From: John Wiltse <jwiltse@pathstone.org>
Sent: Wednesday, May 22, 2013 12:01 PM
To: Comments
Cc: John Taylor; Hubert VanTol
Subject: Proposed Changes to Interagency Q&A

May 20, 2013

John Wiltse

80 Newcastle Road

Rochester, NY 14610

Re: Proposed Changes to Interagency Q&A

Attention: Comments on CRA Interagency Q&A

To Whom It May Concern:

I would like to register my extreme disappointment that the proposed changes to the Interagency Question and Answer (Q&A) document have fallen so far short of the comprehensive revisions to the CRA regulation needed to keep pace with the changes in the banking industry. The foreclosure crisis and the overall slowdown in lending have shown what happens when the regulations governing Assessment Areas for CRA purposes become extremely disconnected from the way that lending is actually occurring in many markets and especially in rural markets. I believe that the agencies must implement bold and aggressive changes to the CRA regulation in order to increase responsible lending, investing, and services in low- and moderate-income communities.

The agencies propose to motivate increased community development lending and investing in smaller cities and rural areas by facilitating lending outside of banks' assessment areas (or geographical areas containing bank branches that are scrutinized by CRA exams). Currently, a bank receives favorable CRA consideration for lending and investing in statewide or regional areas that includes the bank's assessment areas provided that the bank is adequately serving the needs of its assessment areas. The agencies propose to change this to providing favorable CRA consideration for community development financing in the larger areas as long as the financing in the larger areas are not "in lieu of or to the detriment of" financing in the assessment areas.

These proposed changes would modestly help community development financing in smaller cities and rural communities, but these changes are much less effective than making broader changes to banks' assessment areas would be. Currently, assessment areas are based on the geographical areas containing a bank's branches. However a major portion of mortgage lending and small business credit card lending in our region is done by affiliates of banks that have no branches in our area. The agencies should designate 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. This is not difficult to do; the former Office of Thrift Supervision (OTS) assessed performance in geographical areas with high numbers of loans beyond bank branch networks. Expanding assessment areas would be more effective in stimulating increased community development financing and home and small business lending than the tortured semantic and legalistic changes that have been proposed by the regulators.

In addition, the agencies are missing an opportunity to assess the effectiveness of their proposed changes by not requiring additional data disclosure of community development lending and investing. I urge you to publicly provide data on community development lending and investing on, at the very least, 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. Currently there is no way for the community to know if an institution's community development lending is occurring solely in a major population area, or if the surrounding more rural counties are also receiving attention.

I also urge the agencies to 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. This further weakening of emphasis on retail lending requirements will continue to weaken retail lending efforts in rural communities and urban cores at a time when those areas are losing bank branches.

The proposed Q&As do not address the glaring deficiencies of the service test. While bank branches are closing, some large banks are now either engaged in or supporting abusive payday lending. A more rigorous service test which assesses data on bank deposits in addition to bank branches in low- and moderate-income communities is urgently needed.

Still another issue that is not addressed by the proposed changes to the Q&A is loan purchases versus originations. NCRC and its members have commented recently on CRA exams in which banks are making few loans to low- and moderate-income borrowers but instead purchasing loans made to these borrowers from other banks. Making loans represents a more concerted effort to serve community needs than purchasing cherry-picked loans simply to technically meet the requirements. This cherry-picking behavior by banks continues so 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.

Three years after the summer 2010 hearings in which the agencies received hundreds of comments, I'm deeply disappointed that the agencies are proposing half measures in the form of Q&As while the agencies need to engage in comprehensive reforms regarding assessment areas, the service test,

foreclosure prevention, and the consideration of loan purchases on CRA exams. I urge prompt and comprehensive reform to the CRA regulations.

Sincerely,

John Wiltse

cc. National Community Reinvestment Coalition