METROPOLITAN
MILWAUKEE
FAIR
HOUSING
COUNCIL

600 East Mason Street,
Suite 401

Milwaukee, WI 53202

phone 414.278.1240
fax 414.278.8033
tty 414.278.0280

fairhousingwisconsin.com

William R. Tisdale
President and CEO

May 1, 2013

Re: Proposed Changes to Interagency Q&A
OCC: Docket ID OCC-2013-0003
Federal Reserve: Docket No. OP-1456
FDIC: Attention: Comments on CRA Interagency Q&A

To Whom It May Concern:

I am writing on behalf of the Metropolitan Milwaukee Fair Housing Council (MMFHC), a private, nonprofit organization that promotes fair housing throughout the State of Wisconsin by combating illegal housing discrimination and by creating and maintaining racially and economically integrated housing patterns. Among MMFHC's fair housing and fair lending activities is the coordination of a CRA Caucus comprised of a variety of nonprofits serving low and moderate income (LMI) communities and communities of color. We have used the Community Reinvestment Act as incentive for banks to work with us on fair lending issues and to increase LMI borrowers' and people of color's access to credit and capital. In light of the modern realities of our financial services industry, CRA is an important tool that needs to be modified and strengthened.

It is within this context that MMFHC is taking the opportunity to comment on the proposed changes to the Interagency Question and Answer (Q&A) document. The devastating impacts and hard lessons of the foreclosure crisis and our experience here in Wisconsin highlight the need to implement bold and aggressive changes to the CRA regulation in order to increase responsible lending, investing, and services in low and moderate income communities. MMFHC, a member of the National Community Reinvestment Coalition (NCRC), acknowledges that the proposed changes to the Interagency Question and Answer (Q&A) document would be modestly helpful. But the proposed changes fall far short of the comprehensive revisions to the CRA regulation needed to keep pace with the changes in the banking industry.

The agencies must refrain from altering examination weights in their proposed Q&A on community development lending. While it is desirable to affirm the importance of community development lending as the first part of the proposed Q&A does, the second part of the Q&A stating that strong performance in community development lending can compensate for weak performance in retail lending must be deleted.

The provision of home loans to serve the variety of needs of LMI borrowers and communities of color is the single-most important financial services product for ensuring equity and encouraging desegregation in the for-sale housing market. A change to a Q&A cannot adequately deal with the complex issue of weighing community development lending and could inadvertently decrease the level of bank retail lending.

Also, since retail lending is the predominant part of the lending test, it is unlikely that strong performance on community development lending could compensate for weak performance on retail lending. Better methods can be developed for elevating the importance of community development lending.

Our second concern is that the proposed Q&As do not address the glaring deficiencies of the service test. While bank branches are closing, some large banks are now engaged in abusive payday lending. A more rigorous service test which rewards banks' provision of consumer-friendly services and products like those articulated in the FDIC's Alliance for Economic Inclusion, is urgently needed. In addition, reforms to the CRA regulation boosting the importance of foreclosure prevention and servicing must be undertaken. The existing Q&As regarding foreclosure prevention and loan modifications are not effectively stimulating foreclosure prevention activities on a scale large enough to address the needs of borrowers and communities across the country. And the resulting foreclosures, equity stripping, and other economic impacts are devastating once-stable neighborhoods, disproportionately affecting people of color and communities of color.

Another important issue not addressed by the proposed changes to the Q&A is loan purchases versus originations. NCRC and its members have recently noted in their comments on CRA exams that banks are making few loans to LMI borrowers but purchasing loans made to these borrowers from other banks. Making loans represents a more effective effort to serve community needs than purchasing high volumes of loans. Purchasing loans to beef up an institution's CRA performance makes a mockery of the intent of CRA. Existing Q&As warn banks against purchasing loans to "artificially inflate CRA performance." But since this behavior continues, the Q&A needs to be strengthened by saying that CRA examiners will separately evaluate originations and purchases and will downgrade banks if the purchasing is conducted in a manner to inflate the CRA rating.

On another matter, the agencies' proposal to motivate increased community development lending and investing in smaller cities and rural areas falls short. The proposal to provide favorable CRA consideration for community development financing in larger regional or statewide areas as long as the financing in the larger areas is not "in lieu of or to the detriment of" financing in the assessment area(s) is not likely to be effective.

Expanding assessment areas would be more effective in stimulating increased community development financing and home and small business lending than the proposed changes. The proposed changes would modestly facilitate community development financing in smaller cities and rural communities, but the changes are much less effective than broader changes to banks' assessment areas would be. The agencies should require additional assessment areas for counties and metropolitan areas in which a bank makes sizable numbers of loans but in which the bank does not have branches.

In addition, the proposed agency rules miss an opportunity to assess the effectiveness of the proposed changes by not requiring additional data disclosure of community development lending and investing. For the past several years, MMFHC, along with NCRC and its other members have been advocating for the agencies to publicly provide data on community development lending and investing on a census tract level or at least on a county level. If county level data was available for community development financing, the agencies and the public at large could assess how effective any proposed changes to the regulation or Q&As would be in stimulating more community development financing in rural counties and smaller cities while ensuring that the current assessment areas do not experience significant declines in community development financing. The data would either reconfirm any recent changes or would prompt additional changes.

Three years after the summer of 2010 hearings in which the agencies received hundreds of comments, MMFHC is profoundly disappointed that the agencies are proposing actions that would inadequately result in the comprehensive CRA reforms needed by communities across the country. We urge prompt and comprehensive reform to the CRA regulations.

Sincerely,

Bethany Sanchez
Senior Administrator, Fair Lending Program

Cc: William Tisdale