

June 21, 2016

Legislative and Regulatory Activities Division
Office of the Comptroller of the Currency
Attn: 1557-NEW
400 7th Street, S.W., Suite 3E-218
Washington DC 20219

Subject: Information Collection; OMB Review of: *Risk Management Guidance for Higher Loan-to-Value Lending Programs in Communities Targeted for Revitalization* (OMB Control No.: 1557-NEW)

This letter is in response to the Office of the Comptroller of the Currency's (OCC) 30-day notice to collect information on, "Higher Loan-to-Value Lending Programs in Communities Targeted for Revitalization".

The Office of Management and Budget (OMB), and the **Office of Information and Regulatory Affairs (OIRA)** should **REFUSE** to assign an OMB Control Number.

OIRA should refuse to assign an OMB Control Number on grounds: (1) the OCC failed to uphold its statutory duty and failed to comply with Presidential Executive Orders 12866 and 13563; (2) the OCC's 30-day Federal Register notice fails to reasonably address – or even touch upon – substantive facts and questions raised by *only six commenters*; (3) the OCC has a pattern and practice of failing to take the Presidential Executive Order 13563 seriously, often proclaiming in a perfunctory way that it has considered public comments.

It is a shame that that the OCC, a federal agency with 3,900 employees that has existed for over one hundred-and-fifty-years, cannot provide *minimal* responses to legitimate public comments. I certainly understand why the OCC cannot to respond to all points raised in *hundreds* of comment letters ... but I do not understand OCC's inability to provide brief, thoughtful responses to facts and questions raised by *only six commenters*. **None** of the substantive facts and questions I raised in my comment letter, dated February 1, 2016, were even remotely touched upon by the OCC.

I would like to remind the OCC that "paperwork" is not a prerequisite for revitalization. To stabilize and revitalize the economy and financial system in 2008, the Emergency Economic Stabilization Act of 2008 authorized the Secretary of the Treasury to purchase up to \$700 billion (\$700,000,000,000) in troubled assets. Instructions defining "troubled assets" and rules governing their purchase were sparse – only *half a page* in length (see Public Law 110-343, 110th Congress).

Contrast that to the OCC's instructions to community banks wishing to fund \$700 thousand (\$700,000) in loans to revitalize a single neighborhood. Before lending, the bank must first write dozens of pages of policies and procedures addressing: eligible geographies, how the loans will support revitalization, amount and duration of the financial commitment, limitations of the program, characteristics of the program, underwriting standards, credit administration requirements, appraisal requirements, borrower notices, available incentives, monitoring requirements, et cetera ... the OCC's list goes on and on.

The OCC's lengthy list of prescriptions will do nothing but deter higher loan-to-value (LTV) lending in communities needing revitalization. When the OCC conducts its first annual review of the program one year from now, the agency should not be surprised to find that few banks adopted high LTV programs. And of the few banks that did adopt such programs, the OCC should not be surprised to find that the banks funded very few loans. This is because – by definition – the more prescriptive a lending program

is, the fewer the number of consumers eligible. The OCC's insistence on micromanaging every aspect of high LTV lending inhibits the creation of robust revitalization programs.

Finally, the OCC needs to stop confusing paperwork with safety and soundness. Increases in the number of words on a page do not increase safety and soundness. The OCC could have easily allowed high LTV lending as long as the total exposure to such lending was limited to a small fraction of the bank's capital. Limiting the amount of bank capital exposed to high LTV loans is the best way of ensuring safety and soundness. The OCC could have instructed banks to assume a high probability of default (PD) and a high loss given default (LGD) and required banks to limit their aggregate exposure under these assumptions to a small percent of capital. Doing this would have allowed revitalization programs to be customized to the needs of local communities and the programs would meet the needs of more consumers. Additionally, simple guidance like this reduces the need for paperwork while ensuring the safety and soundness of the national banking system.

It is unfortunate for the country that the OCC no longer thinks in practical, straightforward terms. It used to. I appreciate the opportunity to comment on the OCC's information collection. I wish the agency the best of luck.

Sincerely,

Sandra A. Holly
Hyattsville, MD