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Office of the Comptroller of the Currency: Docket ID OCC-2014-0021
Federal Reserve Board: Docket OP-1497
Federal Deposit Insurance Corporation: Attention: Robert E. Feldman, Executive Secretary, CRA comments

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

To Whom It May Concern:

The New York State Rural Housing Coalition is a member of the National Community Reinvestment Coalition and is writing to respond to the request for comments on the proposed changes to the "Interagency Questions and Answers Regarding Community Reinvestment." We commend the regulatory agencies' proposals to reward small dollar lending and the use of alternative credit histories with Community Reinvestment Act (CRA) credit. However, we urge the agencies to reconsider the suggestions regarding alternative service delivery methods. Access to banking services for low- and moderate-income (LMI) communities is a key component of CRA, and financial institutions must meet a high bar to prove that alternative service delivery methods are meeting the needs of LMI individuals. Until it is clear that alternative service delivery methods fully meet the needs of low- and moderate-income individuals and communities, bank branches should continue to receive greater weight on the service test of CRA examinations

The New York State Rural Housing Coalition has worked with community based housing and community development organizations in rural parts of New York State for over three decades. During that long history, access to credit has been a recurring theme. Our communities are small and diffusely populated and banking services are often limited if not unavailable in many of the communities served by our members. Lack of access to credit and other financial services is a well-documented impediment to economic growth in rural communities.

We commend the regulatory agencies on some of the proposed updates and changes to the Q&A. Specifically, we are pleased with the recommended updates to the question addressing innovative and flexible lending practices.

1) We are encouraged by the Agencies' inclusion of using alternative credit histories as a practice that warrants CRA credit. Many existing underwriting practices effectively exclude a large number of creditworthy LMI borrowers. Financial institutions would have a greater incentive to integrate alternative credit histories into their business with the added clarity that the practice is eligible for CRA credit.

2) Small dollar loan programs offer a promising alternative to higher-cost loans offered by institutions like payday lenders. And with the financial literacy and savings components, these loan programs offer real opportunities to help build sustainable wealth and financial knowledge. It must be clear to examiners, however, that these small dollar loan programs should only be awarded credit if they are safe and sound alternatives to high-cost and predatory products.

Yet these helpful changes are outweighed by our concerns with proposed changes to other questions and answers, most notably the proposed changes that address advancements in financial service technology. Our principal concerns are listed below.

1) There is a need to account for changes in banking technology and how customers engage with financial institutions. As a result of online and mobile technology, financial institutions can reach consumers in new ways, yet in technology challenged rural communities we believe that access to bank branches must continue to be given primary emphasis in determining a bank's CRA service test rating. Additionally, it must be made clear that financial institutions will not receive CRA credit even for the LMI individuals and geographies outside the financial institutions' established assessment areas that are reached through mobile or online technology. Given the nature of rural communities, we believe that assessment areas must continue to be based in geography and examiners must restrict their assessments to a financial institution's performance and service within the agreed upon physical market area.

2) The existence of online and mobile technologies and services alone is insufficient. To warrant CRA credit, it must be clear that:
   a) those services are accessible to LMI individuals and geographies;
   b) there is actual adoption of those technologies by LMI individuals and geographies;
   c) those technologies are the preferred method of engagement; and
   d) those services are not the sole method for LMI individuals and geographies to engage financial institutions.

3) Regulators should not be awarding CRA credit for a financial institution's support for expanded broadband access. Over a very broad swath of rural New York, Broadband access is not available and although it is a clear priority for both State and Federal administrations, we appear to be years from universal availability. Giving CRA credit for supporting broadband expansion is problematic to say the least. In rural communities, it continues to be more important to use CRA credit to encourage financial institutions to find more direct ways to meet the needs of LMI individuals and geographies.

We urge the banking regulatory agencies to consider this feedback and to strengthen the revisions to the Interagency Questions and Answers document to ensure that LMI communities continue to receive adequate and accessible banking services. Should you have any further questions about our comments, please contact me at (518) 458-8696 or by email at blair@ruralhousing.org.

Thank you for your consideration.

Sincerely,

Blair W. Sebastian
Executive Director
New York State Rural Housing Coalition