

October 16, 2002

Mr. Tyson Odekirk
CRA Examiner
Federal Reserve Bank of Chicago
230 S. LaSalle, 15th Floor
Chicago, IL 60604

Email: tyson.odekirk@frb.chi.org

Dear Mr. Odekirk:

Woodstock Institute would like to make an addendum to its comment letter dated October 1, 2002, on the CRA performance of Banco Popular North America in the Chicago area. After receiving our letter, the Bank contacted Woodstock and informed us that our analysis was “inaccurate” for several reasons. First, the Bank claimed that they make most of their lending through Equity One (headquartered in Marlton, NJ), which is a subsidiary of Popular, Inc., but not a direct subsidiary of Banco Popular North America. Second, Banco Popular North America said that they also make mortgage loans through an entity known as Banco Popular, N.A. The Institute looked into these claims and is very concerned about several issues.

We have been unable to determine if either Equity One or Banco Popular, N.A. will be included in the CRA examination of Banco Popular North America. The Institute asked the Federal Reserve Bank of Chicago if this would be the case, and we were referred to the Federal Reserve Bank of New York. However, this referral was received on October 15, and the Federal Reserve Bank of Chicago had asked that all comments on Banco Popular North America be received by October 18. Woodstock was asked to make its request to the New York Fed in writing, and was thus unable to contact the Federal Reserve Bank of New York in time. Also, at this date Woodstock has not received an answer from Banco Popular about whether these entities will be included in the CRA exam. Clearly, if they will not be included in the exam, the Institute or its colleagues should not be expected to comment on those entities’ CRA activities, except insofar as the activities include harmful practices such as predatory lending.

Further, Banco Popular, N.A. was not a HMDA-reportable lender in 2001. Therefore, Woodstock could not analyze this lender, as data on the institution was not public. The Bank did send lending data on Banco

Popular, N.A. to the Institute following receipt of our comment letter. However, this data was sent in Excel format and the data fields were not identified. Hence, our data analyst could not use the data with any certainty.

More importantly, it has come to our attention that Equity One is a major subprime lender. As we stated in our previous comment letter:

Further, the Institute has heard anecdotal evidence that Banco Popular has been eliminating its loan officers in the Chicago area. As we struggle with the scourge of predatory lending in the Chicago region, it is vital that prime lenders are active in providing fairly priced loans to consumers.

The Institute was concerned about Banco Popular North America exiting the mortgage market in Chicago precisely because the bank is a prime lender. Equity One, on the other hand, is a subprime lender. The company specializes in B, C, and D credit programs, offers “no-income” loans, and was listed in *Inside B&C Lending* on May 20, 2002, as being the 20th largest subprime lender in the country for the first quarter of 2002. Equity One is also on HUD’s Subprime Lender List for 2001, which was just released this week.

Banco Popular North America has a very good branch distribution in low-income and minority areas. We would like to see borrowers in these areas receiving fairly priced loans from a prime lender like Banco Popular North America, not receiving high-priced, possibly predatory loans from a firm like Equity One.

There is evidence that Equity One is in fact a predatory lender. There is a case pending against the firm in the Chicago area that was reported to us by the Legal Assistance Foundation of Chicago. The case centers on egregiously high fees. But the fact is that Equity One is not doing much home purchase and refinance lending in the Illinois market. In 2001, Equity One made 13 home purchase loans in Banco Popular North America’s Illinois assessment area (this includes Cook and DuPage Counties and the City of Aurora). Five of these loans went to low or moderate-income borrowers. Equity One made 66 refinance loans in the Illinois assessment area in 2001. About half of these loans were to low or moderate-income people. We have no idea if the pricing and terms of these loans were fair, and we are not clear if Banco Popular North America will be including this (still small) number of loans in their CRA exam. We feel very strongly that

no bank should receive CRA credit for loans with predatory features, and that they should in fact be downgraded for such lending.

Equity One offered home improvement loans in Illinois on a fairly large scale in 2001. Woodstock noted in our letter of October 1, 2002, that Banco Popular North America had a good distribution of home improvement, multifamily and small business loans in Illinois in 2001. We were primarily concerned with the lack of refinance and home purchase lending. The nature of Equity One's lending furthers our case that Banco Popular North America should not be exiting the mortgage market in Illinois. We do not want to see lower-income and minority borrowers funneled out of a prime institution and into a subprime firm. We hope that any examination of the CRA activities of Banco Popular North America takes this information into consideration.

Thank you for the opportunity to provide an addendum to our comments. Please contact me if you have any questions.

Sincerely,
Katy Jacob
Research, Communications and Development Associate

cc: Mr. James Hodgetts, Senior Vice President, Federal Reserve Bank of New York