Corporation, New York, New York
- UMB Financial Corporation, Kansas City, Missouri
- Union Bancshares, Inc., Wichita, Kansas
- U.S. Bancorp, Portland, Oregon
- Whitewater Bancorp, Inc., Whitewater, Wisconsin

Bank Holding Company Community Lending Projects

Information from the FRB also indicates that as of July 1994, at least 73 BHCs were involved in community development partnerships and project investments. The initial capitalization for these CDCs generally took the form of lines of credit and loans. Some of those BHCs involved in such lending projects include:

- ACNB Corporation, Gettysburg, Pennsylvania
- Amboy Bancorporation, Old Bridge, New Jersey
- American National Bancshares, Inc., Danville, Virginia
- AmSouth Bancorporation, Birmingham, Alabama
- BB&T Financial Corporation, Wilson, North Carolina
- BMC Bancorp, Inc., Benton, Kentucky
- Banc One Corporation, Columbus, Ohio
- Bank of New York Company, Inc., New York, New York
- Bankers Trust New York Corporation, New York, New York
- Boatmen's Bancshares, Inc., St. Louis, Missouri
- CG Bancorp, Cottage Grove, Oregon

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- Carolina First Corporation, Greenville, South Carolina
- Chase Manhattan Corporation, New York, New York
- Citicorp, New York, New York
- Cleveland Development Bancorporation, Cleveland, Ohio
- Columbus Bancorp, Inc., Indianapolis, Indiana
- Comerica Incorporated, Detroit, Michigan
- Comm Bancorp, Inc., Forest City, Pennsylvania
- Corestates Financial Corporation, Philadelphia, Pennsylvania
- F&M Bank Corp. Timberville, Virginia
- Farmers Holding Company, Jacksonville, Illinois
- Fifth Third Bancorp, Cincinnati, Ohio
- First American Corporation, Nashville, Tennessee
- First Bancorporation of Ohio, Akron, Ohio
- First Bank System, Inc., Minneapolis, Minnesota
- First Capital Corporation, St. Louis, Missouri
- First Chicago Corporation, Chicago, Illinois
- First Financial Corporation, Wellington, Kansas
- First Maryland Bancorp, Baltimore, Maryland
- First National Corporation, Strasburg, Virginia
- First National Financial Corporation, Vicksburg, Mississippi
- First of America Bank Corporation, Kalamazoo, Michigan
- First State Bancorp, La Crosse, Wisconsin
- First State Bancorp, Inc., Caruthersville, Missouri
- First Sterling Bancorp, Sterling, Illinois
- First Union Corporation, Charlotte, North Carolina
- Fourth Financial Corporation, Wichita, Kansas
- Fulton Financial Corporation, Lancaster, Pennsylvania
- Huntington Bancshares, Inc., Columbus, Ohio
- Morgan and Company, Inc., New York, New York
- Key Corporation, Cleveland, Ohio
- Keystone Financial, Inc., Harrisburg, Pennsylvania
- Luxemburg Bancshares, Inc., Luxemburg, Wisconsin
- Marquette National Corporation, Chicago, Illinois
- McCreary Bancshares, Inc., Whitley City, Kentucky
- Mellon Bank Corporation, Pittsburgh, Pennsylvania
- Mercantile Bancorporation, St. Louis, Missouri
- Merchants and Manufacturers Bancorp, Greendale, Wisconsin
- Merchants Bancshares, Inc., Burlington, Vermont
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- PNC Bank Corporation, Pittsburgh, Pennsylvania
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- Provident Bancorp, Inc., Cincinnati, Ohio
- Shorebank Corporation, Chicago, Illinois
- Signet Banking Corporation, Richmond, Virginia
- South Carolina National Corporation, Columbia, South Carolina
- Southern Development Bancorporation, Arkadelphia, Arkansas
- SouthTrust Corporation, Birmingham, Alabama
- Star Banc Corporation, Cincinnati, Ohio
- Summit Bancshares, Inc., Fort Worth, Texas
- UMB Financial Corporation, Kansas City, Missouri
- Union Bancshares, Inc., Wichita, Kansas
- Union National Financial Corporation, Mount Joy, Pennsylvania
- U.S. Bancorp, Portland, Oregon
- Whitewater Bancorp, Inc., Whitewater, Wisconsin
- Withee Bancshares, Inc., Withee, Wisconsin

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Taking Responsibility: Financing America's Community Development

NATIONAL BANK AND STATE CHARTERED BANK
LENDING AND INVESTMENTS

A national bank CDC may make direct equity and other investments in community development corporations, business ventures, or community development projects serving primarily civic, community or public purposes. Such investments might otherwise be prohibited by the National Bank Act. National banks may establish wholly-owned subsidiary CDCs, help form and capitalize multi-bank CDCs, invest in existing CDCs or their projects, or invest in qualifying community development projects through joint ventures or limited partnerships. Types of national bank CDC activities and CDC investments include housing development and rehabilitation, downtown and neighborhood commercial revitalization, industrial development and redevelopment, small and minority business assistance, neighborhood marketing and training, technical assistance, research and planning for non-profit development groups.

National banks are also involved in a variety of community lending projects. Bank involvement in community lending includes direct limited partnership investments, collateralized securities, equity investments in for-profit corporations, equity and debt investment in non-profit corporations, other debt investments, equity investments in subsidiaries to invest in limited partnerships, and equity investments in for-profit subsidiaries to invest in limited partnerships

In addition to BHC CDCs and national bank CDCs, state chartered financial institutions are involved in CDC activities and are regulated by the appropriate state regulators. We are currently aware of no comprehensive list which details the community development lending and investment activities of state chartered banks. One example is Chemical Bank's community development subsidiary, known as Chemical Community Development, Inc., or CDCI.

The most comprehensive listing of national bank CDC investment programs and lending activities is found in the OCC publication entitled *Community Development Investments Program for National Banks*. The most recent version of the OCC publication was published in October 1994. As of December 1993, there were 251 ongoing national bank CDCs and community development investments in existence. A total of 650 national banks were participating in CDCs or community development projects as of at that time. The bank-organized CDCs at that time included non-profit and for-profit corporations, stock and non-stock companies, and multi-bank and wholly-owned CDCs.

According to the OCC's Community Development Division, the OCC approved a total of $475.5 million for national bank community development investments in 1993. This included 160 national banks' investments in 97 new CDCs and community development projects and in 24 previously approved community development investments. Those banks involved in bank-organized CDCs as of December 1993 include:

- Abrams Centre National Bank, Dallas, Texas
- Amboy National Bank, Old Bridge, New Jersey
- Amcore Bank, N.A., Rockford, Illinois
- American Fletcher NB&T Co., Indianapolis, Indiana
- American Investment Bank, N.A., Salt Lake City, Utah

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- American National Bank and Trust Company, Sapulpa, Oklahoma
- American National Bank of Florida, Jacksonville, Florida
- American NB of Beaver Dam, Beaver Damm, Wisconsin
- American NB&T Co., Chicago, Illinois
- American NB&T Co., Rockford, Illinois
- American NB&T Co. of Danville, Danville, Illinois
- American NB&T Co. of Waukegan, Waukegan, Illinois
- American NB&T of Chattanooga, Chattanooga, Tennessee
- American Security Bank, N.A., Washington, D.C.
- American Security Bk&T Co., Washington, D.C.
- Ameritrust National Bank, Franklin, Indiana
- Ameritrust National Bank, Indianapolis, Indiana
- AmSouth Bank,. N.A., Birmingham, Alabama
- Arapahoe NB of Boulder, Boulder, Colorado
- Ballston Spa NB, Ballston Spa, New York
- BancOhio National Bank, Columbus, Ohio
- Bank IV Kansas, N.A., Topeka, Kansas
- Bank of America, Texas, N.A., Irving, Texas
- Bank of America NT&SA, San Francisco, California
- Bank of America Texas, N.A., Irvin, Texas
- Bank of Boston, N.A., Boston, Massachusetts
- Bank of California, Los Angeles, California
- Bank of California, San Francisco, California
- Bank of Commerce, N.A., Berkley, Illinois
- The Bank of Coral Gables, Miami, Florida
- Bank of Elizabethtown, N.A., Winston-Salem, North Carolina
- Bank of Niles, N.A., Niles, Illinois
- Bank of North America, Riviera, Florida
- Bank of Oklahoma, Tulsa, Oklahoma
- Bank of Tampa, Tampa, Florida
- Bank of the South, N.A., Atlanta, Georgia
- Bank One, Texas, N.A., Dallas, Texas
- Bank One, Texas, N.A., Marshall, Texas
- Bank One, N.A., Lafayette, Indiana
- Bank One, Plainfield, N.A., Plainfield, Indiana
- Bank One, Franklin, N.A., Franklin, Indiana
- Bank One, Marion, N.A., Marion, Indiana
- Bank One, Crawfordsville, N.A., Crawfordsville, Indiana
- Bank One, Richmond, N.A., Richmond, Indiana
- Bank One, Denver, Colorado
- Bank One, West Virginia, Huntington, N.A., Huntington, West Virginia
- Bank One CDC and University National Bank, Chicago, Illinois
- Bank One Lafayette, N.A., Lafayette, Indiana
- Bank One Racine, Racine, Wisconsin
- Bank One Texas, N.A., Houston, Texas
- Bank South, N.A., Atlanta, Georgia
- Bank Texas, N.A., Houston, Texas

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- Bank Champaign, Chicago, Illinois
- Barnett Bank, N.A., Pensacola, Florida
- Barnett Bank of Central Florida, N.A., Orlando, Florida
- Barnett Bank of Jacksonville, N.A., Jacksonville, Florida
- Barnett Bank of Pinellas County, St. Petersburg, Florida
- Barnett Bank of South Florida, Miami, Florida
- Barnett Bank of Broward County, N.A., Fort Lauderdale, Florida
- Barnett Bank of Southeast Georgia, N.A., Atlanta, Georgia
- Barnett Bank of Tampa, N.A., Tampa, Florida
- BayBank, N.A., Boston, Massachusetts
- BayBank Boston, N.A., Boston, Massachusetts
- Beckley National Bank, Beckley, West Virginia
- The Belvedere National Bank and Trust Company, Belvedere, Illinois
- Birmingham Trust NB, Birmingham, Alabama
- Blackfeet National Bank, Browning, Montana
- Blount National Bank, Maryville, Tennessee
- Boatmen's National Bank, Belleville, Illinois
- Boatmen's NB of St. Louis, St. Louis, Missouri
- Boca Raton First National Bank, Riviera, Florida
- Boone County National Bank, Columbia, Missouri
- Boulevard Bank, N.A., Chicago, Illinois
- Brenton NB of Des Moines, Des Moines, Iowa
- Buffalo National Bank, Buffalo, Minnesota
- The Caledonia National Bank, N.A., Danville, Vermont
- California Business Bank, N.A., San Jose, California
- Canal National Bank, Portland, Oregon
- Capital City First National Bank, Pensacola, Florida
- Capital National Bank, Houston, Texas
- Capitol National Bank, Lansing, Michigan
- Capitol National Bank, Downey, California
- Center Bank of Kansas City, N.A., Kansas City, Missouri
- Central Bank of Denver, N.A., Denver, Colorado
- Central Bank of the South, N.A., Pensacola, Florida
- Central Fidelity Bank, Richmond, Virginia
- Central NB&T Co. of Des Moines, Des Moines, Iowa
- Century Bank, N.A., Eden Prairie, Minnesota
- Century Banks, Denver, Colorado
- Century NB of Santa Rosa, Pensacola, Florida
- Champaign National Bank, Chicago, Illinois
- Champaign National Bank, Champaign, Illinois
- Chase Lincoln First Bank, N.A., Canton, New York
- Chase Manhattan Bank, N.A., New York, New York
- Chicago Equity Fund, Chicago, Illinois
- Citibank, F.S.B., Miami, Florida
- Citibank, N.A., Miami, Florida
- Citibank, N.A., New York, New York
- Citibank (South Dakota, N.A.), Sioux Falls, South Dakota

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Consumer Bankers Association

- Citizens and Peoples National Bank, Pensacola, Florida
- Citizens and Southern N.B., Atlanta, Georgia
- Citizens and Southern National Bank, Atlanta, Georgia
- Citizens and Southern National Bank, Pensacola, Florida
- Citizens Bank of Portland, N.A., Portland, Oregon
- Citizens National Bank, Norwalk, Ohio
- Citizens National Bank, Meridian, Mississippi
- Citizens National Bank, Columbia City, Indiana
- Citizens National Bank, Evansville, Indiana
- Citizens National Bank of Macomb, Macomb, Illinois
- Citizens NB in Waxahachie, Waxahachie, Texas
- Citizens NB of Downers Grove, Downers Grove, Illinois
- Citizens NB&T Co., Laurel, Maryland
- City Bank of Tampa, Tampa, Florida
- City First Bank, Tampa, Florida
- City National Bank, Beverly Hills, California
- City National Bank, Los Angeles, California
- City National Bank, Miami, Florida
- City National Bank, San Diego, California
- City National Bank of Baton Rouge, Baton Rouge, Louisiana
- City National Bank of Kankakee, Kankakee, Illinois
- City of Chicago, Chicago, Illinois
- Clayton National Bank, Atlanta, Georgia
- Coconut Grove Bank, Miami, Florida
- Colonial National Bank, USA, Claymont, Delaware
- Colorado National Bank, Denver, Colorado
- Colorado NB of Denver, Denver, Colorado
- Comerica Bank Jackson, N.A., Jackson, Mississippi
- Comerica National Bank, Detroit, Michigan
- Commerce Bank, N.A., Mexico, Missouri
- Commerce Bank, N.A., Miami, Florida
- Commercial Bank of Florida, Miami, Florida
- Commercial National Bank, Dallas, Texas
- Commercial NB of Chicago, Chicago, Illinois
- Community Bank, N.A., Canton, New York
- Consolidated Bank & Trust Company, Richmond, Virginia
- Continental Bank, N.A., Chicago, Illinois
- Corestates Bank, N.A., Philadelphia, Pennsylvania
- Cornerstone Bank, N.A., Dallas, Texas
- County NB of South Florida, Miami, Florida
- Crestar Bank, Richmond, Virginia
- Cullen/Frost Bank, N.A., Dallas, Texas
- Deposit Guaranty National Bank, Jackson, Mississippi
- Deposit Guaranty National Bank, Meridian, Mississippi
- Deposit Guaranty National Bank, Tupelo, Mississippi
- District of Columbia NB, Washington, D.C.
- Dixon National Bank, Dixon, Illinois

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- Dominion Bank, N.A., Roanoke, Virginia
- Dominion Bank, N.A., Richmond, Virginia
- Eagle National Bank of Miami, Miami, Florida
- EastPark National Bank, Dallas, Texas
- Elgin National Bank, Elgin, Illinois
- Empire NB of Clarksburg, Clarksburg, West Virginia
- Escondido National Bank, San Diego, California
- Euclid National Bank, Euclid, Ohio
- Exchange NB of Chicago, Chicago, Illinois
- Executive National Bank, Miami, Flórida
- Fairfield National Bank, Fairfield, Illinois
- Far East National Bank, Los Angeles, California
- Farmers and Merchants National Bank, Winchester, Virginia
- Farmers and Merchants NB in Princeton, Princeton, Wisconsin
- Farmers NB of Webster City, Webster City, Iowa
- Farmington National Bank, Farmington, New Mexico
- Fayette County National Bank, Fayetteville, West Virginia
- FCC National Bank, Wilmington, Delaware
- Fidelity Bank, N.A., Philadelphia, Pennsylvania
- Fidelity Bank, N.A., Oklahoma City, Oklahoma
- First American National Bank, Nashville, Tennessee
- First American NB, Plainfield, New Jersey
- First American NB of Nashville, Nashville, Tennessee
- First Arlington NB of Arlington Heights, Arlington Heights, Illinois
- First Bank, National Association, St. Paul, Minnesota
- First Central, Tampa, Florida
- First Citizens Bank, N.A., Michigan City, Indiana
- First Citizens NB, Dyersburg, Tennessee
- First City NB of Houston, Houston, Texas
- First City NB of Texas, Bryan, Texas
- First Dakota National Bank, Yankton, South Dakota
- First Deposit National Bank, Tilton, New Hampshire
- First Deposit National Credit Card Bank, Concord, New Hampshire
- First Eastern Bank, N.A., Wilkes-Barre, Pennsylvania
- First Fidelity Bank, N.A., Newark, New Jersey
- First Florida Bank, N.A., Pensacola, Florida
- First Galesburg NB&T Co., Galesburg, Illinois
- First Independence NB of Detroit, Detroit, Michigan
- First Interstate Bank of Arizona, Phoenix, Arizona
- First Interstate Bank of Denver, N.A., Denver, Colorado
- First Interstate Bank of Fort Collins, N.A., Fort Collins, Colorado
- First Interstate Bank of Oregon, N.A., Portland, Oregon
- First Interstate Bank of Texas, N.A., Houston, Texas
- First Interstate Bank of Texas, N.A., Dallas, Texas
- First Interstate Bank of Utah, N.A., Salt Lake City, Utah
- First Interstate Bank of Washington, N.A., Seattle, Washington
- First Interstate Bank of Washington, N.A., Tacoma, Washington

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- First Interstate Bank of Washington, Seattle, Washington
- First Knox National Bank of Mt. Vernon, Mount Vernon, Ohio
- First Lakewood National Bank, Dallas, Texas
- First N.B. of Commerce, New Orleans, Louisiana
- First National Bank, Marshall, Texas
- First National Bank, Brookings, South Dakota
- First National Bank, Mexico, Missouri
- First National Bank, East Chicago, Illinois
- First National Bank, Logansport, Indiana
- First National Bank, Carmi, Illinois
- First National Bank, San Diego, California
- The First National Bank & Trust Company in Aurora, Aurora, Nebraska
- The First National Bank and Trust Company of Rockford, Rockford, Illinois
- First National Bank and Trust Co., Rockford, Illinois
- First National Bank and Trust Company, Ponca City, Oklahoma
- First National Bank and Trust Company of McAlester, McAlester, Oklahoma
- First National Bank in Fleetwood, Fleetwood, Pennsylvania
- First National Bank in Madison, Madison, Illinois
- First National Bank in Philip, Philip, South Dakota
- First National Bank in Sioux Falls, South Dakota
- First National Bank of Atlanta, Atlanta, Georgia
- First National Bank of Barnesville, Atlanta, Georgia
- First National Bank of Beardstown, Beardstown, Illinois
- First National Bank of Bosque County, Valley Mills, Texas
- First National Bank of Chicago, Chicago, Illinois
- First National Bank of Christianburg, Christianburg, Virginia
- First National Bank of Commerce, New Orleans, Louisiana
- First National Bank of Elk River, Elk River, Minnesota
- First National Bank of Grady County, Atlanta, Georgia
- First National Bank of Haralson County, Atlanta, Georgia
- First National Bank of Hartford, Hartford, Wisconsin
- First National Bank of Houma, Houma, Louisiana
- First National Bank of LaFayette, LaFayette, Louisiana
- First National Bank of Lakes Charles, Alexandria, Louisiana
- First National Bank of Maryland, Baltimore, Maryland
- First National Bank of Mercer County, Hermitage, Pennsylvania
- The First National Bank of Midwest City, Midwest City, Oklahoma
- First National Bank of Newton County, Atlanta, Georgia
- First National Bank of North County, San Diego, California
- First National Bank of Ogden, Ogden, Illinois
- First National Bank of Plainview, Plainview, Minnesota
- First National Bank of Union County, Atlanta, Georgia
- First National Bank of Vermont, Springfield, Vermont
- First National Bank of Vicksburg, Jackson, Mississippi
- First National Bank of Wheeling, Wheeling, West Virginia
- First National Bank of Wyoming, Wyoming, Delaware
- First National Blank of Blandinsville, Macomb, Illinois

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- First NB Portland, Portland, Oregon
- First New Hampshire Bank, Laconia, New Hampshire
- First of America Bank, Chicago, Illinois
- First of America Bank - Illinois, N.A., Peoria, Illinois
- First of America Bank Kankakee County, N.A., Kankakee, Illinois
- First of America Bank Rockford, N.A., Rockford, Illinois
- First Security Bank of Idaho, N.A., Boise, Idaho
- First Security Bank of Utah, N.A., Salt Lake City, Utah
- First Security Bank of Utah, Salt Lake City, Utah
- First Security Bank of Glasgow, Glasgow, Montana
- First Security National Bank of Norcross, Atlanta, Georgia
- First Tennessee Bank, N.A., Memphis, Tennessee
- First Union Corporation, Charlotte, North Carolina
- First Union National Bank, Atlanta, Georgia
- First Union National Bank, Miami, Florida
- First Union National Bank of Florida, Riviera, Florida
- First Union National Bank of Florida, Tampa, Florida
- First Union National Bank of Florida, Pensacola, Florida
- First Union National Bank of Florida, Miami, Florida
- First Union National Bank of Florida, Orlando, Florida
- First Union National Bank of Florida, Fort Lauderdale, Florida
- First Union National Bank of Florida, Jacksonville, Florida
- First Union National Corporation, Charlotte, North Carolina
- First United National Bank and Trust Company, Great Bend, Kansas
- First Virginia Bank-Colonial, Richmond, Virginia
- First West Virginia Bank, N.A., Wheeling, West Virginia
- First Wisconsin National Bank of Milwaukee, Milwaukee, Wisconsin
- FirstBank of Republic Plaza, N.A., Denver, Colorado
- Flagler National Bank of the Palm Beaches, Riviera, Florida
- Flat Top National Bank, Bluefield, West Virginia
- Fleet Bank, N.A., Hartford, Connecticut
- Fleet Bank of Massachusetts, Boston, Massachusetts
- Fleet National Bank, Providence, Rhode Island
- Fleet National Bank of Connecticut, Hartford, Connecticut
- Fleet National Bank of Massachusetts, Boston, Massachusetts
- Flemington NB&T Co., Flemington, New Jersey
- FNB & Trust Co. El Dorado, El Dorado, Kansas
- FNB & Trust Co. of Pekin, Pekin, Illinois
- FNB & Trust Co. of Troy, Troy, Ohio
- FNB and Trust Co. of Kearny, Kearny, New Jersey
- FNB in Champaign, Champaign, Illinois
- FNB in Chicago Heights, Chicago Heights, Illinois
- FNB in DeKalb, DeKalb, Illinois
- FNB in Peru, Peru, Illinois
- FNB in Worland, Worland, Wyoming
- FNB of Asheboro, Asheboro, North Carolina
- FNB of Bath, Bath, Pennsylvania

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Consumer Bankers Association

- FNB of Beloit, Beloit, Kansas
- FNB of Boston, Boston, Massachusetts
- FNB of Catawba County, Charlotte, North Carolina
- FNB of Central New Jersey, Bridgewater, New Jersey
- FNB of Chicago, Chicago, Illinois
- FNB of Clarksville, Clarksville, Tennessee
- FNB of Commerce, New Orleans, Louisiana
- FNB of Cortland, Cortland, New York
- FNB of Crossett, Crossett, Arizona
- FNB of Defuniak, Defuniak Springs, Florida
- FNB of Dieter, Dieterich, Illinois
- FNB of Evergreen Park, Evergreen Park, Illinois
- FNB of Glencoe, Glencoe, Minnesota
- FNB of Greenwood, Greenwood, Indiana
- FNB of Highland, Highland, Illinois
- FNB of Hutchinson, Hutchinson, Kansas
- FNB of Jackson, Jackson, Mississippi
- FNB of Jeffersonville, Jeffersonville, New York
- FNB of Kansas City, Kansas City, Missouri
- FNB of Killeen, Killeen, Texas
- FNB of LaGrange, LaGrange, Illinois
- FNB of Lapeer, Hadley, Michigan
- FNB of Lawrence, Lawrence, Kansas
- FNB of Long Island, Glen Head, New York
- FNB of Louisville, Louisville, Kentucky
- FNB of Maryland, Baltimore, Maryland
- FNB of Memphis, Memphis, Tennessee
- FNB of Midwest City, Oklahoma City, Oklahoma
- FNB of Milaca, Milaca, Minnesota
- FNB of Millstadt, Millstadt, Illinois
- FNB of Olean, Buffalo, New York
- FNB of Palco, Palco, Kansas
- FNB of Pennsylvania, Erie, Pennsylvania
- FNB of Portland, Portland, Oregon
- FNB of Portsmouth, Portsmouth, New Hampshire
- FNB of Schiller Park, Schiller Park, Illinois
- FNB of Scotia, Scotia, New York
- FNB of Shelbyville, Shelbyville, Tennessee
- FNB of Skokie, Skokie, Illinois
- FNB of St. Charles, St. Charles, Missouri
- FNB of St. Paul, St. Paul, Minnesota
- FNB of Steeleville, Steeleville, Illinois
- FNB of Toledo, Toledo, Ohio
- FNB of Washington, Washington, D.C.
- FNB of Wayne City, Wayne City, Illinois
- FNB of Winnetka, Winnetka, Illinois
- FNB of Wray, Wray, Colorado

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- Fort Wayne National Bank, Fort Wayne, Indiana
- Frost National Bank, San Antonio, Texas
- Gateway NB of St. Louis, St. Louis, Missouri
- Glen Falls NB&T Co., Glen Falls, New York
- Great Southern National Bank, Meridian, Mississippi
- Groos Bank, N.A., San Antonio, Texas
- Grundy County NB, Morris, Illinois
- Hamilton National Bank, Miami, Florida
- Harris Bank, Chicago, Illinois
- Hartford NB&T Co, Hartford, Connecticut
- Hayward National Bank, San Francisco, California
- The Hazleton National Bank, Hazleton, Pennsylvania
- Hibernia National Bank, Dallas, Texas
- Hibernia National Bank, New Orleans, Louisiana
- The Home National Bank of Arkansas City, Arkansas City, Kansas
- Home National Bank of Eureka, Eureka, Kansas
- The Howard Bank, N.A., Burlington, Vermont
- Huntington NB of Columbus, Columbus, Ohio
- INB National Bank, Indianapolis, Indiana
- INB National Bank, Norwest, Lafayette, Indiana
- Independence National Bank, Wilson, North Carolina
- Industrial NB of Rhode Island, Providence, Rhode Island
- Integra Bank/North, Titusville, Pennsylvania
- Interfirst Bank Dallas, N.A., Dallas, Texas
- Jackson National Bank, Jacksonville, Florida
- Jefferson National Bank, Richmond, Virginia
- Jefferson National Bank, Miami Beach, Florida
- Jefferson National Bank, Charlottesville, Virginia
- Jefferson National Bank, Miami, Florida
- Johnson County Bank, N.A., Prairie Village, KS
- Kelly Field National Bank, San Antonio, Texas
- Key Bank, N.A., Albany, New York
- Laconia Peoples NB&T Co., Laconia, New Hampshire
- Liberty Bank of Midwest City, Oklahoma City, Oklahoma
- Liberty National Bank & Trust, Corydon, Indiana
- Liberty NB&T Co., Louisville, Kentucky
- Liberty NB&T Co. of Oklahoma City, Oklahoma City, Oklahoma
- Lincoln First Bank, N.A., Rochester, New York
- Lincoln National Bank, Midwest City, Oklahoma
- M&I First National Bank of Superior, Superior, Wisconsin
- Magna Bank, N.A., Belleville, Illinois
- Magna Bank of Central Illinois, Decatur, Illinois
- Magna Bank of St. Clair County, Belleville, Illinois
- Main Street National Bank, Dallas, Texas
- Marion National Bank, Columbia, South Carolina
- Marquette Bank of South Dakota, N.A., Sioux Falls, South Dakota
- Marquette National Bank, Chicago, Illinois

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Consumer Bankers Association

- Maryland National Bank, Baltimore, Maryland
- Mellon Bank, N.A., Pittsburgh, Pennsylvania
- Mercantile Bank of Illinois, N.A., Belleville, Illinois
- Mercantile Bank of Illinois, Belleville, Illinois
- Mercantile Bank of St. Louis, N.A., St. Louis, Missouri
- Mercantile National Bank, Los Angeles, California
- Mercantile NB of Chicago, Des Plains, Illinois
- Mercantile Trust Co., N.A., St. Louis, Missouri
- Merchants and Miners, N.A., Oak Hill, West Virginia
- Merchants Bank, N.A., Allentown, Pennsylvania
- The Merchants National Bank, Montgomery, West Virginia
- Merchants National Bank, Terre Haute, Indiana
- Merchants National Bank, Indianapolis, Indiana
- Merchants National Bank, Aurora, Illinois
- Merchants National Corp., Anderson, Illinois
- Metro Bank, N.A. of Houston, Houston, Texas
- Michigan Bank, N.A., Troy, Michigan
- Michigan National Bank, Lansing, Michigan
- Mid Cal National Bank, Stockton, California
- Midlantic National Bank, Edison, New Jersey
- Midlantic National Bank North, Patterson, New Jersey
- Midwest National Bank of Midwest City, Midwest City, Oklahoma
- Milton National Bank, Atlanta, Georgia
- Moultrie National Bank, Atlanta, Georgia
- Mountain National Bank, Atlanta, Georgia
- Napa National Bank, Napa, California
- Naperville NB&T Co., Naperville, Illinois
- National Bank & Trust of Norwich, Norwich, New York
- National Bank of Alaska, Anchorage, Alaska
- National Bank of America at Salina, Salina, Kansas
- The National Bank of Blacksburg, Blacksburg, Virginia
- National Bank of Boyertown, Boyertown, Pennsylvania
- National Bank of Commerce, Superior, Wisconsin
- National Bank of Commerce, Altus, Oklahoma
- National Bank of Commerce, Birmingham, Alabama
- National Bank of Commerce, Memphis, Tennessee
- National Bank of Delaware County, Walton, New York
- National Bank of Detroit, Detroit, Michigan
- National Bank of Geneva, Geneva, New York
- National Bank of Greenwood, Greenwood, Indiana
- National Bank of Middlebury, Middlebury, Vermont
- National Bank of North America, Melville, New York
- National Bank of Rochelle, Rochelle, Illinois
- National Bank of Walton County, Atlanta, Georgia
- National Bank of Washington, Washington, D.C.
- National Bank of Waupaun, Waupaun, Wisconsin
- The National Bank of York, York, Nebraska

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- National City Bank, Norwalk, Ohio
- National City Bank, Indianapolis, Indiana
- National City Bank, Evansville, Indiana
- National City Bank, Seymour, Indiana
- National City Bank of Cleveland, Cleveland, Ohio
- National Penn Bank, Boyertown, Pennsylvania
- National Westminister Bank, Jersey City, New Jersey
- National Westminister Bank USA, New York, New York
- Nations Bank, District of Columbia
- NationsBank of Georgia, Atlanta, Georgia
- NationsBank of Florida, Fort Lauderdale, Florida
- NationsBank of North Carolina, Charlotte, North Carolina
- NationsBank of South Carolina, Columbia, South Carolina
- Nations Bank of Tennessee, Nashville, Tennessee
- NationsBank of Texas, Dallas, Texas
- NationsBank of Virginia, Richmond, Virginia
- NBC Bank San Antonio, N.A., San Antonio, Texas
- Newport National Bank, Newport, Rhode Island
- Northern Trust Bank of Arizona, Phoenix, Arizona
- Northern Trust Bank of Florida, N.A., Miami, Florida
- Northern Trust Bank of Texas, N.A., Dallas, Texas
- Northern Trust of California, N.A., San Diego, California
- Northhampton National Bank, Springfield, Massachusetts
- NorthPark National Bank, Dallas, Texas
- Northwestern NB of Minneapolis, Minneapolis, Minnesota
- Norwest Bank Denver, N.A., Denver, Colorado
- Norwest Bank Des Moines, N.A., Des Moines, Iowa
- Norwest Bank Midland, Minneapolis, Minnesota
- Norwest Bank Minnesota, N.A., Minneapolis, Minnesota
- Norwest Bank Minnesota, South, N.A., Minneapolis, Minnesota
- Norwest Bank Nebraska, N.A., Belleville, Nebraska
- Norwest Bank of Anaconda/Butte, N.A., Helena, Montana
- Norwest Bank of Arizona, N.A., Phoenix, Arizona
- Norwest Bank Omaha, N.A., Omaha, Nebraska
- Norwest Bank St. Paul, Saint Paul, Minnesota
- Norwest Bank Wisconsin, N.A., Racine, Wisconsin
- Norwest Bank-Billings, N.A., Helena, Montana
- Norwest Bank-Dillon, N.A., Helena, Montana
- Norwest Bank-Great Falls, N.A., Helena, Montana
- Norwest Bank-Helena, N.A., Helena, Montana
- Norwest Bank-Kalispell, N.A., Helena, Montana
- Norwest Bank-Lewistown, N.A., Helena, Montana
- Ohio NB of Columbus, Columbus, Ohio
- Old & Third NB of Union City, Union City, Tennessee
- Old First National Bank, Bluffton, Indiana
- Old National Bank, Evansville, Indiana
- Omaha National Bank, Omaha, Nebraska

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Consumer Bankers Association

- One Valley Bank, N.A., Charleston, West Virginia
- Oneida Valley NB of Oneida, Oneida, New York
- Palm Beach National Bank & Trust Company, Riviera, Florida
- Park Forest National Bank, Dallas, Texas
- Park National Bank of Houston, Houston, Texas
- Park NB of Knoxville, Knoxville, Tennessee
- Peoples National Bank, McLeansboro, Illinois
- Peoples National Bank of Commerce, Miami, Florida
- Peoples NB of Edwardsville, Kingston, Pennsylvania
- Peoples NB of Edwardsville, Shelbyville, Tennessee
- Peoples NB&T Co. of Bay City, Bay City, Michigan
- Pittsburgh National Bank, Pittsburgh, Pennsylvania
- Planters National Bank, Rocky Mount, North Carolina
- Plaza Bank of Miami, N.A., Miami, Florida
- PNC Bank, Philadelphia, Pennsylvania
- PNC Bank, N.A., Philadelphia, Pennsylvania
- PNC Bank, Pittsburgh, Pennsylvania
- Premier Bank, N.A., Baton Rouge, Louisiana
- Provident National Bank, Philadelphia, Pennsylvania
- Puget Sound National Bank, Tacoma, Washington
- Rancho Santa NB, San Diego, California
- Rancho Vista National Bank, San Diego, California
- Randolph National Bank, Randolph, Vermont
- Regent National Bank, Philadelphia, Pennsylvania
- Republic National Bank, New York, New York
- Republic National Bank, Miami, Florida
- Republic National Bank of New York, New York, New York
- Republic NB of Dallas, Dallas, Texas
- Rhode Island Hospital Trust Bank, Providence, Rhode Island
- Rhode Island Hospital Trust National Bank, Providence, Rhode Island
- Riggs National Bank, Washington, D.C.
- Rock Springs National Bank, Rock Springs, West Virginia
- Rockwell Bank, N.A., Oklahoma City, Oklahoma
- Safra National Bank, New York, New York
- San Diego National Bank, San Diego, California
- San Dieguito NB, San Diego, California
- San Marcos NB, San Diego, California
- Santa Clarita National Bank, Newhall, California
- Saratoga National Bank, Saratoga, California
- Scottsbluff National Bank, Scottsbluff, Nebraska
- Seattle First National Bank, Seattle, Washington
- Seaway National Bank, Chicago, Illinois
- Seaway NB of Chicago, Chicago, Illinois
- Second National Bank, Culpepper, Virginia
- Second NB of Culpepper, Culpepper, Virginia
- Star Bank, N.A., Hamilton, Ohio
- Second NB of Warren, Warren, Ohio

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- Security First NB of Sheboygan, Sheboygan, Wisconsin
- Security National Bank, Maitland, Florida
- Security National Bank and Trust Company, Wheeling, West Virginia
- Security NB of Battle Creek, Battle Creek, Michigan
- Security NB of Kansas City, Kansas City, Kansas
- Shawmut Bank, N.A., Boston, Massachusetts
- Shawmut Bank Connecticut, N.A., Hartford, Connecticut
- Shawmut Worchester County Bank, N.A., Worchester, Massachusetts
- Signet Bank/Virginia, Richmond, Virginia
- Society Bank, N.A., Dayton, Ohio
- Society Corporation, N.A., Norwalk, Ohio
- Society National Bank. Cleveland, Ohio
- South Carolina National Bank, Columbia, South Carolina
- South Shore National Bank, Quincy, Massachusetts
- South Trust Bank of Huntsville, N.A., Huntsville, Alabama
- South Trust Bank of Jacksonville, N.A., Jacksonville, Florida
- SouthTrust Bank, N.A., Birmingham, Alabama
- SouthTrust Bank of Alabama, N.A., Birmingham, Alabama
- SouthTrust Bank of Georgia, N.A., Atlanta, Georgia
- SouthTrust Bank of West Florida, Tampa, Florida
- Southwest Bank of Texas, N.A., Houston, Texas
- Southwest National Bank, Greensburg, Pennsylvania
- Sovran Bank, N.A., Norfolk, Virginia
- Sovran Bank, N.A., Richmond, Virginia
- St. Anthony National Bank, Minneapolis, Minnesota
- Star Bank, N.A., Cincinnati, Ohio
- State National Bank of Frankfort, Frankfort, Kentucky
- State Street Bank & Trust Company, Boston, Massachusetts
- Stearns County National Bank, Albany, Minnesota
- Sterling NB&T of New York, New York, New York
- Strafford National Bank, Dover, New Hampshire
- SunBank, N.A., Miami, Florida
- SunBank, N.A., Orlando, Florida
- SunBank, N.A., Pensacola, Florida
- SunBank of Tampa Bay, Tampa, Florida
- SunBank South Florida, N.A., Riviera, Florida
- SunBank/North Florida, N.A., Jacksonville, Florida
- SunBank/South Florida, N.A., Fort Lauderdale, Florida
- Tell City National Bank, Tell City, Indiana
- Terre Haute First National Bank, Terre Haute, Indiana
- Texas American Bank/Fort Worth, N.A., Fort Worth, Texas
- Texas Bank and Trust, N.A., Dallas, Texas
- Texas Central Bank, N.A., Dallas, Texas
- Texas Commerce Bank, Houston, Texas
- Texas Commerce Bank, San Antonio, Texas
- Texas Commerce Bank San Angelo, N.A., San Angelo, Texas
- Texas Commerce Bank-Dallas, N.A., Dallas, Texas

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Consumer Bankers Association

- Third NB in Nashville, Nashville, Tennessee
- Third NB of Ashland, Ashland, Kentucky
- Third NB&T Company, Dayton, Ohio
- The Total Bank, Miami, Florida
- Trustmark National Bank, Jackson, Mississippi
- Trustmark National Bank, Meridian, Mississippi
- Tuscola National Bank, Tuscola, Illinois
- U.S. Bank of Washington, N.A., Tacoma, Washington
- U.S. Trust Company of Texas, N.A., Dallas, Texas
- Union National Bank, Westminister, Maryland
- Union National Bank and Trust Company of Souderton, Souderton, Pennsylvania
- Union National Bank of Macomb, Macomb, Illinois
- Union NB of Little Rock, Little Rock, Arkansas
- Union Planters National Bank, Memphis, Tennessee
- Unitas National Bank, Chambersburg, Pennsylvania
- United Bank of Absarokee, N.A., Helena, Montana
- United Bank of Denver, N.A., Denver, Colorado
- United Jersey Bank/Central, N.A., Princeton, New Jersey
- United National Bank, South Beckley, West Virginia
- United National Bank, Montgomery, West Virginia
- United National Bank-North, Wheeling, West Virginia
- United States NB of Oregon, Portland, Oregon
- University National Bank of Fort Collins, Fort Collins, Colorado
- Valle de Oro Bank, N.A., San Diego, California
- Valley Bank & Trust Co., Salt Lake City, Utah
- Valley National Bank, Phoenix, Arizona
- Valley NB of Arizona, Phoenix, Arizona
- Valley-HI Bank, N.A., San Antonio, Texas
- Vectra Banks, Denver, Colorado
- Vermont National Bank, Brattleboro, Vermont
- Virgin Island National Bank, St. Thomas, Virgin Islands
- Wachovia Bank of Georgia, N.A., Atlanta, Georgia
- Wachovia Bank of Georgia, Atlanta, Georgia
- Wachovia Bank of North Carolina, N.A., Winston-Salem, North Carolina
- Wayne County National Bank, Wooster, Ohio
- West University Bank, N.A., Houston, Texas
- Wheeling National Bank, Wheeling, West Virginia
- Whitney National Bank, New Orleans, Louisiana
- Wilber National Bank, Oneonta, New York
- Wolfeboro National Bank, Wolfeboro, New Hampshire
- Worthen National Bank of Arkansas, Little Rock, Arkansas
- Zapp National Bank, St. Cloud, Minnesota
- Zions First National Bank, Salt Lake City, Utah
- Zions First National Bank of Arizona, Phoenix, Arizona

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INTERMEDIARIES

The information provided by the FRB and OCC provides only a partial picture of the community development efforts of financial institutions. In addition to becoming directly involved in such projects, banks often funnel development loans, grants and investments through the community development efforts of intermediaries. As the National Community Reinvestment Coalition stated in its Spring 1994 newsletter: "Perhaps the largest funder of [Community Reinvestment] efforts is the lenders themselves...[T]he fee-for-service approach to lenders has proved very effective for many community groups. Still others receive direct grant support from lenders. Many of the national CRA organizations rely heavily on banks for their operating support." Financial institutions have contributed to intermediaries such as the Enterprise Foundation, Local Initiatives Support Corporation (LISC), the National Equity Fund (NEF), and the Neighborhood Reinvestment Corporation (NCR). These institutions and contributing banks are detailed below.

Enterprise Foundation

The Enterprise Foundation, in concert with individual contributors and financial institutions, works to increase the availability of affordable housing to low-income people. Enterprise is a national intermediary and works with over 500 non-profit lending groups in over 150 cities. So far it has made grants, loans and equity investments exceeding $1 billion to help finance over 50,000 units of affordable housing. Enterprise provides capital, construction and technical assistance as well as financial packaging services. Grants and investments from banks and BHCs have provided housing to thousands of low-income individuals including those with special needs, such as senior citizens, people with HIV/AIDS, and formerly homeless families. A list of banking institutions which contribute to or invest in Enterprise can be found in the Foundation's 1993 Annual Report. Some of the banking institutions listed in the report include:

- American National Bank and Trust Company
- American Savings
- Amerifirst Bank
- AmSouth Bank
- BancOhio
- BancOne Capital Corporation
- Bank of America Texas, N.A.
- Bankers Trust Company
- BankOne, Columbus, N.A.
- BankOne Texas, N.A.
- Bank United of Texas
- Barnett Banks, Inc.
- Biscayne Bank
- Caldwell Banker
- Chase Bank
- Chase Federal Bank
- The Chase Manhattan Bank, N.A.
- Chemical Bank
- Citibank, F.S.B.
- Citibank, N.A.
- Citicorp Mortgage, Inc.

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- Comerica Bank-Texas
- Compass Bank
- CoreStates Bank, N.A.
- The Dime Savings Bank of New York, FSB
- The Drovers and Mechanics Bank
- Farmers Bank & Trust Co.
- Federal Home Loan Bank of Cincinnati
- Fifth Third Bank
- First American National Bank
- First American Savings
- First Federal Savings & Loan Association
- First Interstate Bank of Texas, N.A.
- First National Bank of Louisville
- First Nationwide Bank
- First Nationwide Savings Bank
- First Tennessee Bank, N.A.
- First Union National Bank
- Glendale Federal Bank
- Great Western Bank
- Guaranty Federal Savings Bank
- Hamilton Bank
- Harris Savings Bank
- Home Savings Bank
- Home Savings of America
- Household Bank, F.S.B.
- Huntington BancShares
- Huntington National Bank
- M-Bank
- Mellon PSFS
- Meridian Bank
- Midlantic National Bank
- Midwest Savings Bank
- National Bank of Texas, N.A.
- National City Bank
- NationsBank Corporation
- NBD
- NCNB National Bank
- Northern Trust Bank of Florida
- North Park National Bank
- Norwest
- Pacific National Bank
- Peoples Bank of Glen Rock
- Peoples National Bank of Commerce
- Philadelphia National Bank
- Pioneer Bank
- Republic National Bank of New York
- Safra Bank

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- Savings of America
- Signet Bank/Maryland
- Society Bank
- Southeast Bank
- Star Bank, N.A., Cincinnati, Ohio
- State Savings
- SunBank
- Texas Commerce Bank, N.A.
- York Federal Savings & Loan Foundation

Local Initiatives Support Corporation

The Local Initiatives Support Corporation (LISC) focuses on the development of affordable housing by providing financial and technical assistance to resident-led CDCs. Other LISC initiatives provide support for social community development such as child care, health care, crime prevention and education. LISC's grants, loans and equity have increased exponentially as donors —including many financial institutions— have made stronger commitments to community development projects. LISC has grown to become the nation's largest private non-profit community development organization. Over the last 14 years, LISC and its affiliates have helped finance the creation of 50,000 housing units and 8.6 million feet of commercial and industrial space. Contributors have utilized LISC to funnel $1.3 billion to support CDC activities. These funds have leveraged an additional $2 billion in public and private resources.

The most recent information available from LISC indicates that 387 banks have contributed a total of $431.6 million since the organization's inception in 1979. In 1993 alone, 183 banks contributed a total of $177.9 million in grants, loans and equity investments. Some of the banks and BHCs supporting LISC include:

- AmeriBank
- American National Bank & Trust
- American Savings of Florida, F.S.B.
- AmSouth Bank
- AT&T
- Avondale Federal Savings Bank
- Bank Hapoalim B.M.
- Bank of America NT&SA
- Bank of America, Nevada
- Bank of Boston Connecticut
- Bank of Commerce
- Bank of Nevada
- Bank of North America
- Bank One, East Lansing
- Bank One, Texas
- Bankers Trust Company Foundation
- Barclays Bank PLC
- Barnett Bank of South Florida, N.A.
- Baton Rouge Bank

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- Boatmen's First National Bank
- Central Bank & Trust
- Central Bank of the South
- The Chase Manhattan Corporation
- Chemical Bank
- Citibank, FSB
- Citizens Bank & Trust Co.
- Citizens Commercial & Savings Bank
- Citizens First Bank
- City National Bank
- Colonial Bank
- Comerica Bank - Michigan
- Comerica Incorporated
- The Commerce Bancshares Foundation
- Community Bank
- Community First Bank
- Continental Bank
- Corestates Bank
- Eagle Bank and Trust Company
- Fidelity Savings Bank, FSB
- First Alabama Bank
- First Commercial Bank, N.A.
- First Exchange Bank of Little Rock, N.A.
- First Federal of Michigan
- First Interstate Bank
- First Interstate Bank of Texas
- First National Bank of Chicago
- First Nationwide Bank
- First of America Bank Corporation
- First of America Bank - Michigan, N.A.
- The First Union Foundation
- Fleet Bank, N.A.
- Fleet Bank of Massachusetts
- Great Western Bank
- Guaranty Bank and Trust Company
- Guaranty Federal Bank, FSB
- Hancock Bank
- Harris Bank
- HomeFed Bank
- Metropolitan National Bank
- Michigan National Bank
- National Bank of Commerce
- NationsBank
- NationsBank of Virginia, N.A.
- NBD Bank, N.A.
- NBD Illinois
- New South Federal Savings Bank

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- Northern Trust Bank of Florida
- Old Kent Bank
- One National Bank
- Peoples National Bank of Commerce
- Premier Bank
- Republic National Bank of New York
- Society Community Development Corporation
- St. Paul Federal Bank for Savings
- SunBank/Miami N.A.
- Sunburst Bank
- Superior Federal Bank for Savings
- Texas Commerce Bank
- Union National Bank of Arkansas
- United National Bank of Miami

National Equity Fund

As an affiliate of LISC, the National Equity Fund (NEF) has become the nation's largest private non-profit community development support organization. This partnership between NEF and traditional lenders has driven the financing for thousands of housing units. Since its creation in 1986, NEF has received a total of $291.8 million in financing from 37 contributing banks. During this same time period, savings and loans have contributed $5.0 million. In 1993 alone, banks contributed $137. 25 million for NEF initiatives. Some of the banks and BHCs which support NEF initiatives include:

- Banc One Community Development Corporation
- Bankers Trust Company
- Bank of America NT&SA
- Boatmen's Bank
- California Federal Bank, FSB
- Charter One Bank FSB
- The Chase Manhattan Bank
- Chemical Banking Corporation
- Citicorp
- City National Bank
- Comerica Community Development Corp.
- The Dime Savings Bank of New York, FSB
- East River Savings Bank, A Division of River Bank America
- First Bank System, Inc.
- First Federal Bank of California
- First Fidelity Bancorporation
- First Interstate Bancorp
- First Nationwide Bank
- First of America
- Fleet Bank
- Great Western Affordable Housing Corporation
- Home Savings of America, FSB
- Huntington National Bank

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- Independence Savings Bank
- Mellon PSFS
- Meridian Bank, NA
- Midlantic Corporation
- National City Community Development Corporation
- National Westminister Bank USA
- Norwest Bank Minnesota, NA
- PNC Bank Corporation
- Republic Bank for Savings
- Republic National Bank of New York
- Roosevelt Savings Bank
- Signet Banking Corporation
- Society Bancorp of Indiana
- U.S. Trust Company of New York
- Washington Mutual Savings Bank
- Wells Fargo & Company
- Westamerica Bancorp

Neighborhood Reinvestment Corporation

The Neighborhood Reinvestment Corporation (NRC) is a public, non-profit corporation which was congressionally chartered to revitalize America's neighborhoods in cooperation with local financial institutions. NRC's activities include housing renovation, loan counseling, and other projects to encourage home ownership. NRC is composed of 182 organizations in 360 neighborhoods. According to NRC, in 1993, the organization created or rehabilitated 6,600 housing units and stimulated $210 million worth of reinvestment. This translated into affordable housing for 1,884 families.

Financial institutions play an important role as contributors to NRC's NeighborWorks Network, a revolving loan fund which facilitates direct lending. Figures provided by NRC indicate that over the last five years, banks have been the largest non-governmental contributor and have provided $26.2 million to NRC's NeighborWorks partnership. In 1993 alone, over 400 financial institutions contributed $5.1 million for NRC initiatives.

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Taking Responsibility: Financing America's Community Development

GOVERNMENT AGENCY PROGRAMS

Banks also enter into mutually beneficial partnerships with federal, state and local governments. Banks have provided a substantial amount of capitalization to governmental community development efforts through programs sponsored by federal, state and local governments. Examples of federal programs intended to stimulate community development investment and lending include those sponsored by the Farmers Home Administration (FmHA), the Small Business Administration (SBA), Federal Home Loan Bank System (FHL Bank System), and the Low Income Housing Tax Credit program. The following programs leverage a substantial amount of private capitalization from banks.

Small Business Investment Corporations

Small Business Investment Corporations (SBICs) supply equity capital, long-term loans and management assistance to qualifying small businesses. These institutions are licensed and regulated by the SBA and owned, in whole or in part, by BHCs or national banks. SBICs invest their own capital and funds borrowed from the SBA and provide financing in the form of equity securities and long-term loans. SBICs invest in a wide range of industries in both manufacturing and services. SBICs primarily focus on small businesses that have either new products or services that project strong growth or are in fields in which the SBICs management has expertise. Two types of SBICs exist—regular SBICs and Specialized SBICs (SSBIC), which provide assistance to small businesses owned by socially or economically disadvantaged persons.

The most current information on SBICs is available in the SBA's *Directory of Operating Small Business Investment Companies* published in June of 1994. According to the SBA, there are currently 172 SBICs in existence. During the first nine months of the 1994 fiscal year, these 172 SBICs provided $2.23 billion in private capital. Of this amount, banks provided at least three-fourths ($1.64 billion) of the total private capital.

During the same time, the 94 existing SSBICs provided $180.2 million in private capital for development purposes. Bank dominated SSBICs provided at least $4.6 million of this amount. Combining these numbers from both regular SBICs and SSBICs, the SBA program has led to over $3.17 billion in financing being offered to fund qualifying small businesses. Those regular SBICs and SSBICs licensed by the SBA include:

Active Regular SBICs

- AB SBIC, Inc., Cheshire, Connecticut
- Advent Atlantic Capital Company, LP, Boston, Massachusetts
- Advent Industrial Capital Company, LP, Boston, Massachusetts
- Advent V Capital Company LP, Boston, Massachusetts
- All State Venture Capital Corporation, New Haven, Connecticut
- Alliance Business Investment Company, Tulsa, Oklahoma
- Allied Investment Corporation, Washington, D.C.
- AMT Capital, Ltd., Dallas, Texas
- Anker Capital Corporation, Charleston, West Virginia
- Argentum Capital Partners, LP, New York, New York
- ASEA-Harvest Partners II, New York, New York
- Atalanata Investment Company, Inc., New York, New York
- Banc One Venture Corp., Milwaukee, Wisconsin

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- BancBoston Ventures, Incorporated, Boston, Massachusetts
- BancOne Capital Partners Corporation, Columbus, Ohio
- BancFirst Investment Corp., Oklahoma City, Oklahoma
- Bancorp Hawaii SBIC, Honolulu, Hawaii
- Bando-McGlockin SBIC, Brookfield, Wisconsin
- Bankers Capital Corp., Kansas City, Missouri
- Barclays Capital Investors Corp., New York, New York
- Bishop Capital, L.P., Springfield, New Jersey
- BT Capital Corp., Los Angeles, California
- Business Achievement Corporation, Newton, Massachusetts
- Byrd Business Investment, L.P., Nashville, Tennessee
- Cambridge Ventures, LP, Indianapolis, Indiana
- The Capital Fund, Lansing, Michigan
- Capital Resource Co. of Connecticut, West Hartford, Connecticut
- Capital Southwest Venture Corp., Dallas, Texas
- The Catalyst Fund, Ltd., Houston, Texas
- CB Investors, Inc., New York, New York
- Central Texas SBI Corporation, Dallas, Texas
- CFB Venture Fund I, Inc., St. Louis, Missouri
- CFB Venture Fund II, Inc., Kansas City, Missouri
- Charleston Capital Corporation, Charleston, South Carolina
- Charter Venture Group, Incorporated, Houston, Texas
- Chase Manhattan Capital Corporation, New York, New York
- Chemical Venture Capital Associates, New York, New York
- Chestnut Capital International II LP, Boston, Massachusetts
- Chestnut Street Partners, Inc., Boston, Massachusetts
- CIBC Wood Gundy Ventures, Inc., New York, New York
- CIP Capital L.P., Malvern, Pennsylvania
- Circle Ventures, Inc., Indianapolis, Indiana
- CIT Group/Venture Capital, Inc., Livingston, New Jersey
- Citicorp Venture Capital, Ltd., New York, New York
- Clarion Capital Corp., Cleveland, Ohio
- CMNY Capital II, L.P., New York, New York
- Cordova Capital Partners, L.P., Atlanta, Georgia
- Continental Illinois Venture Corp., Chicago, Illinois
- Developers Equity Capital Corporation, Los Angeles, California
- Domestic Capital Corp., Cranston, Rhode Island
- Draper Associates, Redwood City, California
- Edwards Capital Company, New York, New York
- Enterprise Venture Cap Corp of Pennsylvania, Johnstown, Pennsylvania
- ESLO Capital Corp., Newark, New Jersey
- Exeter Venture Lenders, L.P. New York, New York
- FBS SBIC, Limited Partnership, Minneapolis, Minnesota
- Fidelcor Capital Corp., Philadelphia, Pennsylvania
- Fifty-Third Street Ventures, LP, New York, New York
- Financial Opportunities, Inc., Enfield, Connecticut
- First Capital Corp. of Chicago, Chicago, Illinois

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- First Commerce & Loan LP, Tucson, Arizona
- First Interstate Equity Corp., Phoenix, Arizona
- First New England Capital, LP, Hartford, Connecticut
- First SBIC of Alabama, Mobile, Alabama
- First SBIC of California, Costa Mesa, California
- First Security Business Investment Corp., Salt Lake City, Utah
- First Source Capital Corporation, South Bend, Indiana
- First Union Capital Partners, Inc., Charlotte, North Carolina
- First Wall Street SBIC, LP, New York, New York
- Fleet Venture Resources, Inc., Providence, Rhode Island
- Floco Investment Company, Inc. Scranton, South Carolina
- Florida Capital Ventures, Ltd., Tampa, Florida
- Ford Capital, Ltd, Dallas, Texas
- Fortis Capital Corporation, Edison, New Jersey
- Fundex Capital Corp., Great Neck, New York
- G C & H Partners, San Francisco, California
- Genesee Funding, Inc., Rochester, New York
- Greater Washington Investments, Inc., Chevy Chase, Maryland
- Green Mountain Capital, L.P., Waterbury, Vermont
- Hall, Morris & Drufva II, LP, Laguna Hills, California
- Heller Equity Capital Corporation, Chicago, Illinois
- HCT Capital Corp., Fort Worth, Texas
- Hickory Venture Capital Corporation, Huntsville, Alabama
- Houston Partners, SBIP, Houston, Texas
- IBJS Capital Corp., New York, New York
- Imperial Ventures, Inc., Inglewood, California
- InterEquity Capital Partners, LP, New York, New York
- Investor's Equity, Inc., Atlanta, Georgia
- J & D Capital Corp., North Miami, Florida
- Jiffy Lube Capital Corporation, Houston, Texas
- Morgan Investment Corporation, New York, New York
- Jupiter Partners, San Francisco, California
- Kansas Venture Capital, Inc., Overland Park, Kansas
- Key Equity Capital Corporation, Cleveland, Ohio
- KOCO Capital Company, L.P., Mount Kisco, New York
- Kwiat Capital Corp., New York, New York
- Legacy Fund Limited Partnership, Washington, D.C.
- Lowcountry Investment Corporation, Charleston, South Carolina
- LRF Capital, Limited Partnership, Newton, Massachusetts
- M&I Ventures Corp., Milwaukee, Wisconsin
- M&T Capital Corp., Buffalo, New York
- Maine Capital Corp., Portland, Maine
- Mapleleaf Capital Ltd., Dallas, Texas
- Marcon Capital Corp., Southport, Connecticut
- Market Capital Corp., Tampa, Florida
- Marwit Capital Corp., Newport Beach, California
- Meridian Capital Corp., Reading, Pennsylvania

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- Meridian Venture Partners, Radnor, Pennsylvania
- Merrill Pickard Anderson & Eyre I, Menlo Park, California
- Mezzanine Capital Corporation, Boston, Massachusetts
- Moneta Capital Corp., Providence, Rhode Island
- MorAmerica Capital Corporation, Cedar Rapids, Iowa 52401
- Mountain Ventures, Inc., London, Kentucky
- National City Capital Corporation, Cleveland, Ohio
- NationsBanc Capital Corporation, Dallas, Texas
- NationsBank SBIC, Charlotte, North Carolina
- NatWest USA Capital Corporation, New York, New York
- New West Partners II, San Diego, California
- North Riverside Capital Corporation, Norcross, Georgia
- Northeast SBI Corp., Boston, Massachusetts
- Northern Pacific Capital Corporation, Portland, Oregon
- Northwest Venture Partners, Minneapolis, Minnesota
- Northland Capital Venture Partnership, Duluth, Minnesota
- Norwest Equity Partners IV, Minneapolis, Minnesota
- Norwest Growth Fund, Inc., Minneapolis, Minnesota
- Norwood Venture Corp., New York, New York
- NYBDC Capital Corp., Albany, New York
- NYSTRS/NV Capital, Limited Partnership, Providence, Rhode Island
- Pacific Mezzanine Fund, L.P., San Francisco, California
- Paribas Principal Incorporated, New York, New York
- Pioneer Ventures Limited Partnership, Boston, Massachusetts
- PNC Capital Corp., Pittsburgh, Pennsylvania
- Polaris Capital Corp., Milwaukee, Wisconsin
- Premier Venture Capital Corporation, Baton Rouge, Louisiana
- Pyramid Ventures, Inc., New York, New York
- Quantum Capital Partners, Ltd., Fort Lauderdale, Florida
- Queneska Capital Corporation, Burlington, Vermont
- R&R Financial Corp., New York, New York
- Rand SBIC, Inc., Buffalo, New York
- RFE Capital Partners, L.P., New Canaan, Connecticut
- Richmond Square Capital Corporation, Providence, Rhode Island
- Ritter Partners, Atherton, California
- Rural America Fund, Inc., Herndon, Virginia
- SBI Capital Corp., Houston, Texas
- Sirrom Capital, LP, Nashville, Tennessee
- Small Business Inv. Capital, Inc., Little Rock, Arkansas
- Springdale Venture Partners, LP, Charlotte, North Carolina
- Sterling Commercial Capital, Inc., Great Neck, New York
- Stratford Capital Group, Inc., Dallas, Texas
- Sundance Venture Partners, L.P., Cupertino, California
- Tappan Zee Capital Corporation, Little Falls, New Jersey
- Venture Partners, New York, New York
- TLC Funding Corp., Tarrytown, New York
- UNCO Ventures, Ltd., Houston, Texas

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- Union Venture Corp., Los Angeles, California
- United Financial Resources Corp., Omaha, Nebraska
- United Missouri Capital Corporation, Kansas City, Missouri
- Bancorp Capital Corporation, Portland, Oregon
- UST Capital Corporation, Boston, Massachusetts
- Vega Capital Corp., Armonk, New York
- Ventex Partners, Ltd., Houston, Texas
- Victoria Capital Corp., Victoria, Texas
- VK Capital Company, San Francisco, California
- Wallace Capital Corp., Providence, Rhode Island
- Walnut Capital Corp., Chicago, Illinois
- Wasatch Venture Corporation, Salt Lake City, Utah
- Western Financial Capital Corporation, Dallas, Texas
- WestVen Limited Partnership, Charleston, West Virginia
- White Pines Capital Corporation, Ann Arbor, Michigan
- Winfield Capital Corp., White Plains, New York

Specialized Small Business Investment Companies (SSBICs)

- Alabama Capital Corporation, Mobile, Alabama
- Alabama Small Business Investment Company, Birmingham, Alabama
- Alliance Enterprise Corporation, Dallas, Texas
- Allied Business Investors, Inc., Monterey Park, California
- Allied Capital Financial Corp., Washington, D.C.
- Ally Finance Corporation, Beverly Hills, California
- American Asian Capital Corporation, New York, New York
- The Argonauts MESBIC Corporation, Framingham, Massachusetts
- Asian American Capital Corporation, Hayward, California
- Astar Capital Corp., Anaheim, California
- BAC Investment Corp., Miami, Florida
- Bentley Capital, San Francisco, California
- Best Finance Corporation, Los Angeles, California
- Broadcast Capital, Inc., Washington, D.C.
- Cactus Capital Company, Worthington, Ohio
- Calsafe Capital Corp., Alhambra, California
- Capital Circulation Corporation, Fort Lee, New Jersey
- Capital Dimensions Ventures Fund, Inc., Minneapolis, Minnesota
- Capital Investors & Management Corp., New York, New York
- Center City MESBIC, Dayton, Ohio
- Charterway Investment Corporation, Los Angeles, California
- Chen's Financial Group, Inc., Houston, Texas
- Chicago Community Ventures, Inc., Chicago, Illinois
- Chickasaw Capital Corporation, Memphis, Tennessee
- The Combined Fund, Inc., Chicago, Illinois
- Commonwealth Enterprise Fund Inc., Boston, Massachusetts
- Continental SBIC, Arlington, Virginia
- Dearborn Capital Corporation, Dearborn, Michigan
- East Coast Venture Capital, Inc., New York, New York

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- East West United Investment Company, McLean, Virginia
- Elk Associates Funding Corporation, New York, New York
- Empire State Capital Corporation, New York, New York
- Equal Opportunity Finance, Inc., Louisville, Kentucky
- Esquire Capital Corp., Commack, New York
- Exim Capital Corp., New York, New York
- Fair Capital Corp., New York, New York
- Far East Capital Corp., Los Angeles, California
- First American Capital Funding, Inc., Fountain Valley, California
- First County Capital, Inc., Flushing, New York
- First Growth Capital, Inc., Forsyth, Georgia
- First Pacific Capital Corp., Brooklyn, New York
- FJC Growth Capital Corporation, Huntsville, Alabama
- Flushing Capital Corp., Flushing, New York
- Freshstart Venture Capital Corporation, New York, New York
- Fulcrum Venture Capital Corporation, Los Angeles, California
- Future Value Ventures, Incorporated, Milwaukee, Wisconsin
- Greater Philadelphia Venture Capital Corp., Inc., Wayne, Pennsylvania
- Hanam Capital Corp., New York, New York
- Ibero American Investors Corp., Rochester, New York
- International Paper Cap. Formation, Inc., Memphis, Tennessee
- LaiLai Capital Corporation, Monterey Park, California
- Magna Pacific Investments, Glendale, California
- Medallion Funding Corporation, New York, New York
- MESBIC Financial Corp. of Houston, Houston, Texas
- MESBIC Ventures, Inc., Dallas, Texas
- Metro-Detroit Investment Company, Farmington Hill, Michigan
- Milestone Growth Fund, Inc., Minneapolis, Minnesota 55402
- Minority Broadcast Investment Corp., Washington, D.C.
- Motor Enterprises, Inc., Detroit, Michigan
- Myriad Capital, Inc., Monterey Park, California
- The Neighborhood Fund, Inc., Chicago, Illinois
- North America Inv. Corporation, Hato Rey, Puerto Rico
- North Texas MESBIC, Inc., Dallas, Texas
- Opportunity Capital Corporation, Fremont, California
- Pacific Venture Capital, Ltd., Honolulu, Hawaii
- Pan Pac Capital Corp., Deer Park, New York
- Peterson Finance and Investment Company, Chicago, Illinois
- Pierre Funding Corp., New York, New York
- Polestar Capital, Inc., Chicago, Illinois
- Positive Enterprises, Inc., San Francisco, California
- Pro-Med Investment Corporation, North Miami Beach, Florida
- Renaissance Capital Corporation, Atlanta, Georgia
- Rutgers Minority Investment Corporation, Newark, New Jersey
- San Joaquin Business Investment Group Inc., Fresno, California
- Security Financial and Investment Corp., Bethesda, Maryland
- Situation Ventures Corporation, Maspeth, New York

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- South Bay Capital Corporation, Torrance, California
- Square Deal Venture Capital Corp., New Square, New York
- Sun-Delta Capital Access Center, Inc., Greenville, Mississippi
- Syncom Capital Corp., Silver Spring, Maryland
- Tennessee Venture Capital Corporation, Nashville, Tennessee
- Tower Ventures, Inc., Hoffman Estates, Illinois
- Transpac Capital Corporation, Clifton, New Jersey
- Transportation Capital Corporation, Boston, Massachusetts
- Triad Capital Corp. of New York, New York, New York
- Trusty Capital Inc., New York, New York
- TSG Ventures, Inc., Stamford, Connecticut
- United Capital Investment Corp., New York, New York
- United Oriental Capital Corporation, Houston, Texas
- Valley Capital Corp., Chattanooga, Tennessee 37402
- Venture Opportunities Corporation, New York, New York
- West Tennessee Venture Capital Corporation, Memphis, Tennessee
- Western General Capital Corporation, Sherman Oaks, California

Federal Home Loan Bank System

The FHL Bank System was created by Congress in 1932 to provide banks with wholesale financing in order to allow a constant flow of financing for affordable housing. The system forms a conduit between lenders and community organizations in order to provide low-cost mortgage financing to consumers. In 1989, the FHL Bank System was enhanced by the Financial Institutions Reform, Recovery and Enforcement Act (FIRREA) which created the Affordable Housing Program (AHP) and the Community Investment Program (CIP). These programs are described below.

The most recent information on the FHL Bank System and its programs is available from the 1993 annual report submitted to Congress by the Federal Housing Finance Board (FHFB). This report indicates that membership in the FHL Bank System has topped 5,000, including 2,824 banks and 2,102 thrifts. Outstanding advances for affordable housing and community development purposes presently totals $112 billion.

Affordable Housing Program: AHP was created by Congress to provide mortgage credit for low- to moderate-income families. Since its creation, AHP has advanced $277.3 million in grants which has leveraged $3.8 billion for community development. This funding has resulted in the creation of over 70,000 units of housing; 65% of these units are for very-low-income households. The FHL Bank System is expected to contribute $75 million to the AHP in 1994 and $100 million each year beginning in 1995. These funds will insure that banks are able to provide subsidized advances and grants for affordable housing. The FHFB's 1993 report offers these examples of AHP projects:

- **Commonwealth Federal Savings Bank, Valley Forge, Pennsylvania** used an AHP direct subsidy of $72,000 to help build 24 single-family homes for rent to very-low-income households. Preference for the housing was given to homeless households and women suffering from spousal abuse. Five of the units are designed for the handicapped. By maintaining the property, tenants can receive credit towards building homeownership equity at the rate of 1.5 percent of each unit's value per year. The project's sponsor, Community Housing Services of Lansdale, Pennsylvania,

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estimates the project's cost at $2.7 million. Other financing sources include the Pennsylvania Housing Finance Agency and Low-Income Housing Tax Credits purchased by the member's parent holding company.

- **Great Lakes Bank Corporation FSB, Saginaw, Michigan,** used an AHP direct subsidy of $80,000 for repairs to 20 owner-occupied homes of very-low-income elderly households in Saginaw. All households assisted in the program have incomes below 50 percent of the area median income. Repairs consisted of re-roofing, replacement of storm windows and screens, and miscellaneous repairs. All roofing work was performed by volunteer professional roofers. The project's sponsor is Saginaw Christmas in July, which is affiliated with the national non-profit volunteer organization, Christmas in April. Total project costs were $290,400 with much of the materials and labor donated by local individuals, businesses, and organizations.

- **TCF Bank Savings, FSB, Minneapolis, Minnesota**, used an AHP direct subsidy of $50,000 to help in the rehabilitation of 14 rental housing units in Minneapolis for very-low-income single parents who have completed chemical dependency treatment and are working toward self sufficiency. The project is part of the Indian Family Center and is sponsored by the Minnesota Indian Women's Resource Center, which also owns and manages the project. Tenant incomes are expected to be about 30 percent of the area median income. Other loans, grants, and equity for this project came from the City of Minneapolis, the Minnesota housing finance agency's Housing Trust Fund, the Minnesota Department of Jobs and Training, HUD, and several foundations.

Community Investment Program: CIP provides long-term investment capital for low- to moderate-income housing and other community development efforts. The program provides capital at rates below the standard market rate. Since its creation in 1989, CIP has distributed $5.6 billion in advances and has helped finance over 145,000 units of housing. Of these units, 72% are for homeownership and 28% for rental. In 1993 alone, the CIP advanced $1.8 billion for community development and affordable housing which translated into over 40,000 units of housing. The role of commercial banks is revealed by the fact that they account for approximately 70 percent of the number and dollar volume of economic and community development CIP advances made in 1993. The FHFB's 1993 report offers these examples of CIP projects:

- **American Savings of Florida, Miami, Florida**, in partnership with the lender consortium, Homes of South Florida, used a $4.8 million CIP advance to finance the rebuilding of a local apartment complex, Seagrape Village. The 112-unit affordable multifamily rental complex was heavily damaged by Hurricane Andrew in August 1992, which left only the existing floors, walls, second story roof trusses, and electrical meters after it passed through. American Savings accessed the FHL Bank of Atlanta's special at-cost Hurricane Andrew Program to provide the financing. The project is now fully occupied and was one of the first to be rebuilt following the storm.

- **Dubuque Bank and Trust Company, Dubuque, Iowa**, used a 20-year CIP advance of $1.9 million to fund a first mortgage loan to G&G Living Center, Inc., to build 6 scattered-site group homes for 36 developmentally disabled individuals. The project's total development cost is $4.2 million, and includes an AHP direct subsidy of $180,000 awarded in the AHP second round of 1992 to Garnavillo Savings Bank, Garnavillo, Iowa.

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- **Fulton Bank, Lancaster, Pennsylvania,** obtained a CIP advance of $2.9 million to finance the rehabilitation of the former Follmer-Clogg & Company umbrella factory. The building is a prominent historical landmark in Lancaster's central business district, and was converted into 83 apartments. Thirty-nine units are for very-low-income households, 38 units for households with incomes less than 60 percent of the area median, and 6 units are for households earning less than 80 percent of the area median income. The Pennsylvania Housing Finance Agency, the City of Lancaster, a Community Development Block Grant, and HUD's HOME program provided funding for the project.

- **Norwest Bank Iowa, N.A., Des Moines, Iowa,** is using a 7-year CIP advance of $1.1 million to provide permanent first-mortgage financing to a 103-bed nursing home in New Hampton, Iowa. The availability of this affordable financing contributes to the continued employment opportunities for the employees of the nursing home. The New Hampton care facility is one of the largest employers in Chickasaw County.

- **Rocky Mountain Bank, Cheyenne, Wyoming,** used a CIP advance of $500,000 to finance the Evanston Housing Authority's purchase of the Pines at Yellow Creek, an 84-unit rental project. The average income level of the tenants served is 27 percent of the area median income.

- **St. Francis Bank, FSB, St. Francis, Wisconsin,** is using CIP funds of $930,000 to finance the construction of a 43-unit apartment complex for the elderly. In addition to the member's first mortgage, project financing includes Low-Income Housing Tax Credits. The units are reserved for residents with incomes at or below 60 percent of the area median income.

Farmers Home Administration

Through the Business and Industrial Loan Program, the Farmers Home Administration (FmHA) attempts to encourage lenders to make and service loans to businesses and industries in rural areas. The program is designed to improve the economic conditions and maintain employment levels in areas with less than 50,000 inhabitants. FmHA offers traditional lenders an incentive by guaranteeing up to 90 percent of the lost principal and interest on loans, and loans are generally limited to a maximum of $10 million. Loan funds may be used for community development purposes such as business and industrial acquisitions, machinery, construction, modernization, pollution control, down-payment assistance for farm ownership, community facilities, and housing development for low- to moderate-income individuals and the elderly.

Low Income Housing Tax Credit

The Low Income Housing Tax Credit program was created in order to stimulate investments in affordable housing for low- to moderate-income individuals. Investors provide equity capital for affordable housing and receive a direct write-off on their federal taxes. This equity capital is supplemented by financing from traditional lenders CDCs, local governments, and private benefactors. Information provided by the National Equity Fund states that the Tax Credit has led to the creation of more than 600,000 new rental homes.

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SOCIAL COMPACT

Social Compact is a coalition of financial services industry leaders committed to strengthening America's lower income neighborhoods and rural communities by increasing industry investment in disadvantaged communities and expanding support for effective neighborhood-based non-profit housing and community development efforts.

The primary activity of the Social Compact is an annual recognition program which brings national attention and resources to outstanding partnership efforts between neighborhood non-profit organizations and financial services institutions. These awards highlight highly successful and innovative approaches to meeting affordable housing and/or community development needs, urban and rural. The Neighborhood Nonprofit Partnership awards celebrate exceptionally effective housing/community development organizations and include grants to further their work. The Outstanding Community Investment awards are presented to their financial services institution partners for providing outstanding support to the non-profit and ongoing investment in the community. Additionally, Social Compact produces publications that focus on industry/non-profit partnership success strategies and provides contact information on resource persons, with the aim of encouraging future industry replication/adaptation.

Social Compact is composed of hundreds of financial services institutions whose chief executives have entered into a written commitment to support the Social Compact mission. Some of the commercial banks and BHCs supporting the Social Compact include:

- Amalgamated Bank of New York, New York
- Ambassador Bank of the Commonwealth, Allentown, Pennsylvania
- BankAmerica Corporation, San Francisco, California
- Bankers Trust Company, Des Moines, Iowa
- Bank Hapoalim B.M., New York, New York
- Bank of America, Los Angeles, California
- Bank of Ireland, New York, New York
- Bank of New York, New York, New York
- Bank of Tokyo Trust, New York, New York
- Bank of Vermont, Burlington, Vermont
- Bank One, Milwaukee, NA, Milwaukee, Wisconsin
- Bank One, Sturgis, Sturgis, Michigan
- Boatmen's National Bank of Des Moines, N.A., Des Moines, Iowa
- BPD International Bank, New York, New York
- Branch Banking and Trust Company, Wilson, North Carolina
- Capital Bank of Columbia, Columbia, Missouri
- Central Bank & Trust, Fort Worth, Texas
- Chase Manhattan Bank of Connecticut, Bridgeport, Connecticut
- Chase Manhattan Corporation, New York, New York
- The Chase Manhattan Bank, N.A., Rochester, New York
- Chemical Banking Corporation, New York, New York
- Chemical Bank New Jersey, East Brunswick, New York
- Citibank (Arizona), Phoenix, Arizona
- Citibank, Maine, N.A., South Portland, Maine
- Citibank, N.A., New York, New York

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Taking Responsibility: Financing America's Community Development

- Citibank, New York State, Pittsford, New York
- Citizens Commercial & Savings Bank, New York, New York
- Citizens Commercial & Savings Bank, Flint, Michigan
- Cole Taylor Bank, Wheeling, Illinois
- Comerica Incorporated, Detroit, Michigan
- Commerce Bank of Kansas City, N.A., Kansas City, Missouri
- Commercial Bank & Trust Company of Tulsa, Tulsa, Oklahoma
- Community State Bank, Union Grove, Wisconsin
- Constellation Bancorp, Linden, New Jersey
- Continental Bank, Chicago, Illinois
- Corestates Financial Corporation, Philadelphia, Pennsylvania
- Devon Bank, Chicago, Illinois
- EAB, Uniondale, New York
- Emprise Bank, N.A., Lindsborg, Kansas
- Enterprise Bank and Trust Company, Lowell, Massachusetts
- Farmers State Bank-Mission Branch, Mission, South Dakota
- FCC National Bank, Wilmington, Delaware
- First Acadania National Bank, Opelousas, Louisiana
- First Bank System, Minneapolis, Minnesota
- First Commerce Savings, Lincoln, Nebraska
- First Eastern Bank, N.A., Wilkes-Barre, Pennsylvania
- First Fidelity Bancorp, Newark, New Jersey
- First Hawaiian Bank, Honolulu, Hawaii
- First Interstate Bank of Idaho, Boise, Idaho
- First National Bank of Maryland, Baltimore, Maryland
- First National Bank of Mount Vernon, Mount Vernon, Texas
- The First National Bank, Strasburg, Virginia
- First Oak Brook Bank, Glenview, Illinois
- First of America Bank-Michigan, N.A., Kalamazoo, Michigan
- First of America Community Development Corporation, Detroit, Michigan
- First Republic Bancorp, Inc., San Francisco, California
- First Security Bank of Idaho, Boise, Idaho
- First Third Bank of Columbus, Columbus, Ohio
- First Union Corporation, Charlotte, North Carolina
- First Union National Bank of Georgia, Atlanta, Georgia
- First Union National Bank of Virginia, Roanoke, Virginia
- First Wisconsin National Bank, Milwaukee, Wisconsin
- Firstar Bank Cedar Rapids, N.A., Cedar Rapids, Iowa
- Firstar Bank Milwaukee, N.A., Milwaukee, Wisconsin
- Firstar Corporation, Milwaukee, Wisconsin
- FirsTier Bank, National Assoc., Lincoln, Nebraska
- Fleet Bank of New York, Rochester, New York
- Fleet Bank of New York, Utica, New York
- Franklin National Bank of Minneapolis, Minneapolis, Minnesota
- Fuji Bank & Trust Company, New York, New York
- Governors Bank, West Palm Beach, Florida
- Harris Bank Batavia, NA, Batavia, Illinois

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- Harris Trust & Savings Bank, Chicago. Illinois
- Hawkeye Bank, Des Moines, Iowa
- The Howard Bank, N.A., Burlington, Vermont
- Huntington Banks of Michigan, Troy, Michigan
- The Huntington National Bank of Indiana, Indianapolis, Indiana
- INB National Bank, Indianapolis, Indiana
- Intercontinental National Bank, San Antonio, Texas
- Jefferson National Bank, Charlottesville, Virginia
- Jefferson National Banks, Miami Beach, Florida
- J.P. Morgan & Co., New York, New York
- Key Bank of Maine, Augusta, Maine
- Lafayette Bank and Trust Company, Lafayette, Indiana
- LaSalle National Bank, Chicago, Illinois
- Lincoln Bank South, Lincoln, Nebraska
- Lincoln State Bank, Milwaukee, Wisconsin
- Lorain National Bank, Lorain, Ohio
- LTCB Trust Company, New York, New York
- M&T Bank, Buffalo, New York
- Marine Midland Bank, NA, Buffalo, New York
- Marine Midland Bank, N.A., Syracuse, New York
- Maryland National Bank, Baltimore, Maryland
- Mellon Bank Corporation, Pittsburgh, Pennsylvania
- Merchants National Bank of Aurora, Aurora, Illinois
- Midlantic Corporation, Edison, New Jersey
- National City Bank, Cleveland, Ohio
- National City Bank of Minneapolis, Minnesota
- National Westminster Bank USA, New York, New York
- NationsBank Corporation, Charlotte, North Carolina
- NBD Bank, NA, Detroit, Michigan
- NBD Bank, NA, Fort Wayne, Indiana
- Northern Trust Bank/DuPage, Oakbrook Terrace, Illinois
- The Northern Trust Company, Chicago, Illinois
- Norwest Bank Iowa, N.A. - Cedar Rapids, Cedar Rapids, Iowa
- Norwest Bank Nebraska, N.A., Omaha, Nebraska
- Norwest Bank Wisconsin, Milwaukee, Wisconsin
- Oakbrook Bank, Oak Brook, Illinois
- Old Kent Bank and Trust Company, Grand Rapids, Michigan
- Olympian Bank, Brooklyn, New York
- The Palmer National Bank, Washington, D.C.
- Park Bank, Madison, Wisconsin
- The Peoples Bank, Mt. Washington, Kentucky
- PNC Bank, Ohio, National Association, Cincinnati, Ohio
- Portales National Bank, Portales, New Mexico
- Prime Bank, Boynton Beach, Florida
- The Provident Bank, Cincinnati, Ohio
- Randolph Bank & Trust Company, Asheboro, North Carolina
- Safra National Bank of New York, New York, New York

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- Seafirst Bank, Seattle, Washington
- Signet Bank of Maryland, Baltimore, Maryland
- Society Bank, Michigan, Ann Arbor, Michigan
- Society National Bank, Cleveland, Ohio
- Society National Bank, Indiana - Central Indian Region, Indianapolis, Indiana
- South Central Bank and Trust, Chicago, Illinois
- SunBank/South Florida, N.A., Ft. Lauderdale, Florida
- Sunwest Bank of Santa Fe, Santa Fe, New Mexico
- Texas Commerce Bank, NA, Austin, Texas
- UJB Financial Corp, Princeton, New Jersey
- Union Bank and Trust Company, Minneapolis, Minnesota
- Uptown National Bank of Chicago, Chicago, Illinois
- U.S. Trust Company of New York, New York, New York
- Valley Bank, Milwaukee, Wisconsin
- Wells Fargo Bank, Los Angeles, California
- West One Bank, Idaho, N.A., Boise, Idaho

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Consumer Bankers Association

APPENDIX A

OTHER COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS

In addition to banks and BHCs, many others are engaged in community development. Examples include Community Development Banks (CDBs), Community Development Credit Unions (CDCUs), and Community Development Loan Funds (CDLFs).

Community Development Banks (CDBs)

A small number of banking organizations have formed CDBs to facilitate community development lending to low-income neighborhoods or areas. It is more common for banks and BHCs to form CDCs than CDBs because of the financial and organizational benefits of financing community development though subsidiaries and affiliates. Although activities and organizational structures differ from bank to bank, Bank of America CDB and South Shore Bank offer examples of a typical CDBs.

Bank of America Community Development Bank (BACDB): This example offers a snapshot of a thriving CDB. BACDB provides financial services for the community development industry in California. BACDB views the community development industry as a "public/private" partnership and has designed transactions and programs to promote the financing of small business enterprises and development of affordable housing. BACDB has provided small business financing through the state loan guarantee program, state capital access program, SBA loans, FHA loans, the Bureau of Indian Affairs, and a municipal loan program. Investments for BACDB exceed $100 million for "public/ private" partnership programs such as the California Equity Fund, National Equity Fund, Oakland Housing Partnership, Oregon Equity Fund, and the Texas Housing Opportunity Fund. Additionally, BACDB contributes $3 million in grants each year for non-profit housing groups such as LISC, the Low Income Housing Fund, and Rural Communities Assistance Corporation.

South Shore Bank of Chicago: South Shore is a small commercial bank which provides funding to low-income residents in Chicago. The bank's holding company, Shorebank Corporation, owns several community development subsidiaries. These include City Lands Corporation (a real estate development entity which assists with the rehabilitation of distressed real estate); the Neighborhood Fund (an investment company which finances minority companies); the Neighborhood Institute (an affiliate that operates economic and social development programs); and Shorebank Advisory Services (a consulting firm which provides technical assistance on development banking and community strategies). In addition, the Neighborhood Institute has a subsidiary, TNI Development Corporation, which assists with development of low- and moderate-income housing in Chicago. *Other examples of CDB's include:*

- Community Capital Bank, New York, New York
- Elk Horn Bank & Trust Co., Arkadelphia, Arkansas
- National Cooperative Bank, Washington, D.C.

Community Development Credit Unions (CDCUs)

These non-profit entities are regulated, insured, tax-exempt financial cooperatives. CDCUs are special purpose institutions created to serve low- to moderate-income individuals and minorities. Most CDCUs are located in inner-cities but others primarily serve rural areas. Services provided by CDCUs include basic banking, access to small-scale credit for individuals and small businesses and small-scale savings.

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The majority of CDCUs are considered Low Income Credit Unions (LICUs) under the Federal Credit Union Act. LICU status denotes that more than half of the credit union's membership earns less than 80 percent of the national median household income. The most recent and comprehensive information on LICUs is provided by the National Credit Union Administration (NCUA) in their "1994 Mid Year Report on Low-Income Credit Unions". The report indicates that LICUs may be better suited for community development efforts than traditional credit unions for several reasons. First, they have greater authority to accept deoposits from nonmembers. Secondly, they have access to low-interest loans, deposits, and technical assistance from the Community Development Revolving Loan Program for Credit Unions. Finally, they have more flexibility in defining fields of membership. The number of CDCUs has been increasing and information provided by the National Federation of Community Development Credit Unions indicates that there are currently over 185 CDCUs in existence.

<u>Community Development Loan Funds (CDLFs)</u>

CDLFs represent another type of partnership to reach low-income neighborhoods. Although they are relatively new, there are already over 40 CDLFs in operation. These non-profit entities serve as intermediaries raising funds from financial institutions and others and lending for affordable housing development, small business loans, education and human services. The most comprehensive information on CDLFs is available from the National Association of Community Development Loan Funds (NACDLF) as of June 30, 1994. According to NACDLF, financial institutions have primarily been contributors of equity capital which helps the CDLFs achieve minimum net-worth and loan loss reserve levels. For example, in 1993, Citicorp provided a $1 million grant to assist in NACDLF's recent equity drive. These grants have leveraged larger loans and supplement financing from individuals, religious institutions, and other financial institutions. As of June 30, 1994, CDLFs have lent $218 million which has leveraged over $1.3 billion for community development purposes. At mid-year, NACDLF members had $105 million in current and committed loans and were managing $168.7 million in capital. By the end of 1993, these dollar figures translated into the creation of 43,000 units of housing and the creation of 6,300 jobs for low-income individuals. Examples of CDLFs include:

- Anawim Fund of the Midwest, Davenport, Iowa
- Association of Regional Agriculture Building the Local Economy (ARABLE), Eugene, Oregon
- Berakah Alternative Investment Fund, Katy, Texas
- Berakah Fund, Houston, Texas
- Boston Community Loan Fund, Albany, New York
- Capital District Community Loan Fund, Albany, New York
- Cascadia Revolving Fund, Seattle, Washington
- Chicago Community Loan Fund, Chicago, Illinois
- Cincinnati Development Fund, Cincinnati, Ohio
- Common Wealth Revolving Loan Fund, Youngstown, Ohio
- Community Loan Fund of SW Pennsylvania, Pittsburgh, Pennsylvania
- Cooperative Fund of New England, Hartford, Connecticut
- Cornerstone-Homesource Regional Loan Fund, Cincinnati, Ohio
- Delaware Valley Community Reinvestment Fund, Philadelphia, Pennsylvania
- Federation of Appalachian Housing Enterprises, Berea, Kentucky
- First State Community Loan Fund, Wilmington, Delaware
- FORGE, Tahiequah, Oklahoma

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- Fund for an OPEN Society, Philadelphia, Pennsylvania
- Greater New Haven Community Loan Fund, New Haven, Connecticut
- HEAD Community Loan Fund, Berea, Kentucky
- Housing Assistance Council, Washington, D.C.
- Illinois Facilities Fund, Chicago, Illinois
- Institute for Community Economics, Springfield, Massachusetts
- Jubilee Community Loan Fund, Buffalo, New York
- Lakota Fund, Kyle, South Dakota
- Leviticus 25:23 Alternative Fund, Ossining, New York
- Local Enterprise Assistance Fund, Boston, Massachusetts
- Low Income Housing Fund, San Francisco, California
- Maine Community Loan Fund, Portland, Maine
- McAuley Housing Fund, Denver, Colorado
- Michigan Housing Trust Fund, Lansing, Michigan
- Micro Industry Credit Rural Organization (MICRO), Tucson, Arizona
- Montreal Community Loan Association, Montreal, Canada
- New Hampshire Community Loan Fund, Trenton, New Jersey
- New Jersey Community Loan Fund, Trenton, New Jersey
- New Mexico Community Development Loan Fund, Albuquerque, New Mexico
- Nonprofit Facilities Fund, New York, New York
- Northcountry Cooperative Development Fund, Minneapolis, Minnesota
- Northern California Community Loan Fund, San Francisco, California
- Rural Community Assistance Corp. RLF, Sacramento, California
- Self-Help Ventures Fund, Durham, North Carolina
- Southeastern Reinvestment Ventures, Atlanta, Georgia
- Vermont Community Loan Fund, Montpelier, Vermont
- Washington Area Community Investment Fund, Washington, D.C.
- Worcester Community Housing Resources, Worcester, Massachusetts

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Taking Responsibility: Financing America's Community Development

APPENDIX B
ADDRESSES TO CONTACT FOR FURTHER INFORMATION

Consumer Bankers Association
1000 Wilson Boulevard, 30th Floor
Arlington, Virginia 22209
Phone: 703-276-1750
Fax: 703-528-1290

Government Agencies
Board of Governors of the Federal Reserve System
Community Affairs Officer
Division of Consumer and Community Affairs
20th Street and Constitution Avenue, N.W.
Washington, D.C. 20551
Phone: 202-452-3378

Farmers Home Administration
United States Department of Agriculture
14th Street and Independence Avenue, S.W.
Washington, D.C. 20250
Phone: 202-720-4323

Federal Housing Finance Board
1777 F Street, N.W.
Washington, D.C. 20006
Phone: 202 408-2500

Office of the Comptroller of the Currency
Community Development Division
250 E Street, S.W.
Washington, D.C. 20219
Phone: 202-874-4930

Small Business Administration
Associate Administrator for Investment
409 Third Street, S.W.
Washington, D.C. 20416
Phone: 202-205-6510

Other Associations and Non-Profits
The Enterprise Foundation
10227 Wincopin Circle, Suite 500
American City Building
Columbia, MD 21044
Phone: 410-964-1230

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Local Initiatives Support Corporation
733 Third Avenue
New York, NY 10017
Phone: 212-455-9800

National Association of Community Development Loan Funds (NACDLF)
924 Cherry Street
Third Floor
Philadelphia, PA 19107-2405
Phone: 215-923-4754

National Credit Union Administration
Office of Community Development Credit Unions
1775 Duke Street
Alexandria, VA 22314-3428
Phone: 703-518-6610

National Community Reinvestment Coalition
Suite 1010
1875 Connecticut Avenue, N.W.
Washington, D.C. 20009
Phone: 202-986-7898

National Council of La Raza
810 First Street, N.E., Suite 300
Washington, DC 20002-4205
Phone: 202-289-1380

National Equity Fund
547 W. Jackson Blvd., Suite 601
Chicago, IL 60661
Phone: 312-360-0400

National Federation of Community Development Credit Unions
120 Wall Street, Tenth Floor
New York, NY 10005
Phone: 212-809-1850

Neighborhood Reinvestment Corporation
1325 G Street, N.W.
Suite 800
Washington, D.C. 20005
Phone: 202-376-2390

Social Compact
5335 Wisconsin Avenue, N.W.
Suite 410
Washington, D.C. 20015
Phone: 202-686-9190

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The Association for Retail Banks and Thrift Institutions
1000 Wilson Boulevard, 30th Floor
Arlington, Virginia 22209-3908
Phone: 703-276-1750
Fax: 703-528-1290

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Written Testimony to the Financial Institutions Subcommittee of the House Banking Committee on the Community Reinvestment Act

March, 1995

by Malcolm Bush, President
Woodstock Institute

The Woodstock Institute was founded in 1973 to promote reinvestment and economic development in low- and moderate-income communities. The Institute employs the tools of applied research, technical assistance, and public education and is one of the country's leading experts on patterns of community reinvestment lending.

The Woodstock Institute, through its empirical analyses of community reinvestment lending, is convinced that the CRA is currently a critical tool for the revitalization of low- and moderate-income communities, that the CRA could become an even more effective tool, and that it is a low-cost effective tool.

The current debate is both about the validity of the legislation itself, and about the preparation of new regulations under the legislation that have been designed to move CRA examinations from an emphasis on bank processes to lending outcomes. The Woodstock Institute believes that the emphasis on lending outcomes could reduce bank paper-work, reduce confusion about financial institutions' community reinvestment performance, and encourage more community reinvestment lending.

CRA: From Non-Enforcement to Partial Success

Enforcement of the CRA was almost non-existent in the years following its enactment in 1977. In recent years, however, better enforcement has resulted in a substantial increase in aspects of home-mortgage lending. The Woodstock Institute is, for example, currently working on a study of the substantial increase in lending for the purchase and rehabilitation of multifamily units in the City of Chicago, and has discovered that between the early 1980s and the early 1990s such lending increased from about 500 loans a year to 1,300-1,700 loans a year (see attached fact sheet). Such loan volume has had a dramatic impact on the quality of the multi-housing stock in Chicago and has led to the revitalization of whole city blocks. It has, moreover, supported the economic recovery of entire neighborhoods. Community and banking professionals point to the CRA as the main reason for this success, a success which has in turn led to the development of new cohorts of skilled lenders, developers, rehabers and property managers.

Other Woodstock studies point out areas where CRA enforcement could be improved. A recent Reinvestment Alert titled "Refinancing Benefits Some, Not Others", shows that whereas African-Americans own about 30 percent of the single unit owner-occupied houses

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in the City, in the mortgage refinancing boom year of 1992, African-American homeowners accounted for only nine percent of the refinancing loans. Refinancing was, therefore, a significant economic opportunity for reducing the term of a mortgage, reducing monthly payments, or obtaining cash-outs for home-improvement or college fees which did not benefit the African-American community in proportion to their home-ownership.

These two brief examples show that the Community Reinvestment Act is both an actual economic boon to low-income communities and a tool which has not been fully applied. The promulgation of new regulations that concentrate on empirical evidence of loan activity will simplify enforcement, reduce paper-work, and allow for more rational CRA examinations.

Community Reinvestment Lending is Sound Lending

Financial institutions have traditionally made the argument that community reinvestment lending would occur if there were a profitable market for such lending, and that, absent a market, such lending invites failure and amounts to forced charity. Unsafe lending is in no-one's interest. It hurts the lender, the borrower, and the community particularly if a community suffers a number of bad loans. The failure of a high rate of FHA insured loans caused by appalling underwriting by mortgage brokers some of whom posted foreclosure rates in excess of 20 percent is testimony to the dangers of careless lending. But the available evidence suggests that neighborhood characteristics are not a factor in home-mortgage loan performance, and that on average loans to low- and moderate income borrowers perform as well or better than loans to other borrowers.

In 1993, the Institute published the first public study of community reinvestment lending using data from over 2,000 loans from financial institutions across the country, (*Sound Loans for Communities: An Analysis of the Performance of Community Reinvestment Loans*, attached). This analysis performed in conjunction with the National Association of Affordable Housing Lenders and the Kellogg School of Management at Northwestern University, examined loans made in loan programs that existed in 1987 or earlier, and that targeted lower-income communities or borrowers.

The single family loans in this sample showed substantially better performance over time than national data for 90 or more days delinquencies. The community reinvestment sample showed an overall delinquency rate of 0.1 percent compared with national quarterly delinquency rates provided by the Mortgage Bankers Association of 0.75-0.84 percent during 1992. The sample of multifamily loans had a 60 day delinquency rate of 1.02 percent and a 90 day plus delinquency rate of 1.17 percent. While the 60-day rate was higher than the national comparisons on non-targeted multifamily loans, the 90 day rate was only slightly above the national comparisons. Moreover, foreclosure rates for the sample were lower than non-targeted foreclosure rates and the combined delinquency and foreclosure rates for the sample of multifamily loans were lower than for the non-targeted comparison groups.

In both single and multifamily programs, participating lenders reported very low loss levels. For those who reported, total losses over the multi-year study period amounted to 0.04 percent of total dollars lent. Targeted loans to lower- and moderate-income borrowers in

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carefully designed programs have, therefore, proven to be as safe or safer than non-targeted loans.

Small Business Disclosure is a Practical and Important Tool

The Community Reinvestment Act applies to the range of regulated financial institution loan activity. However, CRA activity and examinations have concentrated on home mortgage lending because of the existence of data on such loans required by the Home Mortgage Disclosure Act, and because many of the original CRA community activists were mainly concerned about housing. Small business loans are, however, an equally critical part of the economic fabric of a community, and the absence of data on such loans has contributed to the serious inadequacy of CRA enforcement.

It is clear that CRA has played a lesser role in spurring business development in low- and moderate-income urban neighborhoods, and has left minorities with inferior access to business credit. A 1987 Woodstock Institute report on commercial lending patterns by 28 Chicago banks, which accounted for the bulk of the bank assets in the area, showed that, after excluding 12 census tracts in the downtown area, city neighborhoods received less than 4 percent of all commercial lending dollars from these banks. And a 1992 study published in the Journal of Urban Affairs of 7,000 new firms found that, after controlling for management experience, age and other characteristics, white males received more than $2 in bank credit for every dollar of equity they put in their business, while African-American males received less than $0.70 for every dollar in equity. Related research also found that minority-owned firms located in lower-income neighborhoods have poorer access to credit than minority firms in other areas.

The lack of business loan disclosure has made regular monitoring of this aspect of financial institutions lending impossible, but current Woodstock Institute research suggests that the CRA, under these difficult circumstances has had a limited impact on promoting business lending. The Woodstock Institute is currently conducting research on small business lending patterns in urban areas. The Institute has discovered some, not widely replicated, programs of small business lending by banks as well as nonbank lenders. The Institute has surveyed 45 programs serving small businesses in urban areas, many of which have brought new businesses and jobs to their targeted markets.

These programs typically serve very small businesses with sales under $3 million, providing them with loans from a few thousand dollars for inventory or working capital to a few hundred thousand dollars for equipment or real estate needs. Together, the programs we have surveyed have made more than 5,000 loans to businesses in modest-income neighborhoods, providing more than $1 billion in credit that helps small companies grow and create jobs. And this is just a very small sample of job-creating activity that has been spurred by CRA.

What is clear from our research thus far is that the most effective lenders we have spoken with consistently cite CRA as a principal motivator behind the initiation and growth of their programs. Frequently, these programs view CRA as key to their access to capital and resources. The lenders also cite the important support they have received from the upper

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management of their own institutions or from local banks. More of these lenders are coming to see community economic development lending as important to maintaining their customer base and the overall health of the communities they serve.

One of the most successful of these programs is the Southern Dallas Development Corporation (SBDC) which has made more than 164 loans to small businesses totalling $8 million, leveraging $33 million in investments. These projects have created more than 1,000 jobs in four years of operation. A critical part of the SBDC operation is a multi-bank CDC involving 18 lenders.

The CDC Small Business Finance Corporation and the Bankers Small Business CDC of San Diego finance hundreds of small businesses each year, ranging from startups to small manufacturers throughout the greater San Diego area with special focus on modest-income areas.

Bank of Boston's First Community Bank which has opened branches in modest-income neighborhoods in several New England communities has financed hundreds of small businesses in underserved areas.

Cleveland's Society Bank, which negotiated a CRA agreement with the City of Cleveland in 1991 has, through its Community Development Division, become a major supplier of credit to hundreds of small businesses in the city's neighborhoods. The Division provides flexible credit terms and has worked with local programs and state governments to create new economic development programs and create local jobs.

Small business lending programs in low- and moderate-income neighborhoods have proven their worth. But the programs have not been widely adopted, in large part because lack of data prevents adequate monitoring of this aspect of financial institutions' CRA responsibilities. The revised CRA proposal calls for collecting, but not disclosing to the public, data on small business loans by census tract. In consequence, no information will be disclosed that enables organizations to understand lending patterns in particular communities. This will not only destroy the utility of the data, it is also objectionable in principle. Small business lending data collected by the regulators must be disclosed to the public for CRA to continue to be a useful tool.

Some financial institutions have complained that small business disclosure will threaten the confidentiality of their clients business activity. Chicago's 21 year experience with small business disclosure demonstrates that this concern is without merit. In 1974, one year prior to the passage of the Federal Home Mortgage Disclosure Act, the Chicago City Council passed the Chicago Municipal Depository Ordinance which requires extensive loan and deposit disclosure from all financial institutions bidding for deposits from the city of Chicago.

The Chicago ordinance requires financial institutions to report, for each census tract in the City of Chicago, the total number and dollar amount of commercial loans, the total number and dollar amount of consumer loans, the total number and dollar amount of housing loans by types, and the total number of savings accounts and checking accounts and the total deposits for each.

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While the full disclosure data is available from the City for public review, the office of the City Comptroller annually issues a summary report profiling the lending patterns of the applying institutions.

The information provided by the City has been used by both community groups and regulators to assess the lending performance of commercial banks and to encourage reinvestment efforts. Community organizations have been able to understand more about commercial lending patterns in particular neighborhoods, and the data allow for comparisons of lending between the city and the suburbs.

The 1993 Comptroller's report includes disclosure data from 21 banks. In many cases, individual banks reported only one loan within a given census tract or a given community area. City Comptroller's Office staff report they have had **no concerns expressed by either financial institutions or borrowers regarding privacy issues raised by this disclosure.** A recent survey conducted by the Federal Reserve Bank of Chicago on whether financial institutions had any privacy complaints arrived at the same conclusion: that no bank had complaints about the public disclosure of business data causing privacy problems. This long-term Chicago experience strongly indicates that privacy is not a valid argument against small business disclosure.

Conclusion

The Community Reinvestment Act has been a partially successful tool to promote the economies of lower-income communities that were abandoned by financial institutions in the 1960s and 1970s. Community Reinvestment lending has been profitable, and the implementation of the Act can be streamlined if the new regulations emphasize lending outcomes over bank processes. Full disclosure of CRA required information to the public is, however, a necessary condition for a successful CRA as that disclosure permits individuals, community groups, and public officials to work with regulated financial institutions to promote safe and sound community lending.

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APPENDIX I

The Impact of the Community Reinvestment Act in Chicago

Multifamily Lending

- o **Citywide Multifamily Lending Levels**[1]:

  1983: 564 loans
  1984: 441 loans
  1986: 1.328 loans
  1989: 1.766 loans
  1992: 1.332 loans

- o **23 Low-Mod Neighborhoods With Increases in Number of Loans Over 100% 1983-1984 to 1991-1992, including:**

Grand Boulevard	433%
Near West Side	350%
Greater Grand Crossing	200%
Humboldt Park	162%
Woodlawn	155%
Uptown	127%

1-4 Unit Lending

- o **1987-1991 Increase in Number of 1-4 Unit Loans**[2]

Low-Moderate Income Community Areas:	15.9%
Middle-Upper Income Areas:	8.9%
Low-Mod to Middle-Upper Increase Ratio:	1.78

- o **Ten Neighborhoods with Greatest Percentage Increases**

Oakland	400%	Pullman	72%
Near South Side	218%	Englewood	60%
East Garfield Park	146%	Fuller Park	60%
Avalon Park	96%	Near West Side	50%
Washington Heights	75%	North Park	49%

Of these, nine are predominantly African-American, and seven are low- or moderate-income.

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[1] While it is true that long-term interest rates dropped by approximately 3 percentage points from 1984 to 1986, the increase in lending is too great too be accounted for by interest rates alone. (In fact, multifamily loans fell slightly from 1990 to 1992, when interest rates dropped by almost two percentage points.)

[2] Because HMDA data for single-family loans scored loans for purchase and refinancing homes together until recently, it is important to compare trends across years with similar interest rates, because refinancings are so sensitive to interest rates. 1987 and 1991 are two good comparison years. 1987 average rates were slightly higher than 1991 rates because rates began dropping in late 1991. But both years followed years with generally similar long term interest rates of around 10 percent. And the relatively lower rates in 1991 should bias the results in favor of larger increases in refinancings, thus favoring wealthier areas.

Woodstock Institute, 407 S. Dearborn St., Suite 550, Chicago, IL 60605

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APPENDIX II

REINVESTMENT ALERT

A Woodstock Institute Bulletin May 1994 Number 6

REFINANCING BOOM BENEFITS SOME, NOT OTHERS

Introduction

The most recently available Home Mortgage Disclosure Act (HMDA) data for Chicago show that refinancing loans were not uniformly accessible to all residents. Woodstock has found that during 1992, African-American residents of Chicago had lower than expected application and approval rates for refinancing. This lack of access has denied minorities, particularly African-Americans, the ability to profit from the refinancing boom of the 1990s.

In September 1992, interest rates on 30-year fixed-rate mortgages dropped to an average of 7.92 percent--a rate that had not been seen since 1973--and more people than ever before were trying to refinance their home mortgages. In 1992, the number of refinancing loans in Chicago outnumbered those for home purchase loans by almost 40 percent (23,811 to 17,282).

Why refinance? The savings to a homeowner who chooses to refinance can be substantial. For example, a homeowner with a balance of $60,000 on a 30-year mortgage, paying an interest rate of 11.5 percent might have refinanced to an 8.5 percent interest rate. This 3 percent interest rate reduction would save the homeowner more than $130 per month in mortgage payments. Assuming this homeowner had 25 years left on the mortgage, this savings would amount to almost $40,000 over the life of the loan. Homeowners often use refinancing as a means of addressing other credit needs (e.g., home improvements) by taking out loans large enough to cover those needs.

Unfortunately, not everyone benefitted from the refinancing boom. Given the number of homes they own, African-Americans obtained substantially fewer refinancing loans than whites, Latinos or Asians. While African-Americans own 28.7 percent of the total number of owner-occupied housing units in the city of Chicago, they obtained only 8.8 percent of the refinancing loans. The figure below illustrates this disparity.

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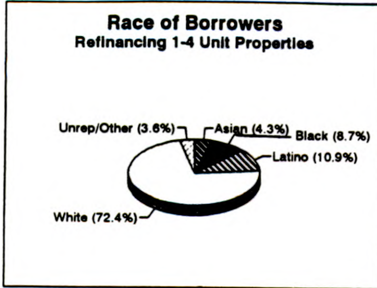
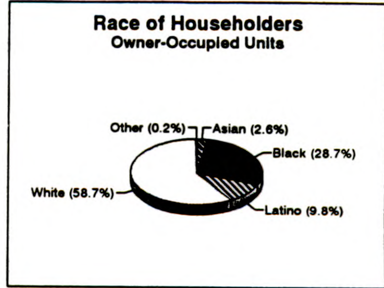
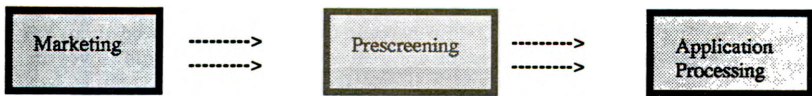




Where Does Discrimination Occur?

Often, people only think of lending discrimination in terms of denial rates--lenders displaying a pattern of denying loans to applicants of a certain race or ethnic origin for no justifiable reason. But the decision to originate or deny a loan is only one step in the lending process; there are other mechanisms through which effective discrimination may take place. The lending process can be described by the following diagram.

Lending Process



This alert will examine these three steps, revealing possible sources of disparities in refinancing home mortgages from marketing through actual origination.

Marketing

Marketing plays a key role in refinancing, and may be a considerably more important factor in attracting refinancing applicants than in attracting home purchase applicants. When ready to purchase a home, prospective buyers go to a financial institution for a loan. Interest rates do have some impact on whether or

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not people purchase homes, but other factors may often dominate the decision. However, the decision to refinance depends almost entirely on interest rates, and is not constrained by many other factors. When interest rates drop, homeowners aware of the potential savings are likely to pursue refinancing. Since interest rates had been considerably higher for nearly two decades, reaching rates over 16 percent in 1980, 1981, and 1982, the low rates of 1992 provided an excellent opportunity for many homeowners to realize significant savings.

But marketing may not reach the entire population who would potentially be eligible to refinance. Lack of advertising in community newsletters and African-American newspapers and radio stations can generate less demand from African-Americans.

Prescreening

The second stage in the lending process where disparities can be found is in prescreening. Prescreening occurs during interactions between a borrower and a lender before a formal application is completed. During this time the lender may informally encourage or discourage the potential borrower. Unfortunately, this is very difficult to track due to lack of data. When prescreening is used to discourage minority applications, it can lead to a significantly lower number of minority applications. People who were interested in applying, and possibly qualified, are discouraged. While lenders are required to report certain prescreening activities as an actual application, in practice they may not. This results in lower denial rates for formal applications and lending practices which appear less discriminatory.

Implications of Poor Information and Prescreening

When considering the number of homeowners who could benefit from refinancing a home mortgage loan, the difference in who tried to take advantage of the opportunity suggests that marketing and prescreening may be working against African-American homeowners. In looking at refinancing applications filed by whites and African-Americans in Chicago, Woodstock found that African-Americans filed only 10.7 percent of the applications. Yet, 28.7 percent of homes in the city are owned by African-Americans. Far fewer African-Americans have applied for refinancing home mortgage loans than whites or other minorities. In a recent report, James Carr and Isaac Megbolugbe of Fannie Mae address this issue by explaining, "If whites are the primary targets of marketing efforts, they receive the superior information, which translates into higher mortgage demand." Either lack of marketing or screening out of African-American applicants could clearly lead to the low application rate among African-American applicants. The figure below illustrates the differences between the racial and ethnic breakdown of refinancing applications, compared to the racial and ethnic breakdown of owner-occupied units.

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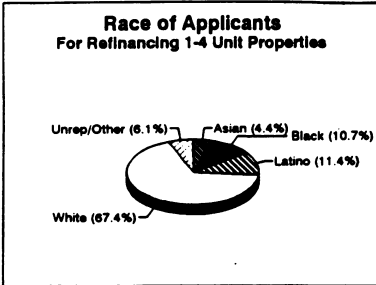

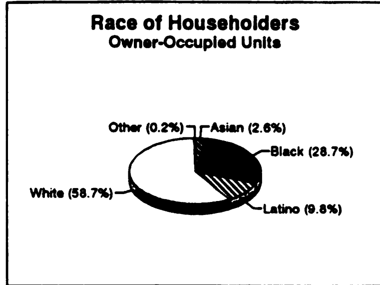

Whites, Latinos, and Asians are over-represented for refinancing applications, African-Americans are extremely under-represented. While just over twice as many whites as African-Americans own homes in Chicago, whites filed applications for refinancing home mortgage loans more than six times as frequently as African-Americans.

Application Processing: Denial Rates

African-American homeowners not only applied for refinancing at lower rates than whites, when they did apply for refinancing, their applications were denied at higher rates. Denial rates for refinancing applications for African-Americans are higher at all levels of income than whites, although for both they decrease as income increases. In fact, the denial rate for African-Americans in the highest income category ($84,000 and over) is still more than one and one-half times that for whites in the lowest income category ($1,000 - $33,000). Since denial rates typically decrease as income increases, the disparities between denial rates are even greater within comparable income categories. Overall, compared to whites, African-Americans are denied refinancing loans 2.8 times more often, Latinos 1.8 times more often, and Asians 1.7 times more often.

The disparity in refinancing home mortgage loans experienced between all minority groups and whites is greater than that experienced for home purchase loans. For home purchase loans African-American applicants are turned down 2.5 times more often than whites, Asians 1.5 times more often, and for Latinos the disparity is sharply reduced to only 1.2 times more often. The figure below illustrates the differences in denial rates by race for both refinancing and home purchase loans.

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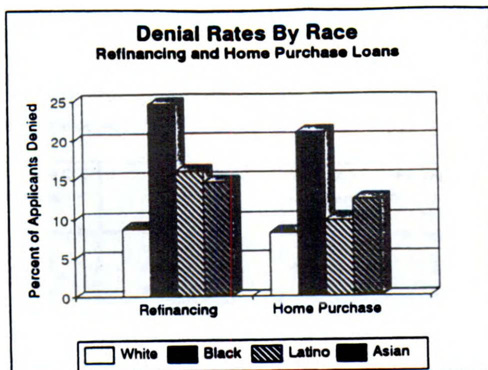

Access Across Communities

Refinancing can be an important source of household income. If communities are unable to tap this income source, they will not see economic gains that other communities enjoy. Woodstock examined refinancing in the thirty-one moderate-income Chicago community areas--those with median household incomes ranging from 80 to 120 percent of the Chicago median of $26,301 (from $21,041 to $31,561). The ratio of the number of refinanced loans for 1-4 unit properties to the total number of 1-4 unit properties (including condominiums) was calculated for each neighborhood. Of these moderate-income neighborhoods, white communities typically saw a much higher rate of refinancing than African-American communities.

The chart below displays the ten moderate-income communities with the highest and lowest levels of refinancing, measured by the number of refinancing loans obtained per 100 mortgageable properties (1-4 unit buildings, condominiums and coops). Of the ten moderate-income neighborhoods with the lowest levels of refinancing, all but the South Lawndale and Chicago Lawn are more than 50 percent African-American. Of the ten with the highest levels of refinancing, only one, Kenwood, is predominantly African-American. However, even in Kenwood, more whites obtained refinancing than African-Americans.

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Refinancing Rates in Moderate-Income Community Areas

Ten Lowest Rates

Community	1989 Median Household Income	Refinancings per 100 Mortgageable Properties
Burnside	25,946	0.24
West Englewood	22,112	0.42
Roseland	28,601	0.91
Pullman	25,413	0.95
Auburn Gresham	27,547	1.03
South Chicago	22,840	1.19
South Deering	28,553	1.21
Chatham	24,008	1.41
South Lawndale	22,260	2.13
Chicago Lawn	25,757	2.27
Chicago	26,301	4.59

Ten Highest Rates

Community	1989 Median Household Income	Refinancings per 100 Mortgageable Properties
Rogers Park	23,902	8.18
North Center	28,941	7.77
Lincoln Square	26,344	6.87
Albany Park	27,285	6.80
Hyde Park	27,692	6.75
West Ridge	31,408	6.55
Irving Park	28,816	6.50
Edgewater	25,042	6.24
Kenwood	22,808	5.76
Bridgeport	25,057	4.89

Implications for Individuals and Communities

The impact of the lack of access to mortgage refinancing, either through marketing, prescreening, or denial, is two-fold. Individuals are evidently harmed, by being denied the opportunity to increase their disposable income. However, entire communities can also suffer. The money saved by individuals through refinancing their home mortgage loans can be used to improve their homes, thus raising the value of individual homes and creating a positive impact on their neighborhoods. In addition, some of the additional income held by the borrowers will be spent in their local communities. As that money circulates through communities, areas with substantial numbers of refinancing will benefit.

African-Americans obtained only a very small portion of home mortgage refinancing loans. While African-Americans own 28.7 percent of the total number of owner-occupied housing units, they obtained only 8.8 percent of the total number of refinancing loans. Refinancing is a critical credit need and provides an important source of income to communities. Community Reinvestment Act activity has focused primarily on home purchase and multifamily lending. But monthly

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surveys by Freddie Mac show that over the last five years refinancing has accounted for 20 to 70 percent of total mortgage activity. Refinancing constituted a significant amount of mortgage activity even when interest rates were not particularly low. CRA must begin to consider refinancing as an important issue in access to credit.

This bulletin was prepared by
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APPENDIX III

SOUND LOANS FOR COMMUNITIES: AN ANALYSIS OF THE PERFORMANCE OF COMMUNITY REINVESTMENT LOANS

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October, 1993

This study is a joint project of the Woodstock Institute and the National Association of Affordable Housing Lenders.

The full report of this study, entitled "Performance Analysis of Community Reinvestment Lending Programs", by Dr. Edwin Mills and Luan' Sende Lubuele, is available from Woodstock Institute.

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Woodstock Institute

The Woodstock Institute is a not-for-profit organization based in Chicago. For the past twenty years, the Institute has carried out applied research and developed and implemented programs which increase private sector investment in modest-income and minority communities for the benefit of those who live there. It designs programs which bridge the gap between the needs of communities and the resources of banks, savings and loan associations, foundations and others.

The Institute provides a variety of services to community-based organizations, financial institutions, foundations, and government agencies, including applied research, policy analysis, program design, and evaluation.

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National Association of Affordable Housing Lenders

National Association of Affordable Housing Lenders (NAAHL) is a trade association for banking and real estate finance executives. NAAHL presents an ongoing forum designed to help members develop greater capacity for delivering financing to affordable housing ventures. Through educational seminars, technical publications and policy advocacy activities, NAAHL seeks to advance the profession of "affordable housing lenders."

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Advisory Committee

We are grateful to the Advisory Committee for their advice and assistance on this project.

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All responsibility for the content of this study rests with the project research team.

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Section I. Overview

Over the last two decades, a growing amount of attention has been focused on the need for reinvestment in disadvantaged communities. The Community Reinvestment Act of 1977 first established the responsibility of financial institutions to address the credit needs of their overall service area. During the early 1980s, financial institutions and community organizations began negotiating lending agreements which included targeted community reinvestment programs. The number of such programs grew during the 1980s.

Over the last several years, both regulatory agencies and bankers have increased their efforts to encourage and create effective community reinvestment programs. While bankers who initiate such programs do so hoping that they will be successful by conventional standards, little if any information has been available to date as to the performance of loans made under such targeted programs.

This study represents the first systematic public attempt to gather and analyze performance data from a national sample of lenders with targeted community reinvestment programs. The study, a joint project of Woodstock Institute and the National Associations of Affordable Housing Lenders (NAAHL), represents a collaboration of several partners: NAAHL collected the loan data and interviewed banks; Dr. Edwin Mills, Gary Rosenberg Distinguished Professor of Real Estate, Kellogg Graduate School of Management, Northwestern University and Luan' Sende Lubuella, Economics Department, Northwestern University, designed and performed the data analysis; the project Advisory Committee assisted in framing, designing, and reviewing the study; and Woodstock Institute coordinated the project and prepared this report.

The study examined 2,231 individual loans made by seven lenders, all located in large metropolitan areas. These loans included 933 single-family and 1,298 multifamily loans totaling $732 million in lending, identified by the lenders as reinvestment loans targeted to low- and moderate-income communities or borrowers. Most of the loans in this study were classified as reinvestment loans by the lender based on their location in a low- and moderate-income census tract or neighborhood. The remainder of the loans resulted from programs targeted to low-income borrowers or low-income tenants, regardless of the location of that loan.

This analysis shows that overall, the performance of the loans in this sample compares well with larger samples of loans not targeted to low- and moderate-income communities or borrowers. The single-family loans studied had substantially lower delinquency rates than for the single-family market as a whole. The multifamily loans in this analysis had somewhat higher delinquency rates than the more limited comparison data that was available; however, the combined delinquency and foreclosure rates were comparable to national data. Thus, while delinquencies were somewhat more frequent, foreclosure rates appeared comparable to, or lower than, those of multifamily loans not targeted to lower income communities. Loan losses reported for both multifamily and single-family loans were very low.

This analysis is a useful corroboration to a growing body of more anecdotal experience of banks, savings and loans, and lending consortia which are finding

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that their targeted reinvestment programs are successful, and do not appear to carry significantly more risks than other loans made by the bank.

Conducting this study proved a challenging task. Differences in information tracking, storage, and retrieval systems among institutions made gathering consistent data across financial institutions difficult. This analysis is limited to those factors for which the researchers could obtain sufficient data for meaningful conclusions. The researchers believe that while this first study provides an important contribution to the knowledge about these kinds of loans, additional research can and should be performed in the future to increase the overall understanding of reinvestment performance. Suggestions for further research are included in Section V to this report.

Notwithstanding the need for further research, the conclusion that community reinvestment loans perform well suggests that financial institutions can make loans to low- and moderate-income neighborhoods a regular part of their lending program, and that such loans can be consistent with considerations of safety and soundness.

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Section II. Background

Over the last decade, in response to the Community Reinvestment Act, community pressure, or a perception that unmet credit needs represented a viable lending market, banks, savings and loans, and specialized financial institutions and intermediaries have developed targeted programs to address community development lending needs. From a small number of programs begun in the early 1980s, the field of community reinvestment lending has expanded considerably over the last several years. Most, though certainly not all, of this lending has been focused on loans for single-family and multifamily housing targeted to low- and moderate-income borrowers and communities.

The provision of credit plays a key role in the health and economy of communities. Recognition of that key role has led the range of those concerned with community development to develop and promote lending programs that can address the particular needs of lower and moderate income communities.

Throughout this period of development, there has been considerable discussion about the quality and performance of these types of targeted loans and loan programs. Data about their actual performance, however, has been largely unavailable. Individual institutions do not readily share loan performance data, and the historic lack of secondary markets for these loans has prevented a broader analysis.

Community reinvestment lending programs encompass a wide range of lending activities. Programs develop in different ways to deal with both community needs and an institution's interests and capabilities. These programs have targeted a particular market niche determined to be underserved by existing lending programs or products. They are often focused on a particular geographic community, for example a neighborhood or census tract consisting predominantly of low- and moderate-income residents. They may target a particular type of borrower, e.g., a lower-income, first time homebuyer. They may target particular types of loans, e.g., multifamily purchase and rehabilitation loans. Many, although not all, encompass modified underwriting standards (e.g., higher debt-to-income ratios), special loan terms (e.g., lower downpayment requirements), or other eligibility standards. Some programs may be particularly designed to incorporate third party subsidies or subordinated debt to make loans more accessible and affordable to targeted borrowers. In larger banks, these programs are likely to have dedicated staff.

Understanding the performance, in traditional terms, of targeted community reinvestment lending is important to the work of banks, regulators, secondary market agencies, and community organizations. To effectively enforce the Community Reinvestment Act, regulators need to understand the record of community reinvestment lending and the safety and soundness implications of such programs. The availability of information on reinvestment loan performance can encourage the development of new lending programs by financial institutions, and encourage existing programs to expand or modify their efforts. Reinvestment loan performance information can assist secondary market agencies in expanding the secondary market for community development loans.

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To date, the evidence on performance of reinvestment loans has been anecdotal. Such evidence has indicated that bankers believe that their community reinvestment portfolios perform reasonably well. Anecdotal evidence has not necessarily been based on extensive in-house analysis of loan performance over time. This study represents the first independent systematic analysis of loan performance which includes a number of financial institutions.

In designing and implementing this study, it was necessary to address several key issues which together determined its nature and scope.

First, the study required collecting a substantial amount of information not normally divulged by financial institutions, including loan-by-loan characteristics and payment histories. In order to gather and utilize this information, it was necessary to assure participating financial institutions of complete confidentiality in the study. It was one of the functions of NAAHL to ensure confidentiality, by collecting data and forwarding it to the principal researcher without reference to the names of the participating institutions.

Second, it was necessary to aggregate information, requiring the standardization of collected data. When information supplied was not in a standardized form, it was necessary to either adapt it to a standardized form or eliminate it from consideration.

Third, a high level of cooperation and significant effort were necessary from participating lenders to provide the detailed information requested for the study. In the final analysis, this reduced the number of institutions which were able to participate fully in the study.

Notwithstanding the demands of the study, however, the data collected represents the lending programs of seven institutions, encompassing six multifamily housing lending programs and three single-family lending programs.

Limits of this analysis

This study represents the first public, detailed multi-institution analysis of reinvestment lending performance. Because it is the first such study performed, it is important to underscore several limitations as well as the applications of this analysis.

- This does not represent a random sample of reinvestment loans. Data was gathered from all those qualifying institutions willing to provide it for all the loans in their portfolio from which they could extract relevant data. Nevertheless, the study's results appear to be generally consistent with the anecdotal experience of a wider range of community reinvestment lenders (see Section IV).

- To complete this analysis, it was necessary to utilize data that was not consistent. Due to differences in recordkeeping and accessibility of information, lenders did not provide us with strictly comparable data on their loans. Efforts were made to adjust the data so that consistent comparisons could be made without compromising the results.

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- The study does not represent a large sample of reinvestment lenders, although it does contain a sizable number of loans, and consists of portfolios with many seasoned loans.

- This study did not permit an extensive analysis of the determinants of loan performance, due to the inability to collect a sufficient volume of individual loan data from the participating lenders in a sufficiently consistent format. Further data and analysis would be valuable to the understanding of bankers and regulators about the nature of the risks and record of reinvestment lending.

- This study does not address the issues of profitability of the loans and lending programs analyzed. It provides indications of key measures of profitability--delinquencies and defaults. Analysis of overall costs of reinvestment lending was beyond the scope of this analysis.

Section V of this report covers some of the ways in which further research and analysis could add to these results.

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Section III. The Study[1]

A. Research Design

The Sample

The project tests the hypothesis that targeted community reinvestment loans perform as well as loans that are part of a bank's regular lending program. The major criterion for including banks in the study was that the lenders had a specific community reinvestment loan program in operation since at least 1986. That cut-off date accomplished two goals. First, the loans included in the study analysis would have time to mature. Secondly, lenders with programs in operation since 1986 would have time to gain expertise in community reinvestment lending and refine their programs.

The additional criteria for eligibility were that the loan program focus on single-family and/or multifamily loans in low- and-moderate income neighborhoods or to low- and-moderate income borrowers, and that the bank have a definition for low- and moderate-income areas and borrowers. Additionally, it was necessary that one person at the bank agree to work with the National Association of Affordable Housing Lenders to provide data on the bank's experience. (In most cases, lenders defined community reinvestment loans as residential loans made in census tracts identified by the Census Bureau as having predominantly low- and moderate-income residents.)[2]

The Woodstock Institute, NAAHL, and the Project Advisory Committee identified an initial pool of lenders nationwide that it was believed could meet these criteria. Telephone inquiries and a review of program descriptions identified 23 lenders which appeared to fit all the criteria, and their names were forward to NAAHL for a formal request to participate.

After NAAHL approached these banks some were eliminated from the study for several different reasons. Some lenders, rather than operating their own program, were simply acting as agents for state agency affordable housing programs. Some lenders sold all their loans without retaining servicing and therefore had no records of loan performance. Several lenders with qualifying programs were not willing or able to assist in gathering the data necessary for the analysis. Several others agreed to participate in the study,

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1. This overview of the data collection and key study results is extracted and summarized from "Performance Analysis of Community Reinvestment Lending Programs," by Dr. Edwin Mills, Kellogg School of Management, Northwestern University, principal researcher for the study, and Luan Sende' Lubuele, Economics Department, Northwestern University. Their report provides more in-depth descriptions of the data collected and their statistical analysis. The full report is published by and available from Woodstock Institute.

2. Low- and moderate-income census tracts were defined as those with median incomes of 80 percent or less of the area's median.

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but were unable to follow through with sufficient data. While the final sample of lenders was small, the number of loans they held in the study period was significant. Seven lenders took part in the study, representing a total of 2,231 loans.

The sample lenders represent a variety of lending institutions. They include financial institutions from the East Coast, the Midwest and the West Coast. Participating lenders are all large institutions that do business in large metropolitan areas. Some lenders are commercial banks, and some are consortia financed by depository and other institutions for the purpose of operating community reinvestment programs.

The sample of loans analyzed in this report cannot be regarded as a random sample of residential loans that are or could be made in low- and moderate-income neighborhoods. The pool of lenders selected were those who had made a commitment to a community reinvestment lending program. Those who participated were a self-selected sample. Because the information presented was known to be confidential, it is believed that lenders participated based primarily on their ability and desire to devote the time necessary to provide requested data.

But although the lenders in this study are not a random sample of institutions that make community reinvestment loans, participating lenders provided data for all the community reinvestment loans for which they could extract relevant data from their records.

The Data

Each participating lender completed three questionnaires: one, a general survey of lender characteristics and reinvestment loan program policies, and one each asking for information about single- and multifamily loans. The surveys included questions on the size of the banks, the details of their loan products, and the record of their lending programs.

While the reinvestment loan programs included in this study differed somewhat from each other, they had several common characteristics. The six multifamily loan programs all targeted low- and moderate-income areas or tenants. Four of them defined eligibility by geographic area, including low- and moderate-income census tracts (defined as having income of 80 percent or less of metropolitan area median income). Two of the programs defined eligibility in terms of the income levels of building residents. In these cases, at least a majority of the units had to be affordable to tenants with 80 percent or less of the area median income. All programs included acquisition/rehab loans, some also included new construction projects as eligible. Maximum loan to value was 80 percent in all multifamily programs but one, where the maximum was 90 percent. Most programs made loans at adjustable interest rates.

In the three single-family loan programs, two limited eligibility to low- and moderate-income census tracts. One of these also limited eligibility to borrowers with incomes at or below $45,000 or $35,000, depending on the program utilized. The third, and largest, program in the sample lent in any

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census tract to first-time borrowers who earned 80 percent or less of the area median income, with a maximum loan of $45,000 in the city or $85,000 in the suburbs. One program had an 80 percent maximum loan-to-value ratio; the other two (including the largest program) went to a maximum of 95 percent. One single-family lender, the largest in the sample, utilized homeownership counseling programs for first time homebuyers.

Lending programs were of quite different sizes. The largest multifamily lender accounted for 48 percent of the multifamily sample. The largest single-family lender accounted for 81 percent of the single-family sample.

All programs included in this sample were in major metropolitan areas, including cities on both coasts and in the Midwest. All of the cities included in the sample experienced patterns of housing market distress during the relevant period that were typical of the country as a whole.

The key data used in this study for determining the performance of community reinvestment loans are delinquencies and foreclosures. Interviews also sought information on lenders' loan loss experience. Foreclosure leads to the transfer of legal ownership of the property from the borrower to the lender because of the borrower's failure to make contractual mortgage payments. Delinquency means the nonpayment of a contractual monthly mortgage payment for at least one month after the due date.

Typically, foreclosure procedures are started only after several months' delinquency and discussion with the borrower to arrange loan terms that the borrower can meet. Thus foreclosures are a subset of delinquencies, and delinquencies are much more common than foreclosures. Delinquencies are a straightforward measurement. Any late payment is a delinquent payment. Foreclosures are more complicated because they involve a decision by a lender to foreclose a delinquent loan. Lenders may try to avoid foreclosures by, for example, restructuring the loan for a longer period and a lower monthly payment. While delinquencies are, therefore, comparable across banks and loans, foreclosures are not. Different banks may well treat foreclosable loans differently and in different timeframes. All foreclosures, however, indicate a lender's assessment that the borrower cannot or will not repay the loan.

Comparison Groups

The purpose of this study is to assess the success of community reinvestment mortgage loans. For this purpose it is important to compare the performance of targeted community reinvestment mortgage loans with the performance of regular mortgage loans. By far the best comparison data are for single-family dwellings and are reported by the Mortgage Bankers Association. The MBA data come from 330 mortgage servicers and covered 16.1 million mortgages at the end of 1992. The American Council of Life Insurance publishes an annual survey of members' mortgage loans. Data are for the end of each calendar year, and cover 85 percent of mortgages held by U.S. life insurance companies. At the end of 1992, insurance company data published for 1-4 residential unit loans covered 165,600 mortgages.

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Unfortunately, no data of comparably broad coverage exist for multifamily dwellings. Data from the two best publicly available sources were utilized for this study. The Life Insurance Council publishes figures for numbers of rental apartment loans that are at least two months delinquent or where foreclosure has been started. At the end of 1992 the Council reported on the status of 6,500 loans. The second source of multi-unit mortgage performance data is the Federal Home Loan Mortgage Corporation (Freddie Mac). The FHLMC data represent all multifamily loans held by FHLMC at the end of 1992 and that totaled 9,700 loans.

B. Results

Characteristics of Sample Multi-Family Loans

Table 1 summarizes the characteristics of the multifamily loans in the study. The tables show a median loan-to-value ratio of 75 percent with a median loan term of 29 years, and that the average project has other loans, grants or subsidies as part of the financial package.

Some of the loans were on buildings that contained both residential and commercial units, although most lenders did not report whether the building had commercial units. However, most of the buildings on which this data was reported contained only a few commercial units. The loans in the sample were on average 68 months old at the time data was gathered.

Table 2 summarizes data collected on cumulative delinquency. Lenders rarely reported identical information (e.g., some reported cumulative delinquency over the life of the loans, others over the past 18-24 months). Overall, that data showed little evidence of chronic delinquencies. A significant number of loans showed some delinquency over time. However, most loans which had ever been delinquent (for 60, 90, or 120 days) were delinquent for that category only once. For almost all measures, the average number of delinquencies for loans that experienced some delinquency was less than two. Only one lender showed a significantly higher level, demonstrating that its delinquencies tended to be concentrated in a smaller number of loans.

Characteristics of Sample Single Family Loans

Key characteristics of the single-family loans are described in Table 3. The comparatively small average loan size (the median loan reported was $26,000) is due to two factors: 1) relatively low home prices in the areas covered by these programs, and 2) in the case of the largest lender in the sample, the use of public subsidies or grants to write down the cost of the home or the amount of the mortgage for lower-income families.

Table 4 shows summary cumulative loan delinquency data. The total number of loans ever 90 days delinquent was only four percent of sample loans and the total number 120 days delinquent was only one percent. The median delinquencies per delinquent loan was 1.0 meaning that more than half of all loans that had ever been delinquent had been delinquent only once.

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TABLE 1

GENERAL CHARACTERISTICS OF MULTIFAMILY LOANS
(Dollars in Thousands)

CHARACTERISTIC	Sample Size	% Values Non-Zero	Median	Mean	Standard Deviation	Minimum	Maximum
Loan amount (in $)	1309	100	301.93	536.85	703.58	5.00	7500.00
Other loans/grants/subsidies (in $) *	1122	60.9	414.54	864.28	1338	3.71	16530.51
Rehabilitation cost (in $) *	931	21.3	196.50	464.60	716.14	3.00	4512.00
Appraisal value (in $)	528	100	500.00	967.38	1400.75	59.40	14500.00
Term (in years)	1035	100	29.00	24.15	7.61	.50	36.00
Interest rate (in percent)	1158	100	9.75	10.00	1.56	2.25	15.50
Total units	1292	100	26.00	37.39	40.89	5.00	415.00
Age in months as of 7/92	1179	100	58.00	68.26	46.65	-1.00	200

* Statistics in the last 5 columns refer only to those loans for which the values were greater than zero.

TABLE 2

CUMULATIVE DELINQUENCY FOR MULTIFAMILY LOANS

VARIABLE *	Sample Size/ Number of Lenders	Percent of Loans Ever Delinquent	Number of Loans Ever Delinquent	Average Number of Delinquencies Per Loan	Average Number of Delinquencies per Ever Delinquent Loan
1 Delinquent 60 days cumulative **	97/1	21.65	21	.40	1.86
2. Delinquent 90 days cumulative **	137/2	6.76	10	.10	1.40
3. Delinquent 120 days cumulative **	137/2	4.73	7	.05	1.00
4. Delinquent 90 days 1/91 - 6/92	691/1	3.18	22	.24	7.41
5. Delinquent 60 days 1/91 - 12/92	334/1	4.49	15	.09	1.93
6. Delinquent 90 days 1/91 - 12/92	334/1	3.89	13	.05	1.23
7. Delinquent 120 days 1/91 - 12/92	334/1	1.50	5	.02	1.20
8. Late Payment in past 12 months	102/1	2.94	3	.03	1.00

* Lenders reported varying measures of cumulative delinquency.

** Over the life of the loan.

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On the average, there were 2.19 90-day delinquencies and 1.89 120-day delinquencies per ever-delinquent loan in our sample. One loan had been 90 days delinquent eight times and one had been 120 days delinquent six times. Again the data show little evidence of chronic delinquencies.

Comparing Sample Community Reinvestment Loans to National Data for the Performance of Regular Loans

A key goal of this analysis is to compare delinquency and foreclosure rates of our sample with broader data for all loans. But there is an important difference between the sample data and the national data. While this study sought to collect delinquency data in cumulative form, to determine performance over time, the national data are snapshots as of a given date.

The cumulative data show the number of delinquencies that have occurred for each sample loan up to the date the sample was taken, about mid-1992. To provide a relevant comparison, the cumulative data from the sample loans were used to determine the probabilities of each loan being delinquent at any given date[1].

National data on default rates[2] indicate that rates are relatively low for a year or two after origination, then rise until the loan is four or five years old and decline after that. Most sample lenders' community reinvestment lending programs became substantial during the mid-1980s, so only a few of the sample loans were originated before then. In consequence, many loans in the sample, particularly the multifamily sample, were about the ages at which default rates are highest. This characteristic of the sample loans makes the study an appropriately stern test of the community loans' performance.

Loan Performance: Delinquency and Foreclosure

For the single-family loans no direct comparisons can be made between the sample single-family delinquency rates and the national rates. The national rates are all as of the ends of specific quarters, whereas the sample data are cumulative over the life of the loan and are, therefore, much larger. However, the researchers' use of a probit model allows an approximate comparison by providing estimates of the number of delinquencies in the sample data as a function of the ages of the loans. The effect of a one month passage of time on the probability of delinquency can then be calculated. The new figure gives the probability of a loan being delinquent at the end of any given month.

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1. In this analysis, a probit model was used to estimate the probability that a loan has ever been delinquent, and that probability was divided by the age of the loan, giving the probability of the loan being delinquent at any given time.

2. Studies on default rates primarily examine single-family loans (1-4 unit buildings).

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TABLE 3

GENERAL CHARACTERISTICS OF SINGLE-FAMILY LOANS

	Sample Size	Median	Mean	Standard Deviation	Minimum	Maximum
Loan Size ($ thousands)	933	26.5	35.14	28.37	5.6	342.00
Loan to value ratio	173	80.00	75.27	11.37	20.00	95.00
Term (in years)	933	30.00	25.87	6.88	2.50	30.50
Interest rate	933	8.75	8.80	0.84	3.38	11.25
Age in months as of 7/92	933	27.00	27.21	16.77	1.00	131.00

TABLE 4

CUMULATIVE DELINQUENCY FOR SINGLE-FAMILY LOANS

VARIABLE	Sample Size	Percent of Loans Ever Delinquent	Number of Loans Ever Delinquent	Average Number of Delinquencies per All Loan	Average Number of Delinquencies per Ever Delinquent Loan
1. Delinquent 90 days cumulative*	829	3.86	32	.08	2.19
2. Delinquent 120 days cumulative*	826	1.09	9	.02	1.89

* Over the life of the loan.

TABLE 5

COMPARISON OF SAMPLE AND NATIONAL SINGLE-FAMILY LOAN DELINQUENCY RATES

(Percent)

Source	90+ Days Delinquent
Sample (any date)	.1
MBA (1992)	.75 - .84

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The key comparison group for single-family loans is, as described earlier in this section, the 16.1 million loans reported in the Mortgage Bankers Association "National Delinquency Survey" for the end of 1992. Table 5 shows that the community reinvestment sample single-family loans had much lower 90-day or greater delinquency rates than the Mortgage Banker Association (MBA) survey data for all single-family loans for 1992. The study sample had a delinquency rate of .1 percent, compared to national rates at the end of each quarter which ranged from .75 to .84 percent during 1992. Even for the longer period back to 1988, the MBA data show no quarter in which delinquency rates were below 0.75 percent. Thus, the sample single-family delinquency rates compare extremely favorably with the MBA data.

For the multifamily sample loans the analysis first compared national data to sample data for 6/92, as that is the variable for which the most complete data are available. This result was also compared to a probit analysis of the available cumulative data. Table 6 brings together the sample data and national data described earlier[1].

Table 6 indicates that the sample loans have a mixed record in comparison to the national data but that in the long run they perform on a par with the national data. The table shows that, while the multifamily community reinvestment loans have a 60-day delinquency rate three times greater than the FHMLC data, their 90-day delinquency rate is only 1.2 times as great. Adding together the sample delinquency and foreclosure rates shows that the combined rate in the sample was slightly lower than the Life Insurance Council data and 28 percent lower than the FHMLC data.

While this comparison provides only comparative delinquency over one period, a probit analysis of the cumulative data provided by the participating lenders yielded comparable results, though on a smaller sample of loans.[2]

Loan Losses

Lenders who were able to report cumulative losses over the life of the programs showed very low loss levels. Five of the seven participating lenders reported cumulative losses, shown in Table 7. For multifamily loans, three lenders, including the largest lender in the sample, reported no losses to date; two lenders reported losses to date of .43 percent and .23 percent of total loans. Overall losses among those reporting was .04 percent of total dollars lent.

1. A slight discrepancy in timing should be noted. The two national data sets are for the end of 1992, whereas the sample data sets are for the end of 6/92. That discrepancy almost certainly has only negligible influence on the data, since delinquency and foreclosure rates change only slowly through time.

2. See full report for detailed description.

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TABLE 6

COMPARISON OF SAMPLE AND NATIONAL MULTIFAMILY DELINQUENCY RATES

(Percent)

Source	Delinquency Rates		
	60 Days	90 Days	Delinquent or in Foreclosure
Sample (end of 6/92)	1.02	1.17	3.6
FHLMC (end of 1992)	.34	.94	5.0
Life Insurance Council (end of 1992)			3.8

TABLE 7

LOSSES REPORTED

	Lender Number	Cumulative Losses as Percent of Cumulative Program Loans
Multifamily	1	0.43
	2	0.00
	3	0.23
	4	0.00
	5	0.00
	6	NR
Single-family	1	0
	2	NR
	3	NR

NR = Not Reported

* One lender reported both single-family and multifamily.

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Only one single-family lender reported cumulative losses; that lender reported zero losses since program inception.

C. Conclusions

Overall, the community reinvestment loans in this sample performed well in comparison with much larger national samples of loans not directed at low- and moderate-income neighborhoods.

For the single-family loans a very large national sample was available for comparison. The comparison of that sample with our sample showed that the national delinquency rates appear to be seven or eight times as great as the community reinvestment delinquency rates.

The multifamily community reinvestment loans had considerably greater 60-day delinquency rates and slightly greater 90-day delinquency rates than the only available national samples of such data. However, a better comparison can be made using rates of loans that are in any stage of delinquency or foreclosure. The multifamily community reinvestment loans had much lower delinquency plus foreclosure rates than one of the national data sets and slightly lower rates than the other.

Both single-family and multifamily programs experienced very low loan losses over the life of their programs.

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Section IV. Other Lenders' Responses to Study Findings

Because this study included a small number of lenders, study results were shared with a group of non-participating lenders who have community reinvestment lending programs to determine whether study results are consistent with their experience.

Interviews with ten community development lenders across the country generally confirmed the study's findings.

All but one lender interviewed agreed that in their experience, single-family community development loans appear to perform better than the average single-family loan portfolio. One lender, whose program has underwriting standards considerably more flexible than those in this sample, believes their short-term delinquency rates are probably slightly higher than average, but that long-term delinquency and foreclosure are on par with conventional loans.

None of the lenders interviewed was surprised that combined delinquencies and foreclosures were better for community development multifamily properties than for a broader multifamily portfolio.

Lenders interviewed indicated, from their experience, several reasons for the findings identified:

- Community development loans are underwritten well. Community development lenders tend to know more about their borrower than the average single-family or multifamily underwriter.
- Problems can occur because some multifamily loans are made to borrowers who are still learning about property management. This can contribute to delinquencies, but does not necessarily lead to long-term problems.
- Multifamily buildings in low-income communities are subject to a range of short-term conditions which affect income and expenses. For example, multifamily properties in lower-income communities can experience greater short-term rent losses due to turnover and nonpayment of rents. While long-term income may perform as expected, short-term fluctuations may contribute to short-term delinquencies.
- Community development borrowers have a strong commitment to the property they own and work harder at keeping it. Interviewees noted they believe that community development borrowers are less likely to walk away from their loan, and that single-family borrowers work hard to protect what may be their only opportunity to own a home.
- Banks may be more willing to restructure loans to multifamily borrowers who are in trouble because the borrowers remain committed to the project and because it is a community development loan.

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Other anecdotal evidence supports the finding of this study that community development loans perform well. A recent publication of the Federal Reserve Bank of Philadelphia profiled more than 50 community development lenders who indicated positive performance of community development loans.[1]

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1. Community Reinvestment Advocates, Federal Reserve Bank of Philadelphia, Community & Consumer Affairs Department, July , 1993.

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Section V. Conclusions and Recommendations

There are a number of key conclusions from this study, including recommendations for future research and action.

- Study data indicate that single and multifamily mortgage loans targeted to low- and moderate-income communities or borrowers perform well in comparison to available national data on loans not targeted. Single-family lenders in the study experienced extremely low rates of delinquencies and loan losses. Multifamily loans experienced somewhat higher rates of short-term delinquencies, but low rates of foreclosure and loan losses.

  This analysis provides important evidence that targeted community reinvestment lending is being undertaken successfully. While many lenders have feared that expanded lending in low- and moderate-income communities would have a negative impact on loan performance, that has not been the case for the loans and lenders in this study. In some cases, targeted community reinvestment lending actually has performed better than conventional lending.

- While the data which were collected for this study were limited to a relatively small number of lenders, the results are consistent with the day-to-day experience of other lenders making targeted community reinvestment loans.

- A follow-up prospective study should be undertaken. Examining loan performance through collecting historical data from multiple lenders is extremely difficult. Comparable data is difficult to collect because institutions keep and track different types of information, and have very different methods and capacities for accessing that information. Consistent data across institutions is essential to provide a useful analysis of the factors that influence the performance of loans.

  A prospective study would also permit collection of sufficient, consistent data for a reliable analysis of the factors affecting community reinvestment loan performance. It is important for regulators, banks, and community organizations to know what kinds of reinvestment programs are most effective. This current project demonstrates that retrospective data is inadequate for such analyses.

  A prospective analysis would entail individual lenders participating in a joint data gathering project, collecting data on loan characteristics and loan performance on a quarterly or semi-annual basis. Such a study would likely require the assurance of anonymity to participating lenders, but has the potential to involve a far more extensive sample of institutions than was possible for this analysis. Participating lenders would benefit by being able to more closely track their own performance for targeted reinvestment loans, and compare their performance to that of other lenders.

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- National data bases on loan delinquency and foreclosure, in particular for multifamily loans, have limitations when used as comparison groups. Any future prospective studies should collect data from participating institutions on a sample of their non-community reinvestment loans to provide a better comparison for their community reinvestment portfolios.

- Over the long run, a natural source of more detailed data on loan performance is the secondary market. The fact that most of the loans in this study sample were not sold on the secondary market contributes to the difficulty of collecting consistent data on loans.

  Secondary markets are becoming more aggressive purchasers of single-family community reinvestment loans, but secondary market opportunities for the multifamily loans described in this study are generally not available. As secondary markets become more active purchasers of the types of loans in this study, they should become a key source of data on loan performance and the characteristics of successful loans.

- This study focused primarily on the quantitative analysis of loan data. Additional analysis, based on more qualitative research, of the factors contributing to the success of a wider range of community reinvestment lending programs would be valuable to understanding these types of loans and loan programs.

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National Westminster Bancorp Inc.
10 Exchange Place
Jersey City, NJ 07302
201 547 7900

John Tugwell
Chairman of the Board and
Chief Executive Officer

March 17, 1995

Hon. Marge S. Roukema
2244 Rayburn House Office Bldg.
Washington, DC 20515

Dear Congresswoman Roukema:

Community Reinvestment Act (CRA) Reform is a matter of great interest to banks and great import to communities across the country. National Westminster Bancorp (NatWest) commented on the proposed amendments to the Community Reinvestment Act regulation last March and to the Revised Proposal last November. I take the liberty of attaching a copy of our November letter which addresses specific points in the Revised Proposal. We continue to hold these views.

I am indeed grateful now to have an opportunity to comment further on ways the CRA could be adapted to help the banking industry and its partners in the private sector actually achieve what it was originally intended to achieve. The current debate over CRA takes place among banks, regulators, enforcement agencies and community activists. It is therefore removed from the arena of the communities themselves. I intend to argue that the direction of the debate should change altogether and focus on ways government can encourage financial activity within targeted populations, rather than on ways to manage data and debate.

The CRA was designed to discourage unfair discrimination by the banking industry on economic grounds. In this regard, I wholeheartedly support the goal of the CRA. But I feel it is a pity that government has defined for itself a role of micro-managing the CRA.

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The CRA should lead banks to market their products and services to all economic strata. The long term implication of doing so is the creation and growth of capital in disinvested communities. CRA should not be seen primarily as being about compliance, or philanthropy. It is primarily about business.

First, CRA needs to be recast as a simple prohibition against unfair discrimination. Second, government involvement needs to be recast so as to assist the marketplace in meeting the financial needs of low-income, inner city and rural communities, rather than divert the industry's focus in this regard.

What is wrong with much of the focus of CRA reform is that it has centered on the promulgation of additional reports and analysis which, in turn, lead to nonproductive activity. CRA reform, as currently conceived, will lead bankers to spend even more time and more resources working with government and regulatory agencies and a segment of the public on data collection and justification. Subsequently, there will be less time and money available to find creative ways to meet the financial needs of the targeted populations. CRA reform is pushing in the wrong direction.

Requirements in the CRA Reform Proposal such as race and gender reporting seem to be particularly without substantial long-term merit and for various reasons. For one, half of all loans to small business are made through credit cards or home equity loans. So the recording of race and gender for commercial loans only would not create an accurate picture of how a bank supports small business. For another, deciding what is or isn't a minority-owned business is ambiguous. Many businesses take on a minority partner only in order to qualify for certain government programs. The proposed race and gender reporting will not give an accurate picture of bank lending.

Requiring that all small business loans be reported is still onerous, even without the race and gender requirement. Also, many in the industry believe that such a report will eventually lead to the subsequent requirement of race and gender reporting. Finally, I repeat my point above. The more resources which are required for technical and reporting purposes, the less that are available for doing business.

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If Congress wants to see increased investment in targeted communities, perhaps it would consider focusing legislative changes on those areas which provide incentives for the industry to do business in these communities.

I continue to believe that the CRA is a motivating factor in getting the industry to look at the lower-income and inner city marketplaces. But I believe it is time to push the social agenda forward by creating more incentives and removing impediments to doing business in this marketplace. I would urge that CRA reform focus on building further those mechanisms which have been developed over the last several years to achieve the goals of CRA, rather than creating an extraordinary increase in reporting and administrative requirements.

For instance, government should continue to channel money into local communities. Subsidies are critical to the development of affordable housing. But the money should be funneled when possible directly to the private sector, which includes both nonprofits and banks, rather than through duplicative government programs which are saddled with their own corporate structure and attendant bureaucracy.

We need the flexible application of federal funds to different environments. For example, NatWest is providing construction and end loan financing for a HOPE 3 project in conjunction with Neighborhood Housing Services in New York City. HOPE 3 funds are restricted to single family dwellings. Most of the 54 scattered site houses in the project are large enough to become two family houses and some may be converted. How much more sensible to have created a two family house at the time of the initial rehab construction.

Government agencies, when they do exist, should genuinely fill a market gap in terms of providing credit or other services to the unbankable or near-bankable. They could play another role by sharing risk with banks on particular loans or providing low-cost funds for a blended interest rate. They should not compete with banks.

Another suggestion relates to the low-income housing tax credit program which is clearly very popular with banks and other corporations in the country. It leverages private dollars into the affordable housing market quite successfully, although at significant cost. What would happen if there was a federal tax credit program for dollars invested in low-income communities for the purposes of economic revitalization, in addition to housing?

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Hon. Marge S. Roukema
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Another area of concern has to do with the wide range of requirements for rehabilitating buildings. Rules ranging from environmental cleanup to the width of a rehabbed staircase cause significant delay and add costs to rehab projects. Lead abatement legislation can have a devastating effect on the cost of rehabilitating affordable housing. Lead paint is indeed a serious problem. But more flexible remediation options, especially for smaller, owner-occupied residences, would be useful. A local process for all environmental reviews would greatly facilitate and lower the cost of rehabilitation of distressed properties.

Another area is tax forgiveness on OREO assets. We have been trying to move some houses in Trenton which we carry as OREO property to a nonprofit which wants to purchase and rehab them and then rent them out as affordable housing. The problem is, put simply, that past taxes are due and no one wants to pay up, since the amount of money is significant. If state governments were encouraged to forgive past taxes for low-income properties, when there is a suitable agent to bring that property back up to standard, fill it, and then bring it back under the tax roles, it would be very useful.

In sum, the reform proposal adds additional cost and pushes CRA even further toward compliance. Compliance and philanthropy expense are items; they negatively impact the bottom line. Business, on the other hand, including CRA business, should produce revenues. Promoting, not restraining, the ability of the private sector, banks and nonprofits alike, to do CRA business will surely lead to the social goals originally envisaged by the CRA.

In closing, I want to thank you for the opportunity to express my views on CRA reform. But, even more so, I value the chance perhaps to change the direction of the discourse from central control and compliance to local flexibility and reinvestment incentives.

If government joins with the banking industry in the common goal of developing mechanisms which create and grow capital for lower-income individuals and businesses, which create equity, we will all have achieved what this country sorely needs. That, I think, should be the goal of the current debate.

Sincerely,

John Tugwell
Chairman and Chief Executive Officer

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cra/reform.doc

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Jersey City, NJ
Fax

Susan Rice

November 21, 1994

Communications Division
Office of the Comptroller of the Currency
250 E Street, S.W.
Washington, D.C. 20219

William W. Wiles, Secretary
Board of Governors of the Federal Reserve System
Docket No. R-0822
20th Street and Constitution Avenue, N.W.
Washington, D.C. 20551

Hoyle L. Robinson, Executive Secretary
Federal Deposit Insurance Corporation
550 17th Street, N.W.
Washington, D.C. 20429

Director, Information Services Division
Public Affairs
Office of Thrift Supervision
1700 G Street, N.W.
Washington, D.C. 20552
Attention: Docket No. 93-234

Re: Proposed Amendments to the Community Reinvestment Act Regulation

Dear Ladies and Gentlemen:

National Westminster Bancorp continues to believe it important to comment on efforts by the federal banking agencies ("Agencies") to revise their regulations under the Community Reinvestment Act ("CRA"). We commented by letter dated March 24, 1994 on the initial proposal under Docket 93-234 ("Initial Proposal"), and in this letter provide our comments

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with regard to the revised joint notice of proposed rulemaking published in the Federal Register on October 7, 1994 (59 Fed. Reg. 51232) ("Revised Proposal").

We are a bank holding company with two national bank subsidiaries, National Westminster Bank USA and National Westminster Bank NJ, located in the states of New York and New Jersey, respectively. As of September 30, 1994, the two banks combined had deposits of $17.1 billion, assets of $24.3 billion, and 260 branches. The banks operate throughout large areas of the New York - New Jersey region and offer a full range of retail and commercial bank financial services and products to a diverse customer base.

In our March 24 letter, we concluded that the Initial Proposal was so badly flawed as to make its adoption undesirable. We expressed serious concerns regarding, inter alia, the Market Share Test, the lack of weight given community development lending, the exclusion of most consumer credit from the CRA equation, the emphasis given to brick and mortar branch locations in the Service Test, the treatment accorded affiliate lending, and the burdensomeness of the data collection provisions. We worked with other members of the New York Clearing House ("Clearing House") to develop, and concurred in, that organization's comment letter with respect to the Initial Proposal. We have worked with the Clearing House in formulating its response to the Revised Proposal, but are again providing our own general views as well as comments on certain specific areas of concern.

NatWest's General Views on the Revised Proposal

We are pleased that the Agencies have been responsive to many of the concerns that were expressed in connection with the Initial Proposal. We are especially glad that the Market Share Test has been eliminated (albeit leaving some vestiges which we will discuss below), that community development lending is given more appropriate treatment, and that the consumer credit issue has been partially addressed by offering banks the option of providing consumer credit information. However, we are disappointed that the data collection provisions of the proposal seem to have become even more onerous in the Revised Proposal, that appropriate recognition is not provided for banks that receive "Outstanding" ratings, and that the strategic plan option continues to carry baggage that makes its selection by banks problematic.

Despite these reservations, and assuming that industry comment on many of them will result in a positive response from the Agencies, we believe the Revised Proposal is an improvement over the Initial Proposal, and has the potential of meeting some of the criteria that the Agencies have announced,

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i.e., to emphasize performance rather than process, promote consistency in assessments, and reduce unnecessary compliance burden while stimulating improved performance. Certainly, the Revised Proposal's emphasis on lending moves in the direction of performance over process. Moreover, clear efforts have been made toward developing a more objective CRA evaluation process. However, as detailed below, NatWest does not believe that the Revised Proposal has come close to meeting its original mission to reduce unnecessary compliance burden. On the contrary, that burden would grow, with no concomitant gain. We do not understand, for example, how the data collection provision for small business lending, the income information requirement for consumer lending, or the public file requirements will stimulate improved CRA performance.

NatWest's Specific Areas of Concern on the Revised Proposal

1. Data Collection

One of the goals the Agencies set for themselves was to reduce the regulatory burden that the previous compliance regime mandated. The twelve assessment factors under which banks had previously worked did involve the need for producing and maintaining massive amounts of documentation to evidence various activities. While the burden associated with documentation of efforts was significant and ongoing, banks have developed methods for capturing the data necessary and creating the necessary documentation. We believe that only a small part of the current documentation requirements would disappear under the Revised Proposal, and we think that the new data collection requirements, related to race and gender, and to income levels of borrowers, introduces new burdens, the purpose and ultimate effect of which are murky and possibly mischievous.

a. Race and Gender Data

We concur with the Clearing House view that data collection in these areas will be susceptible to manipulation and abuse. Thus, we believe that the data should be used, if collection is mandated, only to assist the Agencies in determining whether and which credit files should be reviewed as part of their examination process. These data should not be made public. We also believe that this data collection requirement, if for some dubious reason the Agencies believe it must remain, should be made to apply to all lenders, so as not to exacerbate the competitive disadvantage banks already face by reason of the regulatory burden imposed upon them.

In the joint preamble to the Revised Proposal, the Agencies indicate that they have included the data collection

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requirement on race and gender of small business and small farm borrowers to respond to concerns that the Initial Proposal did not give enough weight to the fair lending aspects of an institution's CRA performance. However, it is unclear to us how the data sought relative to race and sex will in any way enhance the ability of examiners to reach any conclusion regarding discrimination. Federal Reserve Board Governor Lindsey makes the point when he says "... nowhere in this regulation is there any rule which links the race and gender data ... to the CRA rating of the institution."

b. Income Information vis-a-vis Consumer Credit

The costs associated with additional data collection and reporting regarding consumer loans might well cause banks to elect not to report on this very important avenue of credit. Our March 24 letter urged that the definition of consumer loans be broadened to include all forms of consumer lending, which we regard as essential to meeting the credit needs of all communities. It is consumer credit that provides people of all incomes and geographies with the wherewithal to meet many of the needs of daily living, including automobiles, furnishings, education, clothing and other necessities. The typical resident of low- and moderate-income geographies in an urban setting is a tenant, not a home owner, and the overwhelming credit need of such individuals is consumer credit, not mortgages or home improvement loans.

To illustrate the relative importance of consumer credit, the NatWest banks, between September 1993 and September 1994, made approximately 3,600 mortgage loans totalling some $500MM. In the same period, the banks made nearly 86,000 consumer loans totalling $1,224MM. Clearly, in our footprint, with its sizeable urban population, consumer loans are an integral component of community credit needs.

The Revised Proposal, presumably in response to industry calls for consideration of consumer credit, allows for optional reporting, but then requires data collection, not only on the basis of geographies (which is understandable and practicable) but of information regarding the income level of borrowers, in four tranches (low, moderate, middle and upper income). To capture and code this information will be extremely costly. We estimate that, for our banks alone, this cost will exceed $2MM.

Faced with this kind of expense, banks may well decide not to report on consumer loans, thereby removing from CRA consideration what is clearly a very significant component of community credit needs.

Income information will not provide indications relative to

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fair lending and, if made public, could chill consumer lending. The conclusions that will be drawn by examiners from the income data collected in connection with consumer credit are not known. It would not be surprising to find that borrowing levels rise with income, probably because higher income people on average have, for example, more expensive cars. Would some operate on the theory that more lending to higher income borrowers than to lower indicates discrimination and so warrants a reduced CRA rating? If so, one possible response might be, in pursuit of a higher CRA rating, curtailing lending to higher income individuals to make a better CRA showing. Surely such a result was not intended by the CRA, whose purpose is to encourage lending.

We see no good purpose, and much possible mischief, in the gathering and publication of income data relative to consumer lending.

c. Publicly Reported Data

The Revised Proposal would require numerous reports to be made publicly available. These data may then be judged out of context in the same way as HMDA data have been. The result will be a "shadow" examination process, surely an insult to the Agencies whose job it is to examine banks under the CRA.

2. Role of Examiners

a. Market Share Assessments

The Initial Proposal's Market Share Test was essentially unworkable. While the Test has been eliminated per se, vestiges remain in the context of an assessment factor (Section 25.21(b)(5)). Examiners should be instructed that, at most, market share information may provide an analytical tool, assuming that the analysis also takes into account the significant differences that exist among all lenders. Examiners should not, however, treat market share as a significant factor in evaluations, for the reasons which were expressed by ourselves and other commentators on the Initial Proposal, i.e., the Test would lead to distorted results, as well as potential credit allocation and unsafe banking practices.

b. Ascertainment

The Revised Proposal provides that examiners ascertain community needs, but does not require them to share their findings with banks except, presumably, after the fact. We grant the importance of examiners understanding community

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credit needs in order to determine if a bank is meeting those needs. However, banks must also assess these needs. We submit that the examiners' assessments should be shared with banks in advance and we believe that banks may be interested in sharing their assessments in return. If this is done, there is a greater likelihood that more needs will be identified and met. Having banks and Agencies run parallel but separate ascertainment efforts would be costly and counterproductive.

3. Recognition for High Ratings

In commenting on the Initial Proposal, we urged that a bank with an "Outstanding" CRA rating should not be subject to a review process during the course of an application. We were disappointed that the Agencies did not respond positively to that suggestion. Both our subsidiary banks currently have Outstanding ratings, and so we understand the amount of effort that the achievement of such a rating bespeaks.

The present situation, whereby important applications by "Outstanding" banks can be delayed, at great expense, in connection with concerns that are not well founded and demands which are unreasonable, should be corrected as a matter of fundamental fairness. Often, banks faced with such delays are forced to "resolve" disputes with protestants on unfavorable terms.

A bank which receives a composite score of high satisfactory or outstanding should, short of a "safe harbor" from all review, at a minimum be provided with an option for expedited regulatory review and hearing should an application become subject to a community group protest. Alternatively, the approach recommended by the Clearing House, whereby the Agencies continue delegated authority, would provide similar relief.

We also believe that banks which achieve strong CRA ratings should be subject to a longer CRA examination cycle than those that achieve lower ratings.

4. Effects of Discrimination

Section 25.28(c) of the Revised Proposal states that "Evidence of discriminatory or other illegal credit practices shall adversely affect the [Agencies'] evaluation of a bank's performance" (Emphasis supplied). This is unnecessarily and unreasonably harsh. The language can be read to mandate a lower rating even for a bank which has excellent policies and procedures and outstanding fair lending performance, if a single rogue employee is guilty of an act of discrimination. We believe such an unfair result can be avoided by the

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substitution of the word "may" for the word "shall" in the language quoted above.

5. Strategic Plan

While the strategic plan option has been improved in a number of important ways, we think the requirement that specific measurable goals be made public will cause a significant number of banks which might otherwise seriously consider the option to eschew it (Section 25.27). Publication, for example, of lending objectives for specific areas, may have an anti-competitive and levelling effect in that banks will likely be the first in line to review their competitors' strategic plans. Banks which do not opt for a strategic plan (and other lenders which are not subject to the CRA) will gain competitive advantage over banks that do, as will banks which choose the option later in the process. Moreover, they will be able to gain insight into what the Agencies regard as appropriate CRA activity. The ultimate effect may be to establish "least common denominator" goals that could, perhaps, have been exceeded had competitor information not been made public.

6. Investment Test

Under the Investment Test (Section 25.23), a retail bank's qualified investments must benefit its service areas or a broader statewide or regional geographic area that includes the bank's service areas. We believe that this limitation undervalues and understates the potential for larger retail banks, such as ourselves and other retail bank members of the Clearing House, to play a national role in affordable housing and community development. We strongly urge that banks be permitted to count fully all qualified activities outside their service areas, e.g. investments in LISC, provided they continue to help meet the needs of their local communities.

7. Public File

The Revised Proposal requires the maintenance of a voluminous public file, to be maintained at a bank's main office (Section 25.43). Also, at least one branch in each service area must have the public file pertaining to that service area. If a member of the public goes to a branch that does not have a file, the Revised Proposal would require the bank to provide a complete copy at no cost within five business days.

We believe that it is unduly burdensome for any branch to be required to maintain a public file, given the volume of information required, and the fact that in the case of large

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retail banks the file will have to change frequently (for example, to update the branch list if hours change). Also, many banks have numerous service areas. We, for example, delineate 18 communities under the current methodology, and would probably have that many under the Revised Proposal. Thus, 18 branches would have to be kept up to date with file revisions, a housekeeping morass that could surely result in errors and numerous "gotchas", all to no good purpose.

Branch personnel should be free to engage in the business of marketing banking services, and not be concerned about whether the public file is complete and up to date. That task is best left to those, typically at the main office, who are familiar with the complexities of the regulation and have the requisite background information at hand. Banks should be permitted to maintain the entire public file at the main office, and required to provide a copy to anyone who asks for it at no charge, within the requisite five business day time frame. The CRA public notice should be changed to reflect such an arrangement.

Conclusion

As noted, we are pleased that the Agencies have been responsive to many of the concerns that were expressed in connection with the Initial Proposal. The Revised Proposal is an improvement and has moved closer to the Agencies' announced objectives. With the Revised Proposal, the CRA evaluation process should be less subjective and in general, the Proposal's emphasis on lending achieves the objective of emphasizing performance over process. At the same time, the Agencies have retained some room for judgment which is appropriate. That being said, and as noted above, in order to truly mitigate the compliance burden and achieve more meaningful reform, we urge the Agencies to:

- delete data collection requirements with respect to race and gender, and income levels, or if mandated, not make these data public;
- recognize high CRA ratings with positive incentives;
- require advance sharing of examiner ascertainment findings;
- remove all vestiges of the Market Share Test;
- revamp public file requirements to permit centralization at a bank's main office;
- alleviate the "effects of discrimination" test on

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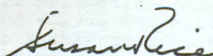
overall CRA performance by making the language change suggested herein;

- o revamp the strategic plan methodology so that it is a more viable option for banks; and
- o expand the reach of qualified investments under the Investment Test for retail banks.

We would be pleased to discuss these comments or answer any questions you may have.

Very truly yours,



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