To:	Comments
Cc:	Robyn Henry; Jesse Van Tol
Subject:	Attention: Robert E. Feldman, Executive Secretary, CRA comments
Date:	Monday, November 10, 2014 5:37:39 PM

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November 10, 2014

RE: Proposed Changes to the Interagency Q&A Regarding Community Reinvestment

To Whom it May Concern:

While The Agencies have raised many questions in their proposed changes to the Community Reinvestment Act Questions & Answers, I would like to focus attention on one that I believe gets at the heart of The Agencies lack of care in maintaining the legislative intent of the Community Reinvestment Act. The question: "Do the proposed revisions adequately address changes in the way financial institutions deliver products in the context of assessment area(s) based on the location of a financial institution's branches and deposit-taking ATMs?" This can only be answered with a resounding "No." This is true particularly when one considers that The Agencies have also proposed: "Deleting language from the Q&A that states 'performance standards place primary emphasis on full service branches.'"

For several years now community based representatives have asked The Agencies to update the Community Reinvestment Act meaningfully by updating the Assessment Area regulations. Our concern has been to focus on where a financial institution actually uses its deposits to provide banking and lending products rather than narrowly focusing on where they have deposit-taking branches. Tying Assessment Areas to deposit taking branches made some sense in the 1970s, but when the nationwide mortgage companies that operated apart from a branch structure proliferated and small business credit card lending with no physical ties to a community became common, this original tie became much less relevant and low and moderate income communities suffered as a result.

While we are aware that the referenced "full service branch" language pertains to the service test it is hard to imagine that The Agencies do not understand that their proposal only further weakens the already shaky foundation for enforcing the intent of the Community Reinvestment Act. Electronic deposit taking is growing and this particular language will only make it easier for banks to take deposits without any related CRA obligation to the geography of the depositor, while in fact getting CRA credit for reducing their expenses. To state it plainly, offering ways for financial institutions to get additional CRA credit for using technology instead of deposit-taking branches, without first fundamentally changing the way that assessment areas are determined, is, to use an old technology metaphor, putting the cart before the horse.

Since the financial crisis the location of where deposits are credited has become remarkably more geographically concentrated. How much of this is due to electronic deposit taking, a flight to safety of wealthy investors, government subsidy (TARP), Federal Reserve policy, corporate headquarters' cash hoarding or other reasons is hard to determine because of the lack of useful data about the actual geographic home of the person or business who owns the deposited funds. The Summary of Deposits information only identifies the office location that holds the deposit. Over the same time period the level of small business lending being done at the local level has declined precipitously and yet the banks which are the responsible parties in this situation are still all merrily collecting their Satisfactory and Outstanding CRA ratings and making healthy profits, while non-money center communities deteriorate further from a lack of investment.

This situation makes a mockery of the fundamental premises of the Community Reinvestment Act, that financial institutions have a duty to serve low and moderate income communities. And yet the very regulators who were willing to drive a bulldozer through the Glass-Steagall Act in order to facilitate the previously illegal merger of Citi and Travellers in the late 1990s, cannot find the ability to change the Assessment Area regulations to keep up with the changes in the financial services industry. Instead the Agencies propose minor changes at the margins whose net result will almost surely be to weaken the CRA further.

New York State's banks host about 13 percent of the nation's approximately $10 trillion in bank deposits. Of the $1.3 trillion in deposits housed in branches in New York , $865 billion is housed in New York County (Manhattan) as of the June 30, 2014. In 2007 those figures were $722 billion and $378 billion respectively. Over the course of seven years the dollar amount of deposits housed in New York grew by $570 billion with almost 90% of that growth occurring in Manhattan. This did not happen because Manhattan represents 90% of the real economy in New York, it happened because of growing economic inequality and concentration of wealth aided in large part by government policy.

The proposed language which deemphasizes the importance of physical branches without first reforming the regulations governing Assessment Areas is another such policy that will encourage economic inequality. With the advances in electronic banking the largest banks will be able to concentrate their physical presence to a few major urban areas, while still being able to pull deposits out of the increasingly disinvested rural areas, small communities and inner cities, and having their regulator's blessings for doing so.

The primary purpose of remote, electronic forms of financial interaction are not to provide useful "products," but rather to pull wealth out of communities into the hands of a few concentrated corporations. The innovation of the small business loans made via credit card nationwide by a few institutions without ties to the communities they "serve" has done more harm than good in most communities. The innovative methods of delivering mortgages apart from the physical presence of bank branches in the last decade devastated many communities and sucked wealth out of them. This current crop of "innovative" banking methods will be likewise harmful if the regulators do not provide strong incentives for the financial institutions to invest in the communities the deposits are coming from.

The following large banks now use non-branch methods for making money off small business lending in the Rochester New York market: Citi, Wells Fargo, Capital One, US Bank, BB&T, GE Capital, Discover Bank. A different, but equally long list of large mortgage lenders make up a significant part of the local mortgage market, without having a deposit-taking branch presence.   Do you really believe that the few large national banks, who maintain branches in the Rochester market will continue to do so, once they improve their electronic deposit taking ability, if the Agencies continue to write the CRA rules to the advantage of institutions who do not maintain a physical presence and thus a Community Reinvestment responsibility.

We would ask you to stop proposing regulations that help financial institutions circumvent the legislative intent of the CRA, which was to make sure that they made lending products and services available in the low and moderate income neighborhoods that they took deposits from, not provide them with an incentive to avoid doing so.

While we are commenting only on this issue, we are members of the National Community Reinvestment Coalition and we support their comments.

Sincerely

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Cc: National Community Reinvestment Coalition