

Message

From: Yahoo Mail [hvantol@frontiernet.net]
Sent: 8/6/2022 12:37:51 AM
To: Comments [comments@fdic.gov]
Subject: [EXTERNAL MESSAGE] RIN 3064-AF81

August 5, 2022

To Whom it May Concern:

In my work as the President of a CDFI (PathStone Enterprise Center), a position from which I retired last year, I focused most of my attention on small business lending and so I will make that the focus of these comments. I fully support the comments of the National Community Reinvestment Coalition and its many member organizations who are commenting on the whole range of issues that this proposed regulation covers, but I will focus on just a few items in the niche that I know the best. The final years of my work covered the period that the COVID pandemic was ravaging small businesses across the country and brought into stark relief the structural challenges faced by community development efforts which include small business development, particularly minority business development.

I am especially pleased that the agencies have addressed the issue of Assessment Area reform and have proposed ways for making citizens participation in the performance evaluation and merger process easier and more transparent.

Question 44 which addresses the product lines that will be considered for determining a large bank's retail lending assessment area will require some careful calibration when it comes to small business lending and its relationship with credit card lending. Some large banks market credit cards to small businesses, and they won't necessarily be easily distinguished from other personal credit cards, unless in response to Question 67 and 68 the agencies decide that reporting of enough granular credit card lending data is an important element in determining the quality of the CRA performance of banks with large credit card portfolios. I would urge you to consider carefully how credit card lending that may or may not be a form of good small business lending, or is in some cases near-predatory, will be included in the determination of retail lending assessment areas.

In response to question 34 please make certain that "counties' within territories like Puerto Rico and the US Virgin Islands are included in the Persistent Poverty list that the agencies promulgate. Unfortunately, some US government agencies have failed to do so in the past.

In response to question 35, short term deposits made in CDFIs have some merit and should receive some consideration, but their value should not be weighted nearly as much as long term debt financing, equity investments or donations. When CDFI are making loans to businesses with a higher risk profile, they need backing from banks that includes either loan

guarantee arrangements with the banks or direct contributions to the CDFI's loan loss reserves.

In response to question 36, if the agencies wish to accomplish the goal of providing additional support for businesses owned by people of color, one indirect way to accomplish that goal would be to provide additional weight to community development support for businesses with annual revenues of less than \$100,000. In the cities that I am familiar with, Buffalo and Rochester, New York approximately 95% of businesses owned by people of color have no employees; they are run by the owner and maybe a member of their family. A disproportionate number of these businesses will be startups and near startups and have gross annual revenue of less than \$100,000. Because of their risk profile, few of these types of businesses can get direct bank loans. Substantive efforts to provide community development financing must find new ways that these businesses can be supported and can achieve growth to the point that they can begin to hire people. The issues involved in minority-owned small business development vary considerably between geographies with a well-developed minority business infrastructure, cities like Atlanta, LA, Chicago and the DC area versus the issues in many small and medium sized cities, particularly when those small and medium sized cities no longer have a physical presence (and assessment area) of very many, if any, large banks. Providing heavier weighting for support for the very small, i.e. under \$100,000 in annual revenue businesses will help build a base of minority-owned businesses in locations where fewer minority-owned businesses with employees currently exist.

The changes to assessment areas will be important to the extent that they bring a larger percentage of bank lending under the scope of the CRA, and I trust that with these changes the agencies will be better able to assess the performance of banks, and provide the communities they serve with evaluations that more accurately represent how well the bank is serving the needs of their communities.

Sincerely,