

# consumer action

Education and advocacy since 1971

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To: Federal Deposit Insurance Corporation (FDIC)

RE: Notice of Proposed Rulemaking, Community Reinvestment Act Regulations

January 28, 2020

To Whom it May Concern:

Consumer Action<sup>1</sup> writes to strongly oppose the proposals in the Notice of Proposed Rulemaking (NPRM) to reform the Community Reinvestment Act (CRA). Among the many reasons why Consumer Action cannot support this proposal is the fact that the changes would divert the attention of CRA obligations away from the low-to-moderate income people the Act is designed to assist.

Congress passed the Community Reinvestment Act to ameliorate the effects of government-initiated redlining and stimulate financial opportunities to individuals, families and small businesses in low-to-moderate income communities where banks derive business.

Instead the reform proposal fails these communities and fails to address changes that are needed to modernize CRA. Providing clarity, transparency and consistency as to whether investments will receive CRA credit would benefit both bankers and LMI communities but suggestions to expand credit for investments in projects that don't primarily benefit low-to-moderate income individuals and families defeats the purpose of CRA. Non-bank, fin-tech and online lenders must also be obliged to address the needs of LMI consumers in the primary geographic areas where they conduct business.

Consumer Action opposes the one-ratio CRA evaluation measure which is likely to decrease focus on small dollar lending and distract from local credit needs. It will encourage large deals over small projects with local impact. Consumer, small business and home mortgage lending in assessment areas would be devalued under the proposed pass/fail retail lending

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<sup>1</sup> Consumer Action has been a champion of underrepresented consumers since 1971. A national, nonprofit 501(c)3 organization, Consumer Action focuses on financial education that empowers low to moderate income and limited-English-speaking consumers to financially prosper. It also advocates for consumers in the media and before lawmakers and regulators to advance consumer rights and promote industry-wide change particularly in the fields of consumer protection, credit, banking, housing, privacy, insurance and utilities. [www.consumer-action.org](http://www.consumer-action.org)

test. Investment in affordable rental housing and small businesses that serve local communities would dramatically decline.

Banks will be less accountable to the communities they are supposed to serve if they are evaluated less frequently. As proposed, banks that receive an outstanding rating will only be assessed once every five years and banks with less than \$500 million in assets will be under no obligation to provide community development financing in regions that the banks profit from.

One of the most disturbing elements proposed is that banks would receive CRA credit for financing expensive projects, like sports stadiums or luxury rental housing with affordable rents for wealthy tenants, that offer minimal, if any, benefit to LMI consumers. Under the current proposal, no CRA credit would be granted to banks that provide bank accounts or affordable products that serve LMI consumers, and nearly no credit would be provided for bank branches in LMI communities. Yet CRA's core principles are about reversing redlining and reducing discrimination by meeting the credit needs of local LMI consumers and communities of color.

In practice, expanding CRA credit to lenders who do not focus on LMI communities means fewer loans, investments and services to those who need it most. It also means the demise of small nonprofits that service their local communities. They will lose access to desperately needed funds, putting their futures at risk and harming the very individuals and families this Act is meant to assist. While Consumer Action firmly supports and provides financial education for all consumers, we cannot support access to CRA credit for educational efforts that do not primarily and directly address the vast needs of chronically underserved LMI communities.

Rather than weaken CRA obligations as proposed, we urge you to strengthen them, value local community input, and insist that lenders reinvest in the communities from which they profit and work to build safer, more affordable, more thriving communities for all.

Thank you for considering our opposition to your proposals to reform CRA.

Sincerely,

Ruth Susswein  
Deputy Director, National Priorities  
Consumer Action