CAARMA
CONSUMER ADVOCATES

CAARMA: Consumer Advocates Against Reverse Mortgage Abuse
Sandy Jolley: Founder & CEO
Email: sandy@caarma.org
Phone: (805) 402-3066

April 6, 2020

cra.reg@occ.treas.gov
Comments@fdic.gov

RE: Community Reinvestment Act Regulations
RIN 3064-AF22: Notice of Proposed Rulemaking,
Docket ID OCC-2018-0008

To Whom It May Concern:

The **Community Reinvestment Act** established in 1977 to encourage depository institutions to help meet the credit needs of the **communities** in which they operate, including low- and moderate-income neighborhoods, consistent with safe and sound banking operations.

More than at any time since the CRA was established, the priority of the CRA must return to it's original purpose and be strengthened to meet the needs of communities and consumers when we can turn to economic recovery from the COVID-19 Pandemic.

The COVD-19 Pandemic is a world-wide crisis. The US has more than 337,000 positive cases with exponential growth by the minute with no end in sight. The US has triple the four other countries with 100,000 or more positive cases. The Pandemic is still in the early stages in the US. Only 5.5% of those stricken have recovered. There is no end in sight to the number of people who will contract or die from COVD-19 in the next months.

At this time, Regulators should scrap the current proposal. It would be reckless for the OCC and FDIC to make any new regulations at this time without understanding the impact it will have on the economy, consumers and our communities.

A new proposal should be developed only when the economy is well into recovery, workers have returned to work, corporations and government agencies are fully functional, and schools are open. The rate of unemployment and other factors affecting the people, communities, and economic needs must be considered in any CRA proposal.

Consumer Advocates Against Reverse Mortgage Abuse (CAARMA) strongly opposes the the current proposed changes to the Community Reinvestment Act (CRA) regulations. According to FDIC Board member Martin Gruenberg, the FDIC's and OCC's Notice of Proposed Rulemaking (NPRM) on the Community Reinvestment Act (CRA) "is a deeply misconceived proposal that would fundamentally undermine and weaken the Community Reinvestment Act."

CAARMA supports all comments submitted by CRC, NCRC, and other consumer advocacy organizations.

While the needs below reflect what is needed before the COVD-19 Pandemic, we are positive it will look very different in the fall or whenever the country is in recovery mode.

What we need. Real CRA reform would include:

- A retained focus on low and moderate income people and communities.
- A focus on lending that meets community needs, prioritizing loan originations, not purchases of loans that were made by other banks or for-profit companies. Mortgage lending should focus on owner occupants (not investors), and small business lending should focus on smaller loans and smaller businesses. The Consumer Financial Protection Bureau should finalize a strong small business data collection rule so that the bank regulators and the public can clearly see which banks are serving, which banks are harming, and which banks are ignoring LMI communities and communities of color.
- A hybrid approach to assessment areas that ensures that traditional banks and modern branchless banks are actually serving communities. Banks with retail branch presence should service those areas where they operate. Banks without retail branch presence should have reinvestment obligations that consider where deposits are from, and where loans and profits are made. Non retail bank reinvestment obligations should be developed with an eye towards increasing reinvestment in bank deserts, which this proposal does not do.
- A qualitative and quantitative analysis. Homeowners, small businesses, and impactful community development projects often require smaller loans and investment. Innovation and impact should be valued under CRA. A proposal that only considers what is easily monetized does not have community needs at its center.
- An end to CRA grade inflation. 98% of banks do not deserve to pass their CRA exams. This proposal will only make the problem worse. The goal should be to increase LMI lending and investment from current, inadequate levels, not to devise a system that counts more things in more places and will lead to

larger numbers while actually resulting in less lending, less investment, less impact, and less community benefit.

- More scrutiny of reinvestment in rural areas. More rural counties should be designated as "full scope review" areas subject to greater oversight and scrutiny as is generally the case for urban counties. This will immediately result in rural areas being better served, which will not happen under this proposal.
- A greater emphasis on the service test, not the elimination of it, so that branches in LMI communities retain their importance in CRA, as they have retained their importance to communities. The CRA statute references deposit products and banks should ensure that affordable and accessible bank account and consumer products are available to LMI, of color and immigrant communities (including language translation and interpretation services) so that everyone can build wealth and avoid predatory alternative financial providers.
- Downgrading of CRA ratings for discrimination and harm. Evidence of redlining or discrimination should result in a Needs to Improve or Substantial Noncompliance rating. The agencies should bolster fair lending exams which currently can consist of a mere one or two sentences in a performance evaluation. The CRA should focus on race as well as income. CRA grades should also be lowered for violation of consumer protection laws, and for other harm to LMI people and communities. This includes downgrades for bank financing of displacement, which clearly worsens households' community credit needs by creating economic destabilization, evictions, ruined credit histories and decreased ability to be able to qualify for home and small business loans and build wealth.
- Greater community input, not less. The CRA requires that the starting point for reinvestment decisions should be community needs, not a list from a federal banking regulator or the desires of big banks. Performance context, transparency of data regarding bank performance to enable better community input, public hearings during mergers, and the development of Community Benefits Agreements should all be encouraged and bolstered.

Thank you for your consideration of our views.

[redacted]

Sandra S. Jolley
Founder/CEO CAARMA (Consumer Advocates Against Reverse Mortgage Abuse

cc: California Reinvestment Coalition
National Community Reinvestment Coalition