From:	Kim Jacobs
To:	Comments
Subject:	[EXTERNAL MESSAGE] FW: RIN 3064-AF22
Date:	Friday, February 07, 2020 11:26:23 AM
Attachments:	image001.png

From: Kim Jacobs
Sent: Friday, February 7, 2020 11:25 AM
To: Comments@fdic.gov.
Subject: RIN 3064-AF22
February 7, 2020

RE: Notice of Proposed Rulemaking, Community Reinvestment Act Regulations

To Whom it May Concern:

Community Capital New York opposes the proposed changes to the Community Reinvestment Act (CRA) regulations which seem to go out of their way to gut the intention of the original legislation to remediate decades of disinvestment in low income and low wealth communities. Your own Board member, Martin Gruenberg states that the proposed change "is a deeply misconceived proposal that would fundamentally undermine and weaken the Community Reinvestment Act."

The proposal so widely broadens the activities that can be counted, both in type and location, that the commitment to invest in communities to meet local needs is diluted to the point of insignificance. In addition, public input into this obtuse evaluation framework would be more difficult and limited. The combination of these two factors, broad allowances for what counts and little opportunity for affected communities to respond dismantles everything that was impactful about the Act.

As a small, regional CDFI we rely on lines of credit from our bank partners to provide the capital needed in our hardest hit communities. We get these lines under very favorable terms because it helps banks meet their need to serve these communities. Under the new proposal, we believe there will be little incentive for our bank partners to continue this type of support. It will be much easier for them to work with national entities who can work at scale and help them meet the ratios rather than the needs of the communities which have historically failed to secure investment from banks. The proposed regulations will dramatically lessen CRA's focus on LMI communities in contradiction to the intent of the law to address redlining in and disinvestment from LMI and communities of color.

The expansion of eligible investments provides further incentives to overlook the most desperately needed projects to focus on those that needs little incentive to attract capital. Relaxing he definition of affordable housing to include middle-income housing in high-cost areas is just one example. We are located in a high cost area (Westchester County/suburban NYC). The County has just completed a housing needs assessment for our community and the findings overwhelming indicate that even under current regulations, housing is being built for those at the top end of the low income

spectrum (i.e. tax credit projects that target tenants whose incomes are just at the 60% AMI threshold and that those who have very low and extremely low incomes do not get served. This will only worsen under the inclusion of higher cost units as CRA eligible.

Similarly, the addition of infrastructure, “athletic stadiums”, and higher revenue farms and small businesses again diverts investment from the very enterprises that need this support. These proposed regulations are drastically diluting the emphasis, established in the 1995 regulatory changes to CRA, of revitalizing LMI communities with affordable housing, small business development and community facilities.

While we understand the changes that online banking has wrought, the proposed reforms are built on information that does not seem to exist. Deposit data from on line accounts does not currently capture the location of the account holder, making it impossible for regulators, and equally importantly the public to assess the impact of this proposed change.

The proposed changes will also likely affect the presence of branches as it eliminates the service test. We serve so many LMI communities where there is literally no brick and mortar bank structure within any reasonable distance. The lack of regulated, responsible financial institutions abets the success of abusive practitioners like private lenders, check cashers and remittance operations. Under the new rules banks will have even less incentive to maintain branches or offer accounts for LMI customers in low income neighborhoods, further isolating these residents from mainstream financial services.

As it is, in the face of significant numbers of Americans having no relationship with a mainstream financial institution, and with minority homeownership rates on the decline, with continuing disparities in the approval rates of loans for minority small business owners with equal creditworthiness, still, in the face of all that: 98% of banks pass their CRA exams. But instead of doing more to hold banks accountable, the proposal will make it even easier to pass the exam.

The proposed “one ratio” metric is a prescription for banks to find the biggest deals they can so they can check the ratio box regardless of the needs in the community. We have seen the inevitable drift to economies of scale in program after program for obvious reasons – it is cost effective. Unfortunately, addressing the needs of low income communities appropriately is often not a very cost effective endeavor. Our own work tells us that in order to genuinely serve those who need our help, that we will have to invest more than we get back. The kind of unique, intensive work to solve a specific community problem to lift a specific individual does not lend itself to wholesale solutions. The ratio will encourage banks to find the largest and easiest deals anywhere in the country as opposed to focusing on local needs, which are often best addressed with smaller dollar financing for small businesses or homeowners.

The further provision that would allow banks to fail in *one half* of the areas on their exams and still pass will likely ensure that attention will be redirected from needier areas since this high failure rate is allowed.

Even as accountability to LMI areas is systematically reduced throughout this proposal, at the same time, the safe harbor is expanded to five years. This gap leaves a lot of room for banks to ignore community needs. Banks with a five-year exam cycle would likely relax their efforts in the early years of the cycle. Banks would also have less accountability to maintaining acceptable recent CRA performance when they seek permission to merge with other banks.

The exemption for small banks is also troublesome, creating opportunities for some banks who currently provide community development financing to stop doing so.

Reading these proposed changes, one would assume that the original regulations had been tremendously effective and that they had closed the gap between LMI neighborhoods and borrowers and the rest of the country, but one need not look far to find evidence to the contrary. Significant portions of the country continue to face disinvestment and a lack of opportunity. Capital is the basis of wealth creation and without access to banks and bank products, LMI communities will not be able to build wealth for themselves or their residents. CRA is an important step to address the historic, political and social forces that have kept these communities from prospering. I urge you to enact reforms that will increase bank activity in underserved neighborhoods, not undermine it.

The proposed regulations are deeply flawed and will result in less investment in communities that are most in need of that investment. That was and should remain, the purpose of CRA. Reforms should be a step forward, not backward. Please attend to the intent of the regulations, discard this failed effort and work with the Federal Reserve on rules that will accelerate the progress that has been made in creating a level playing financial playing field for all citizens.

Sincerely,

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