NeighborWorks® SALT LAKE

Rebuilding Neighborhoods
house by house... block by block!

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To: FDIC
OCC
Federal Reserve
Re: Notice of Proposed Rulemaking, Community Reinvestment Act Regulations
Fr: NeighborWorks Salt Lake
Dt: March 17, 2020

I am writing to you today on behalf of NeighborWorks Salt Lake (NWSL), a 501c3 organization based in Salt Lake City, Utah. The organization is dedicated to the mission of comprehensive neighborhood revitalization in low-to-moderate-income neighborhoods (LMI), which includes but is not limited to: the development of affordable housing, the providing of loans to LMI individuals, and community engagement programs, projects, and events which are designed to provide opportunities and resources to those residing in LMI communities.

We acknowledge the need and importance of updating the Community Reinvestment Act to adapt to the changes in the banking industry. Because of our deep commitment to the communities we serve, we oppose several of the proposed changes to the Community Reinvestment Act (CRA). With the proposed changes, we are concerned the OCC and FDIC would:

- allow for redlining to take place,
- lessen the public accountability of banks to their communities,
- and allow banks to avoid investing in LMI and minority neighborhoods.

For over four decades, NeighborWorks partnerships with local lending institutions have resulted in CRA investments in the low and moderate income communities we serve and have been leveraged to construct, facilitate and produce: 486 single-family homes and multi-family units, 142 mortgages and home rehabilitation loans for borrowers (who would not qualify for a loan through a traditional lender), over 3000 graduates from our YouthWorks pre-employment program, and over 500 graduates from our Westside Leadership Institute. We have also painted almost 900 houses for individuals in need, along with countless other service projects. When we receive CRA funding we leverage those funds on ratio of 148:1. NWSL, through the years, has either directly or indirectly facilitated and inspired, projects totaling $619,083,613 into the local communities we serve. We build on the strength of our neighborhoods by investing in them. This allows for the creation of housing opportunities, jobs, and programs that make a difference in LMI communities. And the banks whose branches and headquarters reside in these communities should continue to invest into these communities so they can continue to have a lasting impact on the comprehensive growth of these areas served.

We are concerned, the proposed changes by the OCC and FDIC would dramatically lessen CRA's focus on LMI communities in contradiction to the original intent of the law (which was to address redlining in several ways):

- The definition of affordable housing would be relaxed to include middle-income housing in high cost areas.

- Notice of Proposed Rulemaking (NPRM) would count rental housing as "affordable" if lower-income people *could* afford to pay the rent without verifying that lower-income people would be tenants. Essentially, a high-income person could pay low-income rent as long as the rental housing agency or organization met the technical requirements for affordability.

- The NPRM would add financing large infrastructure such as bridges or stadiums as a CRA eligible activity. These types of projects would allow banks to quickly meet their CRA obligation without truly researching and reinvesting in communities through smaller scale projects like lending and affordable housing development, which could be more beneficial and impactful to the residents of communities.

- The NPRM would define "small businesses" and farms as having higher revenues, increasing the limit from $1 million to $2 million for small businesses and as high as $10 million for family farms. As a result of this increase, there is a high likelihood that banks will invest in larger farms and businesses as that would result in higher levels of CRA credit as opposed to projects that focus on smaller farms and businesses.

- The NPRM proposes new assessment areas for banks that have deposits which are considered significant, outside of their branch areas, due to the evolution of online banking. But a lack of data around deposit taking outside of branch areas and networks makes it very difficult to track impact regarding the number of banks impacted as well as the new geographical areas considered.

- The OCC and FDIC propose a one ratio measure that would consist of the dollar amount of CRA activities divided by deposits. This ratio measure would likely encourage banks to find the largest and easiest deals anywhere in the country as opposed to focusing on local needs. The proposal would relax requirements which currently ensure that banks serve the areas where they have branches first before seeking CRA opportunities elsewhere. This issue is *especially* troubling for smaller states like Utah. While banks reap the benefits of our industrial banking laws and tax codes to set up headquarters and facilities in Salt Lake, there is absolutely no incentive for them to invest in multiple, relatively small scale CRA opportunities here, when they can meet their entire CRA requirement on a couple of massive development projects in states such as California, New York, and elsewhere.

- OCC and FDIC also propose to allow banks that receive outstanding ratings to be subject to exams every five years instead of the current two to three years. This is even more incentive to do a big one-off investment, rather than diversifying investments over that period for smaller projects in critical need, which may take more time and effort to research and understand.

Instead of weakening the CRA, the OCC and FDIC must enact reforms that would not lessen but increase bank activity in underserved neighborhoods. This proposal in its current form would result in less lending, investing and services for communities that were the original focus of the congressional passage of CRA in 1977. The FDIC and OCC need to discard the NPRM, and instead work with the Federal Reserve Board to propose an interagency rule that will *augment* the progress achieved under CRA instead of reversing it.

Respectfully

[redacted]

Maria Garcia
CEO