20TH ANNIVERSARY

TFN

February 25, 2020

The Honorable Robert E. Feldman
Executive Secretary
Federal Deposit Insurance Corporation
550 17th Street NW
Washington, DC 20429

The Honorable Joseph M. Otting
Comptroller of the Currency, Treasury
Office of the Comptroller of the Currency
400 7th Street SW, Suite 3E-218
Washington, DC 20219

Via Email cra.reg@occ.treasury.gov and comments@fdic.gov

RE: OCC Docket ID OCC-2018- 008 and FDIC RIN 3064 AF 22

Dear Secretary Feldman and Comptroller Otting:

The Funders Network (TFN) submits the following comments in response to the above referenced Office of the Comptroller of Currency (OCC) and the Federal Deposit Insurance Corporation (FDIC) joint notice of proposed rulemaking published in the federal register on January 9, 2020.

TFN represents more than 170 national, regional, community foundations, community development financial institutions (CDFIs) and other place-based funders across the U.S. and Canada. Our mission is to inspire, strengthen and expand funding and philanthropic leadership that yield sustainable, equitable and prosperous regions and communities for all people.

A large body of research unequivocally concludes that Community Reinvestment Act (CRA) has increased safe and sound lending and investing in low- and moderate-income (LMI) communities. See e.g., Josh Silver, *The Community Reinvestment Act at 40: A Careful Review of the Reviews*, (2017). While some aspects of CRA may warrant updating to take into account new technologies, TFN submits the changes proposed by FDIC and OCC will result in less lending, investing and services for communities that Congress intended to be the prime beneficiaries when the CRA was passed in 1977. We urge the FDIC and OCC to create an interagency rule that will reinforce the original intent of the legislation and augment the progress achieved under CRA instead of reversing it.

We oppose the changes that are being proposed by FDIC and OCC for the following reasons:

- The proposed changes will encourage banks to seek out large dollar community development deals to quickly get to a single, total dollar volume metric and discourage loans to people with low- and moderate-incomes (LMI) and small businesses because the loans are much smaller.
- The new scoring system would allow banks to completely ignore almost half of the markets where they have branches and still pass their exams.
- The system that gives credit to banks for having branches in LMI communities is weakened and will likely lead to massive branch loss in communities that are already underserved

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- The proposal redefines community development to include large infrastructure projects like stadium improvements in LMI Opportunity Zones, which further encourages banks to seek out larger deals over smaller loans to meet the ratio for the total dollar volume metric
- The definition of affordable housing would be relaxed to include middle-income housing in high cost areas.
- The proposal would redefine small businesses and family farms with higher revenues, again encouraging banks to focus on larger loans to bigger businesses instead of smaller community-style loans.
- The proposed rule neglects to address persistent racial disparities in lending by strengthening the fair lending reviews on CRA exams and adding an examination of bank activity to communities of color in CRA exams.

The CRA was created as a tool to combat the practice of redlining by expanding financial opportunity and spur investments in underserved areas. By diluting the focus on low- and moderate-income people and communities with concentrated poverty, weakening compliance, and reducing public accountability of banks, the proposed regulations are inconsistent with the law and fail to fulfill the CRA's original intent and purposes. The result will be significantly lower loans and investments in communities that have been subject to redlining, predatory sub-prime lending, pay day loans and gentrification, causing increased harm to people and communities of color, which are disproportionately impacted by these policies. It lessens the public accountability of banks by not accurately measuring its responsiveness to local needs.

Furthermore, these changes can undermine and diminish the impact of TFN members throughout the United States who actively drive or support initiatives that create economic opportunity in disinvested communities. Often, our members' success relies upon participation by the private sector to leverage philanthropic and community development resources. For example, CRA-motivated loans and investments from banks have fueled the growth of the CDFI industry, particularly since the last update to the regulations in the mid-90s. In FY 2018 alone, Opportunity Finance Network reported that their members received nearly $3.9 billion in borrowed funds from CRA-motivated banks—more than half of their total borrowed funds in that year. Within a limited eco-system of investors willing to invest in places where persistent and concentrated poverty prevails, bank lenders are important partners attracting and catalyzing other public and private sector investments.

It is clear that the proposed rules would weaken CRA, and contrary to the original intent of CRA, the focus on LMI communities would be lost. We strongly urge the FDIC and OCC to create an interagency rule that will strengthen the progress achieved under CRA instead of reversing it.

Sincerely,

[redacted]

Patricia L. Smith
President and CEO