

From: Thomas Barr <thomas@localfirstaz.com>
Sent: Saturday, July 16, 2022 1:57 PM
To: Comments
Subject: [EXTERNAL MESSAGE] Comments Regarding RIN 3064-AF81

Good morning,

Local First Arizona appreciates the opportunity to comment on the Notice of Proposed Rulemaking (NPR) regarding updating the Community Reinvestment Act (CRA). As the largest local business coalition in the country, we provide support and technical assistance to 5000+ small businesses annually. Our trust and relationships built in the small business community we hope will provide perspective on why strengthening the CRA is critically important as our economy moves forward.

Arizona is a state with only 12 community banks while 98% of all firms in Arizona are made up of small businesses. There is a critical need to strengthen the CRA to ensure that small businesses receive the capital they need to build wealth for themselves and their families. Large banks continue to overlook the needs of the small businesses. A strengthened CRA will directly address this issue and provide the opportunity for low-income communities to create wealth, jobs and bolster small businesses.

Since CRA requires banks to meet the needs of communities, the agencies must elevate the importance of public comments regarding the extent to which banks meet needs. The agencies proposed to continue the current practice of sending any comments on CRA performance to banks and are also considering publishing comments received on agency websites. We urge the agencies to post comments on their websites and also to establish a public registry for community organizations to sign up if they wish to comment on CRA performance. In addition, we ask that the agencies publish a list of organizations that comment and that the agencies identify those led by people of color and women in an effort to seek input from a diverse range of organizations.

The agencies bolstered the rigor on the large bank retail lending test by introducing performance ranges for comparisons among a bank's lending and demographic and market benchmarks. This approach would decrease ratings inflation and result in more failing and low satisfactory ratings on the lending test. As a result of this proposed reform, several banks would likely respond by boosting their retail lending to underserved communities. The other large bank tests such as community development finance and services include improvements but need to be further developed to guide examiners against inflating ratings.

The agencies correctly proposed to include new data collecting requirements for deposits, community development activities and automobile lending. Some of this data such as deposit and automobile lending would not be publicly available, which limits the extent to which the public can hold banks accountable. We ask the agencies to reconsider this decision and also to expand this data collection to all large banks.

Advocates have urged the agencies to examine lending that occurs online. The agencies proposed to create assessment areas where a large bank does not have branches when a bank has issued 100 home loans or 250 small business loans. This proposal would result in the great majority of total lending being incorporated on exams and would therefore hold banks more accountable for serving low- and moderate-income communities.

However, the agencies must further ensure that exams do not overlook assessment areas containing smaller metropolitan areas and rural counties.

The agencies proposed to eliminate certain subtests for about 1,000 medium-sized and smaller banks that would eliminate their accountability for providing community development finance and branches in underserved communities. These changes lack justification since these banks have been successfully performing these activities for several years. We urge the agencies to eliminate this aspect of the NPR since it would reduce reinvestment activity.

If CRA is improved while maintaining public input and accountability, we believe the proposed rule could help reduce inequalities, disinvestment and other disadvantages in America's overlooked communities.

We appreciate the opportunities to provide comments and stress the urgency of upholding and strengthening CRA for the betterment of communities across the country.

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THOMAS BARR
Vice President of Business Development
Pronouns: HE - HIM - HIS
thomas@localfirstaz.com

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localfirstaz.com    