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Re: Proposed Changes to Interagency Q&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:

Rural Community Assistance Corporation (RCAC), a Regional Intermediary and Community Development Financial Institution (CDFI) , acknowledges that the proposed changes to the Interagency Question and Answer (Q&A) document would be a step in the right direction but we believe that much more could be done to help CRA regulation keep pace with the changes in the banking industry. We have specific comments about impact in rural areas and also about issues affecting CDFIs.

Q & A _ 12(g)(2)-1

We recommend that the examples provided to give guidance to community development services specifically include investments that leverage USDA and other programs to benefit rural communities including:

USDA Rural Development Community Facilities Guaranteed Loan Program

USDA Rural Utilities Service Guaranteed Loans

Small Business Loans Guaranteed by State Government

USDA 521 Rental Assistance Payments

Q & As _ .12(h) 6 and _12 (h)7

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 area(s) provided that the bank is adequately serving the needs of its assessment area(s). 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 area(s).

These proposed changes are a step in the right direction but we would recommend additional changes. We are concerned that the language presents a potential zero sum game where investment in broader areas can only happen if less investments are made in assessment areas. The reality is that both can happen and should be encouraged.

1) For banks who have a large footprint but who only receive expanded scope examinations in high population urban markets, we recommend a rotating expanded scope exam in one or more of their smaller markets.

2) The regulatory agencies should document community needs and capacity in rural markets and jointly publish this information. Banks that can demonstrate that they are addressing those needs should get CRA credit.

Given the limited scope of the Q&A, however, we feel that the whole issue of assessment areas needs to be reviewed and revised. Currently banks are increasingly focusing their community development lending and investing in large urban areas at the expense of rural and smaller cities. This behavior is being driven, in large part, to the heightened requirements of expanded scope examinations. We believe that the scope of examinations needs to be placed on a more balanced basis, with greater attention and emphasis placed on rural and smaller cities. After all, rural and smaller cities suffer disproportionately by unemployment, poverty and other indices of disinvestment. Rural areas such as California's Central Valley experienced some of the highest foreclosure rates in the nation, along with high incidences of predatory subprime loans. Clearly CRA investments in these areas are sorely needed and should be encouraged by the regulatory agencies.

Proposed New Q&A § __.12(t)-9

We are concerned that language of the proposed Q&A, particularly that the recipient organization "invests those funds in instruments that do not have as their primary purpose community development, such as Treasury securities, and uses only the income, or a portion of the income, from those investments to support the organization's community development purposes..." could preclude full consideration of some investments that are for community development purposes. RCAC, like other CDFIs, receives qualified investments from banks for its lending. As we manage our liquidity and funding needs, there are times when we place lending capital in investments vehicles while waiting to deploy the funds. The qualified investment is clearly used to further our community development mission but we need the flexibility to deploy the capital as needed. We recommend that the agencies consider that qualified investments, where the investment agreement clearly requires that the investment be used for community development purposes be given full credit.

Existing Question and Answer Without Substantive Change. Activities with Minority and Women-Owned Financial Institutions and Low-Income Credit Unions.

Although this Q&A is not proposed for substantive change, we would encourage the agencies to provide the same treatment currently provided to Women-Owned Financial Institutions and Low-Income Credit Unions to CDFIs and other organizations with community development purposes. CDFIs in particular, by statute must serve the low- and moderate-income communities referred to in the CRA and should receive the same consideration.

Thank you for the opportunity to comment. If you have any questions, feel free to contact me at 916.447.9832, extension 1003 or mcarroll@rcac.org.

Sincerely,

Michael D. Carroll
Loan Fund Director