



August 5, 2022

Chief Counsel's Office
Attention: Comment Processing,
Office of the Comptroller of the Currency (OCC)
400 7th Street SW, Suite 3E-218
Washington, DC 20219

RE: Community Reinvestment Act, Docket ID OCC-2022-0002

CASA of Oregon is a statewide nonprofit that focuses many of its activities in rural Oregon. Our programming is directed to Low and Moderate Income (LMI) individuals, including farmworkers and communities of color. Our lines of business (LOBs) include housing and community facilities development, conversion of mobile home parks to resident owned cooperatives, asset building through individual development accounts (IDA) and financial inclusion. All of our work is supported by our CASA Community Loan Fund, which is a Community Development Financial Institution (CDFI).

Many of the LMI folks served by our programs are people of color. As it is, historic segregation and oppression have made it hard to serve this population. This NPRM proposes significant changes to the Community Reinvestment Act (CRA) regulatory requirements and exams. CASA is pleased with many of the reforms that have been proposed and would like to offer our comments to make this proposal even stronger.

CASA would also like to note that it is a member of the following organizations:

- National Community Reinvestment Coalition
- NeighborWorks America
- National NeighborWorks Association
- Opportunity Finance Network
- Housing Oregon

Each of these organizations has provided comments to the NPRM and CASA is supportive and endorses the comments prepared by these organizations.

CRA must be explicit in considering race

Race and ethnicity must be incorporated into CRA exams. Access to credit continues to be denied to people of color. By including race and ethnicity, CRA can identify and address persistent racial disparities that have direct impacts on quality of life and health outcomes.

The lending test of the large bank exam should help with exam grade inflation

CRA has successfully leveraged more loans, investments and services for LMI communities . It would be more effective in doing so if the ratings system more accurately revealed distinctions in performance. More banks would be identified as significantly lagging their peers, which would motivate them to improve their ratings and increase their reinvestment activity.

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 quantitative 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 agencies proposed improvements to the other subtests of the large bank exam but did not establish as many guidelines for the performance measures, which could contribute to inflation on the subtests. The community development finance test, for example, will consist of a quantitative measure of a bank's ratio of community development finance divided by deposits. The bank's ratio will be compared to a local and national ratio. The agencies, however, did not provide enough guidelines to examiners for comparing the bank's ratio to either the local or national ratio, making it possible for an examiner to inflate a rating by choosing the lowest comparator ratio.

The possibilities of misplaced examiner discretion can also occur on the retail services test and the community development services test. The retail services test contains quantitative measures comparing a bank's branch distribution to market and demographic benchmarks but does not provide enough instructions to examiners about how to weigh these benchmarks.

We believe that it is possible for the agencies to further develop guidelines for how to use the performance measures on the community development and services subtests of the large bank exam in order to produce a uniformly rigorous CRA exam and guard against ratings inflation.

Enhancements to community development definitions will increase responsiveness of banks to community needs

The agencies proposed refinements to the definitions of affordable housing, economic development, climate resiliency and remediation, community facilities and infrastructure that we believe will more effectively target revitalization activities to communities such as persistent poverty counties and Native American communities.

The NPR clarified that financing health services qualifies under the definition of community support services. Essential community facilities now include hospitals and health centers without current documentation requirements, applied inconsistently, that the financing attract and retain residents to the community. This streamlining would boost financing of critical community infrastructure.

However, the community development finance test will include an impact review which must be further developed and include points and ratings like other subtests so that the test can be even more effective in stimulating responsive community development activities. Finally, we ask the agencies to reconsider their proposal to expand CRA consideration for financial literacy with no income limits; scarce counseling resources need to be targeted to LMI and other underserved populations.

Data improvements will help hold banks accountable but all new data should be publicly available

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 for reaching underserved communities. We ask the agencies to reconsider this decision and also to expand data collection to all large banks instead of just banks with assets of more than \$10 billion in the case of deposits and automobile lending. Finally, CRA exams should not only analyze access to deposits accounts for LMI communities but also affordability by comparing and refining, if necessary, fee information collected in call report data.

Accountability for discrimination will increase but the agencies need to bolster their reviews concerning the quality of lending

The agencies proposed to include all activities and products including deposit accounts in addition to credit in anti-discrimination and consumer protection legal reviews. This is an important advance but we urge the agencies to expand their reviews to include the quality of lending. [Massachusetts CRA exams](#) include analysis of delinquency and defaults rates in home lending. Federal CRA exams should do likewise in all major product lines. Moreover, reviews of lending must include an affordability analysis and impose penalties when banks offer on their own or in partnerships with non-banks abusive, high-cost loans that exceed state usury caps and that exceed borrowers' abilities to repay. Finally, we are pleased that the agencies added the Military Lending Act in the list of laws to be included in the fair lending review but we urge them to also add the Americans with Disability Act.

Assessment areas are expanded to include online lending but performance in smaller areas needs to be considered more carefully

For several years, advocates have urged the agencies to examine lending that occurs online. The agencies proposed to create retail 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 non-traditional banks more accountable for serving LMI communities.

We ask the agencies to expand upon their proposal to include partnerships with banks and non-banks for retail lending. When a bank partners with more than one non-bank, the lending of all the non-banks needs to be totaled together for calculating if the threshold is exceeded for purposes of creating assessment areas.

In order to ensure that banks serve smaller metropolitan areas and rural counties, the agencies proposed requiring that banks with 10 or more assessment areas must receive at least a Low Satisfactory rating in 60%

of the assessment areas in order to pass overall. This still may not be an adequate solution since the smaller areas could represent a minority of areas, allowing a bank to pass the 60% threshold by focusing on the larger areas. One possible fix is to require banks to achieve at least a Low Satisfactory rating of 60% in each of its large metropolitan, small metropolitan and rural assessment areas.

Reclassifying banks as small and intermediate small banks (ISB) would reduce community reinvestment activity

By adjusting asset thresholds for qualifying for various CRA exams, the agencies proposed to reclassify 779 ISB banks as small banks, which would involve no longer holding these banks accountable for community development finance. In addition, the agencies proposed to reclassify 217 large banks as ISB banks, eliminating their service test and accountability for placing branches in LMI 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.

Public input mechanisms: agencies propose improvements that must be codified

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 local 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.

Posting comments on agency websites will establish accountability on the part of examiners to consider them. In addition, these comments can be referenced during future merger applications to determine if the banks addressed significant concerns of the public. Also, the agencies should establish a public registry that community organizations can use to sign up if they want to be contacted about community needs and bank CRA performance. Furthermore, we request that the agencies start to publish which organizations they consult with to understand local community needs, commit to collecting input from a diverse range of organizations that includes organizations led by people of color and women, follow up on needs identified and detail how community input was factored into the results of CRA performance evaluations.

We also agree with Acting Comptroller Hsu that the agencies must hold frequent public hearings on large bank mergers. CRA exams, if they are made more rigorous by a final rule, will help hold merging banks accountable. However, merging banks must also submit a community benefits plan as part of their merger applications which could include community benefits agreements negotiated with community organizations. As further described in recent comments, we agree with NCRC that an outstanding CRA rating must not be considered evidence that merging banks have satisfied the public benefits legal requirement.

Expanding Automatic Eligibility to Additional Community-focused Entities

The NPRM supports the vital role CDFIs. CDFIs consistently display the mission of promoting community development while effectively supporting LMI communities and households. The CASA Community Loan Fund has invested more than \$200 million in rural communities serving Latinx and other LMI communities. CASA is also a chartered member of NeighborWorks America. We would like to see automatic CRA eligibility to nonprofit organizations that hold a charter from NeighborWorks America. These chartered organizations – often referred to as NeighborWorks affiliate organizations – have similar oversight and reporting requirements, and

their activities are held to specific standards to retain their chartered status. This accountability among NeighborWorks affiliate organizations is comparable to the careful examination placed on CDFIs to ensure compliance and community benefit. Because of this, extending the same eligibility treatment would align with the intent of the modernized CRA rule. Any activities where a NeighborWorks affiliate organization is an active partner should be explicitly included within the final regulations when describing qualified activities for banks to undergo to receive credit.

We would also like to see the agencies consider extending this treatment to HUD-approved Housing Counseling organizations, HUD-designated Community Housing Development Organizations, and HUD approved nonprofit organizations as appropriate.

Native Communities and Native Lands

CASA is a member of the National NeighborWorks Association (NNA). The NNA has provided numerous suggestions to which we agree whole-heartedly.

Conclusion

Our LOBs are dependent on bank participation. Banks are motivated to work with CASA to meet their CRA obligation. Without bank investments in our loan fund, loans to the cooperatives would cease. The housing we develop for farm workers would not happen, affecting rural communities and the agricultural sector. Banks are also a key ally in delivering IDAs to LMI individuals across the state. IDAs help LMI individuals to be good financial planners and to save money to become homeowners, get an advanced degree or advance their educational goals or start or expand a business. Without bank participation, this program will cease to exist.

The NPR is a good start and promises to make parts of CRA exams more rigorous but we urge the agencies to extend the rigor of the large bank lending test to the other tests. We also ask the agencies to incorporate race in CRA exams, to expand the public reporting of their data collection proposals, to bolster their assessment area proposal to make sure that smaller communities are not left out and to refrain from reducing reinvestment requirements for any segment of banks. 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 urge you to work with national, state and local consumer and community advocates to enact the kinds of reforms needed to ensure more individuals, businesses and communities can access credit, capital and opportunity. Thank you for your consideration of our comments.

Kind regards,



Peter Hainley
Executive Director

