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Executive Director

November 11, 2014

Commissioner Thomas J. Curry
c/o Legislative and Regulatory Activities Division
Office of the Comptroller of the Currency
Mail Stop 9W–11
400 7th Street SW.
Washington, DC 20219

Chairwoman Janet L. Yellen
c/o Robert deV. Frierson, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW.
Washington, DC 20551

Chairman Martin J. Gruenberg
c/o Robert E. Feldman, Executive Secretary
Attention: Comments
Federal Deposit Insurance Corporation
550 17th Street NW.
Washington, DC 20429

RE: November 10, 2014 Letter from California Reinvestment Coalition regarding Community Reinvestment (Questions and Answers) appearing in the Federal Register September 10, 2014

Dear Commissioner Curry, Chairwoman Yellen and Chairman Gruenberg:

The California Reinvestment Coalition submits this errata sheet and updated letter to correct the following typographical errors in our initial submission:

- Pg. 13: "CDC Small Business Finance" was initially listed as "CRC Small Business Finance."
- Pg. 13: due to some delayed correspondence, East LA Community Corporation was omitted from the initial list of organizations who have signed on to this letter.

Thank you for your hard work on this matter. We look forward to working with you further to ensure all communities have equal access to equitable financial services.

Best,

Divya Rao
Legal Fellow
California Reinvestment Coalition

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Washington, DC 20429

Dear Commissioner Curry, Chairwoman Yellen and Chairman Gruenberg:

The California Reinvestment Coalition is grateful for the opportunity to comment on the proposed changes to the Interagency Questions and Answers Regarding Community Reinvestment (Questions and Answers) appearing in the Federal Register September 10, 2014.

These comments are in response to OCC Docket ID OCC–2014–0021 and Federal Reserve Board of Governors Docket No. OP–1497.

CRC is a statewide coalition of nonprofit community organizations serving lower income communities and communities of color located throughout California. While our members facilitate first-time homeownership and foreclosure prevention, support small business growth, help consumers repair and build credit histories and develop affordable rental housing, CRC advocates for policies and practices in the financial services industry that will support those local efforts. As a part of this, CRC advocates for strong regulatory enforcement of the Community Reinvestment Act, including performance evaluations, to ensure that banks are meeting the lending, investment and service needs of historically underserved communities and rural communities.

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The Agencies should discourage banks from using alternative delivery methods to limit their CRA footprint.

We agree with the Agencies that financial services that effectively meet the needs of historically underserved communities should receive CRA credit however these services are delivered. However, we strongly caution against rewarding non-branch delivery methods while banks continue to draw CRA assessment areas along branch footprints. It is already the case that banks using online, third-party and other nontraditional delivery mechanisms avoid CRA obligations across vast geographies where they do business. Banks like Capital One, Green Dot Bank, Schwab Bank and Ally Bank hide the true geographic scope of their banking activity by recording deposits as received in only a few branches even though they take deposits, make loans and investments, and provide other financial services in far more locations than they have branches. This business model undermines the effectiveness of the CRA for both the bank and the peers against which its CRA activities are compared.

We ask the Agencies to stop this race to the bottom and instead to fulfill the intent of the CRA by updating its enforcement to match the current realities of banking. We propose that the Agencies consider the impact of a bank's use of alternative delivery methods on its CRA footprint. Banks that use electronic or third-party delivery methods while reducing or limiting their branch footprint should receive CRA credit only to the extent that delivery methods actually replace the utility of branches in the communities the bank serves. This will necessarily mean that online, mobile and third-party delivery methods that do not provide the full array of bank services that are available at bank branches will not get as much CRA credit as service delivery through branches.

It also means that the Agencies should not provide CRA credit to activities that reduce the scope of a bank's CRA obligations, such as promoting alternative delivery methods while limiting branch access by imposing fees for branch use or not making branches available in areas where the bank regularly does business. Rather, a bank's reliance on non-branch delivery models should lower its CRA rating if that bank does significant deposit taking and other business in communities where it does not have branches. Banks should not be permitted to avoid CRA obligations where they conduct business simply by limiting their branches.

To avoid this, the Agencies should consider evaluating how well a bank's financial services meet the needs of communities wherever a bank provides those services, including loans, investments and deposit management tools, through its various delivery models. This would uphold the CRA's mandate that banks' deposit facilities serve the convenience and needs of the communities in which they are chartered to do business. This inquiry would require the Agencies to examine CRA activities of banks that solicit a significant amount of deposits and make loans or investments via alternative delivery methods in all of the communities from which those deposits derive and in which loans and investments are made.

The Agencies should assess and value the actual impact of financial services above all else.

The most important factors that the Agencies should consider when evaluating a bank's services are the range of services provided and the degree to which these are tailored to meet the needs of the communities the bank serves. This means that examiners must consider a community's needs to make a proper evaluation of how a bank's services are responsive. For example, in communities that are unbanked and exploited by high-cost non-bank financial services providers, banks should get CRA credit for responding with low cost bank accounts, money management tools, and credit building services that help community members save money and increase financial capacity. Conversely, the Agencies should not give banks credit for services that deplete the financial wellbeing of customers, such as payday-like loans, high-cost overdraft, or fees for using branch and teller services.

It is especially important that examiners consider the total cost of these products because fees have proven to be a primary factor preventing households from moving or remaining into full banking. 35% of unbanked consumers say that not having enough money is the main reason they don't have an account, while another 13% note that high or unpredictable fees is the main reason they don't have an account.[1] Further, almost half of unbanked households, 45.9%, were previously banked.[2] 20% of those who were no longer banked noted that fees were the primary reason that they were no longer banked.[3] In this way, fees undermine the very purpose of CRA, promoting stable, equitable financial relationships for all community members. This argues for accounts that do not require minimum balances and that guard against the most unpredictable fees: overdraft.

Similarly, the Agencies should not reward services, loans and investments that benefit a geography to the detriment of residents of that geography. Currently, banks can receive community development designations for financing development that displaces jobs and housing that would otherwise be accessible to low income residents. These developments raise the cost of living in a geography making it less inhabitable by the low and moderate income communities living there. For example, loans that finance housing developments at rents or prices that are out of reach of community members, and investments in businesses that create jobs out of reach to most community members both do greater harm than good in those communities. The test of whether an activity contributes to community development should be how it impacts the people that make up the community, not merely the economy of a place.

The Agencies should reward leadership in CRA activity, not mere compliance.

Many CRA advocates share the concern that CRA grade inflation is rampant. To address this, the Agencies should not give excessive credit to institutions that merely provide basic services and

[1] 2013 FDIC National Survey of Unbanked and Underbanked Households, Oct. 2014, available at: https://www.fdic.gov/householdsurvey/2013report.pdf, pg. 7.
[2] *Id.*
[3] *Id.*

perform within the range of industry average. Both of these cause a race to the bottom that leaves vast portions of communities unserved.

To avoid this race to the bottom, banks should get "outstanding" CRA credit only for activities in excess of the industry average such as making loans in low and moderate income communities in greater than average volumes, and thereby raising the bar for their peers. Similarly, banks that perform below industry average should be required to improve. Standard consumer banking activities such as check and savings accounts, branches in low and moderate income communities in proportion to the number of low and moderate income census tracts in a bank's assessment area, and ATM services should be considered minimally compliant with the CRA.

Finally, the Agencies should extend their policy that activities can lower a bank's CRA performance beyond the community development context. Many banks engage in activities that deplete a community's financial capacity – such as excessive reliance on overdraft fees from those who can least afford them and investing in or financing payday businesses that strip communities of wealth. These activities undermine the impact of the bank's positive activities and should lower the bank's CRA grade accordingly.

The Agencies should encourage banks to develop responsible products and to be accessible within the context of all the communities it serves.

In response to proposed Revisions to Q&A § _.24(d)-1: Measuring Availability and Effectiveness of Retail Banking Services), we call on the agencies to focus on the services provided separate from the manner in which they are provided.

"Retail banking services" actually encompasses two different components: the financial services provided and the delivery systems for providing these services. Both components are crucial, and both must be considered in a CRA examination. They are, however, distinct components, and must be considered separately. In considering the services provided and how well they need the needs of low and moderate income communities, the Agencies should give primary consideration to the nature of the services offered. Convenient delivery methods are crucial, but they are secondary to non-exploitive products that allow low and moderate income communities to build wealth and fully participate in the financial system.

Specifically, services that should be given the most credit in a CRA examination are those that facilitate the purchasing of goods and services, provide the ability to smooth cash flow, and keep money safe until it is needed for a purchase. In evaluating these services, examiners must look beyond the names of these products, to their actual costs and functionalities. Given the dramatic diversity of even basic checking and savings accounts, examiners must verify what, exactly, is being provided, and how effectively.

CRC has developed what we call our SafeMoney standards based on the most important and often used functions of deposit and transaction products (available in Appendix A). The FDIC has also developed a pilot account featuring core functions at the most accessible cost to consumers. Both provide a list of features that examiners can use to determine the availability and effectiveness of the deposit products being examined. By not looking at the products features, one bank's "basic account" that costs $15 a month and requires a minimum $1,500 balance would carry the same weight as another bank's account that can be free with direct deposit of only $25. Although both accounts offer "deposit products", the products being provided are drastically different and are therefore actually available to very distinct populations. The $15 a month, $1,500 minimum balance account is not effectively available to low income and low wealth consumers, including the millions of families that the FDIC has termed unbanked and underbanked and therefore are sidelined out the mainstream financial system. Accounts that are not effectively available to low income communities should therefore not be cited as being available in the CRA service test, and banks that offer truly accessible products should get credit for doing so.

In considering the structure of products, examiners should pay special attention to the overall costs of services and especially to disproportionate impact of fees. For example, examiners should consider the total cost of services, including not just a monthly service fee, but also transaction fees, optional service fees, and "penalties" such as overdraft fees and insufficient funds fees. Many of these fees are not reported when the "cost" of an account is reported. Further, disproportionate impact from these fees, or from negative reports to credit reporting agencies or ChexSystems, should actually be awarded negative credit on a CRA examination. Similarly, having a relatively low fee impact on low and moderate income consumers should be awarded positive credit.

Additionally, to support the intention of the service test, and, indeed, of the CRA, examiners should consider adoption and attrition rates and ratios. For example, to measure the "degree to which services are tailored to meet the needs of [various income] geographies," examiners should consider adoption rates across various income areas. For example, if adoption rates are substantially higher in middle and upper income communities than in low and moderate income communities, this likely indicates a lower level of service in those neighborhoods. Similarly, attrition rates in low and moderate income communities indicate that, regardless of the adoption rate, the service itself was not serving the needs of the community. High attrition rates can also present an independent harm to these communities, as they fuel an already-existing distrust of banks and financial institutions.

Branch delivery services matter most in low and moderate income communities and communities of color.

The proposed revisions to existing Questions and Answers note that encouraging alternative delivery systems should not diminish the value that full-service branches provide to communities. This is especially important in low and moderate income communities and communities of color, owing to unequal access, which examiners must consider in awarding CRA credit. The Pew Research Center has found that one-third of people making under $20,000/year do not use the internet at all while another third access the internet at work or at the library, but do not have internet access in their home. [4] Fewer than half of those earning under $50,000/year have a smartphone. In their report "Banking in Color," the National Council of La Raza, the National Urban League and National CAPACD found that only 86% of households in communities of color had internet access at home, and only 59% had access on their cell phone.[5]

Further, despite access, many people are still primarily interested in performing traditional banking services in person. "Banking in Color" also found that, despite their level of internet access, only 51% of all respondents conducted banking transactions online, and only 11% of all respondents were comfortable conducting financial transactions using their mobile phone. These communities are looking for local access and personal relationships when it comes to banking. Regardless of banking status, customer service was ranked as one of the most significant factors for all survey respondents.[6]

The 2013 FDIC National Survey of Unbanked and Underbanked Households found a similar level of discomfort and disuse of electronic banking. Electronic means of access remain a supplement for service at physical locations, rather than a wholesale substitute.[7] For example, only 24% of banked households used "mainly ATMs." 32% used mainly tellers, and another 33% used mainly online, though 70% of the mainly online group also used tellers.[8] Further, FDIC pilot studies have found that branch staff play an important role in making consumers aware of products, providing basic financial education, and growing their banking relationships.[9]

Finally, despite access to mobile banking, all bank customers should have the ability to access paper copies of their bills. Use of mobile banking is contingent not on only access to a cell phone, but also access to a reliable data connection, sufficient to examine all information in appropriate detail. This, however, may not be an option for low and moderate income customers, many of whom will likely have highly limited data plans or face inconsistent service outside of major metropolitan areas. This lack of access to unlimited, consistent cell phone data may translate to a customer's incomplete or ineffective access to their own banking information, such as balance information and product terms, undermining the goal of more efficient, effective

[4] Aaron Smith, Senior Researcher, Technology adoption by lower income populations, available at: http://www.pewinternet.org/files/old-media//Files/Presentations/2013/APHSA%20Aaron%20Smith%20Presentation_PDF.pdf

[5] National CAPACD, National Urban League, National Council of La Raza, BANKING IN COLOR New Findings on Financial Access for Low-and Moderate-Income Communities, available at: http://www.nclr.org/images/uploads/publications/bankingincolor_web.pdf

[6] *Id.*

[7] 2013 FDIC National Survey of Unbanked and Underbanked Households, Oct. 2014, available at: https://www.fdic.gov/householdsurvey/2013report.pdf, pg. 9.

[8] *Id*. at 9-10

[9] *Id.* at 12.

service. Guaranteed access to hard copies of this information will mitigate the harms from this lack of access.[10]

The Agencies should consider all communities banks serve regardless of service delivery method.

Finally, if banks use alternative delivery services to reach a significant portion of the bank's depositors, then the bank's assessment areas should be redrawn to include the neighborhoods where these depositors live. Absent that, banks should not be awarded CRA credit for these activities. Encouraging banks to provide deposit and other financial services through mobile, online or third-party facilities without considering the needs of these depositors' neighborhoods when evaluating the bank's CRA activities would subvert the entire purpose of the CRA.

Agencies should use data to determine the efficacy of bank services.

In response to proposed Revisions to Q&A § _.24(d)(3)-1: Measuring Alternative Systems for Delivering Retail Banking Services, CRC calls on the Agencies to measure the quality and impact of financial services provided equally whether they are provided in branches or through alternative delivery methods. Though the proposed revisions seek to reflect technological advances, a bank's responsibility to provide these services and the Agencies' role in determining how well the services meet the needs of communities remain unchanged.

The Agencies should consider multiple types of data to assess the effectiveness of services provided including:

Adoption and Attrition Rates
Adoption and attrition rates —including relative adoption and attrition rates between income tracts—should be the primary factors considered to measure whether services meet the needs of various communities. Involuntary closures should also be considered as well as the reasons for the closures, particularly in communities with high or increasing rates of being unbanked and underbanked. Since a stable relationship with a bank is at the core of consumer financial services, the mandate of the CRA is undermined if a bank has high rates of attrition and account closures that can cause customers to become unbanked, unable to obtain bank accounts and therefore shut out of banking.

It is especially important that banks consider adoption and attrition rates, especially moving consumers from unbanked or underbanked into full banking due to the volume of households that are unbanked or underbanked. Overall, 7.7% of all households are unbanked, and another 20% are underbanked. These measures are even more drastic for specific minority populations—20.5% of African American-identified households are unbanked, and another 33.1% are

[10] *See also*, Letter from National Consumer Law Center (on behalf of its low income clients), *et. al.*, to the Consumer Financial Protection Bureau, September 10, 2014, On Request for Information Regarding Mobile Financial Services Docket No. CFPB-2014-001279 Fed. Reg. 33731 (June 12, 2014).

underbanked. Similarly, 17.9% of Hispanic-identified households are unbanked, and another 28.4% are underbanked.[11] 20% of the 45.9% of households that were once, and are no longer, banked, report that fees were the primary reason they were no longer banked.[12] Examiners considering adoption and attrition rates will allow examiners to identify products that are not serving the needs of the communities, including driving consumers out of the financial system, and not reward those activities with CRA credit.

The ease of access, whether physical or virtual.
To determine a service's ease of access, the Agencies should consider the accessibility of equipment and technology necessary to use the service. For example, although online services maybe very easy to use once a customer has access to the required hardware and software, the lack of necessary equipment can make the service inaccessible. This is analogous to considering the distance between branches in communities where car ownership is low and the cost (in both money and time) of public transit is high.

The Agencies should consider other likely barriers to use such as language access, disability accommodation and the ability to use a service without traditional identification. Many low and moderate income consumers are either not fluent in English or significantly more comfortable conducting sensitive transactions in a language other than English. Services should also be easily accessible by consumers with disabilities. For nontraditional delivery models, this will require considering supportive technology. And though branch staff are able to work with consumers with identification other than driver's licenses or social security numbers, non-branch service delivery models are more often not. Accordingly, the Agencies should be especially certain that banks are equipped to accept alternative forms of identification such as state-issued non-driver identification cards, Individual Tax Identification Numbers and foreign passports.

The cost to consumers, as compared with other delivery systems
As noted above regarding the price of services, examiners should also consider a customer's effective cost of using delivery systems. Often, use of alternative delivery systems is associated with additional costs, such as the cost of a smart phone or internet connection. Both access to and trust of the internet for such transactions is limited in low and moderate income communities and communities of color. Examiners should consider the penetration of the required technology, as well as costs associated with using the alternative delivery in evaluating whether the alternative delivery systems effectively serve low and moderate income communities.

The range of delivery methods provided.
Consumers may prefer to conduct some financial transactions in person, either because the transaction is complicated or because the consumer would like to rely on the expertise of a banker. Importantly, there are often crucial financial transactions that cannot be performed online, such as opening an account when a person must use identification other than a social

[11] 2013 FDIC National Survey of Unbanked and Underbanked Households, Oct. 2014, available at: https://www.fdic.gov/householdsurvey/2013report.pdf, pg. 15-16.
[12] *Id.* at 7.

security card or driver's license. While the range of services available through alternative delivery systems will likely represent the most accessible services, examiners should be sure that these include the most basic and necessary services needed in underserved communities. To expand a bank's reach through alternative delivery services, but exclude crucial services from these alternative delivery services, would subvert the purpose of CRA.

Reliability of the System
Certainly, the Agencies must look to the consistency of the system, including the capacity to handle the peak amounts of transactions, the frequency of crashes, service shut downs for system maintenance, and the information security of the system. Additionally, the Agencies should consider how these are communicated to clients so that they can plan accordingly. This is especially important in low and moderate income communities and communities of color in which households have far less access to technology, often not in their homes but in places that they cannot control access to such as work or public facilities, and where many already do not feel comfortable using the internet to conduct financial transactions.

The Agencies should review the data that banks develop and maintain about their services.

Also in response to proposed Revisions to Q&A § _.24(d)(3)-1, CRC calls on the Agencies to consider all of the data that banks maintain about their services. Banks are already maintaining the most relevant information useful to determining the effectiveness of its delivery systems. Examiners should evaluate bank data on the services themselves, including frequency of transactions through alternative or traditional delivery services, and adoption and attrition rates. Further, examiners should analyze these data in the context of a consumer's residence (LMI tract) and income status. It would be telling if, in higher income areas, consumers were more likely to transact through alternate delivery services, while in low and moderate income communities, traditional banking was most prevalent. By contrast, similar adoption and attrition rates, as well as similar rates of successful use (e.g., on time payments, fee avoidance) likely indicate that the alternative delivery service is providing the same level of service across income levels.

Another way to measure of a bank's success meeting the service needs of its communities is the number of previously unbanked and underbanked consumers they retain. Many banks already see this as the valuable commercial opportunity that it is, and already keep track of how many new customers were previously unbanked or underbanked. For example, JPMorgan Chase has been measuring the number of entrants into its new Liquid product including how many are new to the bank as customers (69% as reported to CRC), how many were never banked before, unbanked or underbanked prior to coming to Chase (48%) and how many had no credits score or credit scores under 660 (the vast majority). Union Bank has been measuring how many customers have opened their new Access account and how this compares to previous attempts at banking the unbanked such as through BankOn programs. US Bank tracks the number of new customers for its basic checking, savings and BankOn accounts that reside in LMI areas. These data are persuasive measures of a banks' success in moving consumers into full participation, and will become even easier to track in alternative delivery systems.

After helping customers establish core banking relationships, most banks seek to provide additional services that will help customers build wealth and access credit. Accordingly, examiners should review rates of cross-selling to new and previously unbanked or under-banked consumers. Cross-selling to high quality savings and credit products would be an accurate method of measuring how well a bank is helping customers build a financial record. Additionally, they likely indicate that these products are safe and non-exploitive part of a long term relationship with a financial institution. For example, the overall rate at which checking account customers become business loan, mortgage or credit card customers can indicate effective financial services relationship, particularly when combined with data about the proportion of previously unbanked or underbanked status, customers who were new to the bank, and credit scores.

Finally, banks that invest in community assessment studies, market research and industry analysis should also be rewarded if they use these to provide better services to underserved communities. So too should research provided to the Agencies, their peers and community leaders for the purpose of developing a more thorough and accurate performance context.

The impact of community innovative or flexible lending programs.

In response to proposed Revisions to Q&A § _.22(b)(5)-1: Innovative or Flexible Lending Practices, CRC calls on the Agencies to consider the impact of an innovative or flexible lending program.

We encourage banks to develop and support alternatives to high-cost short-term loans, including providing services and resources that can help households improve their ability to secure affordable financing. As with all services, we urge the Agencies to assess the impact of any financial education and use of utilize alternative credit histories in this context. Ways to measure impact include: determining how many people transitioned out of using high-cost short-term loans or were able to avoid using them, how much credit scores have improved for how many people, and how many people successfully obtained affordable loans or other credit products after participating in the program. The answers to these questions will help distinguish effective programs from window-dressing and well-intentioned but ineffective ones.

For example, a growing lending program, LendUp, offers payday loans as well as financial education to borrowers.[13] The company claims that its lending model helps borrowers graduate to lower rate loans over time eventually landing at rates comparable to high cost credit cards. The company has grown very fast, does impressive outreach and seeks to work with numerous non-profit organizations serving low income communities. However, we question how many of its borrowers benefit and how quickly. We suggest that their model has a positive impact only if more borrowers improve their ability to secure lower cost loans than would otherwise occur.

[13] LendUp, https://www.lendup.com/

Agencies should reward activities that do not promote displacement, but rather improve the lives of people living in LMI communities.

In response to proposed Revisions to Q&A § _.12(g)(3)-1: Community Development, CRC calls on the Agencies to reward activities that benefit the people living in low and moderate income communities and not activities that promote displacement. Across California, low and moderate income households are being displaced from communities in the name of economic development, either because the new jobs are not ones they can get or the homes are unaffordable. For this reason, we continue to stress the importance of looking at the impact of bank activity on communities.

Regarding economic development, we do not believe that merely taking out word “currently” (“activities promote economic development if they support permanent job creation, retention and or improvement for persons who are currently low and moderate income”) will be sufficient to ensure that low and moderate income communities will benefit from better jobs. A more effective approach is to replace the words “are currently” with the words “were recently.” That would make clear that the intent is to promote job development that provides a way up for those who need it the most.

Additionally, we strongly warn against rewarding creating jobs that will not be accessible to residents of the low and moderate income communities in which they are created. Banks should be rewarded for focusing on how their activities meet local needs, including producing the types of jobs that local communities need, especially those that enhance economic mobility. Creating jobs that are inaccessible to local residents and that attract a workforce from outside of a community can instead depress the availability of higher paying jobs for current residents by creating demand for less reliable, lower paying and often dead-end service sector jobs or other lost opportunities.

We therefore encourage the Agencies to look closely at the quality of the business environment and the jobs created, preserved or improved to gauge their impact. We ask that examiners consider whether a project include local hiring strategies and workforce development and actually employs local residents at higher wages or better benefits. Additionally, examiners should consider the need for quality jobs in the performance context, including by interviewing staff of local economic and workforce development organizations.

Similarly, loans for residential community development projects should be evaluated for their impact on the accessibility of housing to local residents. The key test should be whether the project serves the community by providing more affordable housing, rather than housing that is more expensive than local residents can afford. Recently, in light of bulk sales of distressed assets by GSEs, banks have demonstrated a preference for the cash investors who are bulk-purchasing these assets, even to the extent that qualified homebuyers cannot access credit to purchase homes. Rather than promoting economic growth in low and moderate income tracts, these policies are destabilizing communities and shutting first time homebuyers out of the market. Examiners should consider awarding these activities negative CRA credit, or at the very least, ensuring that these activities do not receive positive CRA credit.

Agencies should define community development services by their effect on a community's financial capacity.

In response to proposed Revisions to Q&A § _.24(a)-1, CRC calls on Agencies to distinguish between retail services and community development services by determining if the latter increases local capacity for financial services.

While retail services should meet the financial service needs of local communities, community development services should elevate the capacity those in the community to access and use more complex financing. As described earlier, good retail services should facilitate the purchasing of goods and services, provide the ability to smooth cash flow and keep money safe until it is needed for a purchase. Community development services should help significantly raise credit scores, help people save meaningful amounts of money, and develop creative ways to finance important assets such as citizenship or a microbusiness.

Again we stress that the test of effectiveness should be the impact of those services in local communities. To assess this, it will be critical to understand the community's needs prior to the development of the services and to measure the degree of change caused by the services provided. Banks can document needs and measure impact in a variety of ways including partnering with research institutions to conduct needs assessments surveys and collecting data from partners working with the community.

Conclusion

The language of the CRA states that banks are required to meet the convenience and needs of communities in which they do business and that these include the need for credit services as well as deposit services. This presumes that the needs for credit and deposit services must be known before they can be met. We therefore urge the Agencies to include in the performance context as well as within evaluations of lending, services and investment analysis of those needs and how well the bank activity serves them.

We believe there are many opportunities to provide banks with credit for positive outcomes flowing from CRA activities that are well documented and measured. The data that both banks and community organizations collect about how well financial services are meeting the needs of customers and communities is invaluable and should be at the core of every CRA evaluation. By the same token, banks should not get credit for activities whose impact on community needs is not well documented. We also urge a closer look at the people in the communities that banks serve, and less on the places, since development activity in a given geography can and often does harm the low and moderate income communities that live there.

We support the Agencies' efforts to update CRA evaluation and enforcement to reflect current needs and practices. We agree that how banks use technology to deliver services deserves credit if the services themselves are needed, have a positive impact, and are more easily accessible because of the technology. However, we urge the Agencies to maintain their focus on measuring the value and effective of the financial services provided and not to be distracted by the delivery model. We strongly caution against rewarding the use of technology in ways that only serve to reduce costs for the banks without making measurable impact in the number of people who can use a good service or to deliver services more broadly that actually harm communities.

Many banks are already using technology to provide depository services in ways that completely avoids CRA obligations. It can be argued that electronic deposits are merely today's version of deposits made at teller windows, making laptops and mobile devices the analog to branches. Rather than investing in brick and mortar, banks now invest in technology that serves the same purpose. An important difference is that customers must own the appropriate technical equipment; this is tantamount to offloading a portion of the total costs of service facilities onto the customer. Banks should not be further rewarded for this by being allowed to avoid CRA obligations in areas where they conduct significant business. We urge the Agencies to evaluate how well a bank's financial services meet the needs of communities wherever a bank provides those services, including loans, investments and deposit management tools, through its various delivery models, branches and online.

Sincerely,

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Policy Advocate

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Legal Fellow

Signed on by:

1. California Costal Rural Development Corporation
2. CDC Small Business Finance
3. Community Housing Council of Fresno
4. Community Housing Works
5. Community Legal Services in East Palo Alto
6. Consumer Action
7. East LA Community Corporation
8. Fair Housing Council of San Fernando Valley
9. Fresno CDFI
10. Fresno Economic Opportunities Commission
11. Homeownership SF
12. Los Angeles Local Development Corporation

13. Los Angeles Neighborhood Housing Services
14. Mission Economic Development Agency
15. Multicultural Real Estate Alliance for Urban Change
16. Northbay Family Homes
17. Opportunity Fund
18. Pacific Asian Consortium in Employment
19. Rural Community Assistance Corporation
20. Tenderloin Neighborhood Development Corporation
21. Valley Economic Development Corporation