From: Tim Holz [redacted]
Sent: Thursday, March 26, 2020 12:18 PM
To: Comments
Subject: [EXTERNAL MESSAGE] RE: Notice of Proposed Rulemaking, Community Reinvestment Act Regulations

March 26, 2020

RE: Notice of Proposed Rulemaking, Community Reinvestment Act Regulations

To Whom it May Concern:

Tim Holz as the Board Chair of Center for Neighborhoods in Louisville KY, I strongly opposes the proposed changes to the Community Reinvestment Act (CRA) regulations and believe the changes and thoughts behind them are deeply flawed. The OCC and FDIC will lessen the public accountability of banks to their communities by enacting performance measures on CRA exams that would not accurately measure a bank's responsiveness to local needs. Contrary to the agency's assertions, the result will be significantly fewer loans, investments and services to low- and moderate-communities (LMI).

Center for Neighborhoods' mission is "Engaging neighbors to build great neighborhoods." Building neighborhoods take an all in all hands on deck effort, this includes the financial institutions. The CRA was designed to encourage banks to do their part, these changes will greatly diminish banks to do there part particularly in the LMI neighborhoods the CRA was designed to seve.

The agencies actions would dramatically lessen CRA's focus on LMI communities in contradiction to the intent of the law's object to address redlining. The definition of affordable housing would be relaxed to include middle-income housing in high-cost areas. In addition, the 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.

The NPRM would add financing large infrastructure such as bridges as a CRA eligible activity. Even financing "athletic" stadiums in Opportunity Zones would be an eligible activity. 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. While the NPRM recognizes changes in the banking industry, such as the increased use of online banking, the NPRM's reforms to the geographical areas on CRA exams are problematic and would reduce transparency. The public does not have a fair chance to offer comments on the effectiveness of significant proposed changes whose impacts are unknown.

The agencies propose an evaluation system that would further inflate ratings while decreasing the responsiveness of banks to local needs. Changing the ratio measure would likely encourage banks to find the largest and easiest deals anywhere in the country as opposed to focusing on local needs. Also, the proposal would relax requirements that banks serve areas where they have branches first before they can seek deals elsewhere.

The proposal would retain a retail test that examines home, small business and consumer lending to LMI borrowers and communities but this retail test would only be pass or fail. Moreover, the proposal would result in branch closures since it would eliminate the test that scrutinizes bank branching and provision of deposit accounts to LMI customers. Allowing banks that receive Outstanding ratings to be subject to exams every five years instead of the current two to three years, would result in banks not making much effort in the early years of an exam cycle to serve their communities.
Small banks with assets less than $500 million could opt for their current streamlined exams instead of the new exams. The new exams would require banks to engage in community development financing while the existing small bank exams do not. This is another loss for communities.

Instead of weakening CRA, the agencies must enact reforms that would increase bank activity in underserved neighborhoods. The agencies do not address persistent racial disparities in lending by strengthening the fair lending reviews on CRA exams or adding an examination of bank activity to communities of color in CRA exams. At the very least, the agencies could add a category on CRA exams of underserved census tracts, which would likely include a high number of communities of color. The agencies also require banks to collect more data on consumer lending and community development activities but do not require banks to publicly release this data on a county or census tract level. Finally, the agencies do not require mandatory inclusion on exams of bank mortgage company affiliates, many of whom engaged in abusive lending during the financial crisis.

This deeply flawed proposal would result in less lending, investing and services for communities that were the focus of Congressional passage of CRA in 1977. This backtracking will violate the agencies' obligation under the statute to ensure that banks are continually serving community needs. The FDIC and OCC need to discard the NPRM, and instead work with the Federal Reserve Board and propose an interagency rule that will augment the progress achieved under CRA instead of reversing it.

Sincerely,

Tim Holz
Board Chair

Cheers!
Tim