April 8, 2020

To Whom It May Concern:

The CASH Campaign of Maryland is a statewide nonprofit that promotes economic advancement for low and moderate income individuals and families. We provide direct service programs and lead a coalition of partners to improve/support/lead economic inclusion for all Marylanders. Our work includes research, advocacy, consumer education, and direct service programs. Please visit www.cashmd.org to learn more about us.

As an organization, we strongly oppose the Office of the Comptroller of the Currency's (OCC) and the Federal Deposit Insurance Corporation's (FDIC) Notice of Proposed Rulemaking (NPRM) regarding the Community Reinvestment Act (CRA). CRA requires that deposit-taking institutions meet the convenience and needs of the low- and moderate-income (LMI) communities in which they operate. Over the decades, CRA has leveraged significant amounts of loans and investments in LMI communities; Since 1996, banks have issued almost $2 trillion in small business loans and community development loans and investments in LMI communities.

Qualifying Activities

CRA creates connections between communities, banks, and regulators. The banking needs of communities are distinct and diverse, and current regulations encourage banks to collaborate with community organizations to develop innovative products, services, loans and investments that will benefit all community members.

CASH has interacted with many banks over the past 17 years. Bank of America, BB&T (now Truist), Capital One, Citi, M&T, and others have all supported our work in various ways. These institutions have helped us to hosted 14 successful annual Money Power Day events in Baltimore City, which provides valuable resources and information to working class families and seniors. Banks have also supported Free Income Tax Assistance for individuals and small businesses, financial education, and financial coaching in Baltimore and across the state. Banks have supported both the direct services and training to ensure that practitioners are skilled and confident to deliver services.

In light of these experiences, we oppose the creation of a specified list of qualifying activities. CASH believes that it is more important to hold banks accountable to meeting the needs identified by community members and nonprofit organizations. The OCC and FDIC proposal would undermine collaboration between banks and community groups by enacting unclear performance measures on CRA exams that would not accurately measure banks' responsiveness to local needs. Instead, we suggest the OCC and FDIC develop an illustrative list defining CRA-qualified activities.

Small Businesses

The OCC and FDIC propose redefining what constitutes a small business for CRA purposes from $1M in annual revenue to $2M in annual revenue. The CFPB estimates that 95% of small businesses have revenues of $1 million or less.

According to the U.S. Small Business Administration, small businesses account for 99.5% of Maryland businesses and hire 50% of the private workforce. In 2017, 112,312 loans under $100,000 representing $1.6 billion dollars were extended by lending institutions reporting under CRA to small businesses in Maryland.

Self-employment is a strategy to get and keep people out of poverty. One of the crucial steps to business legitimacy and growth is tax compliance. Low-to-moderate income entrepreneurs and small business owners struggle with recordkeeping and tax compliance, which can result in high tax liabilities. These repercussions can hinder business growth, and may have the opposite effect of keeping families in poverty. CASH's Schedule C-Step Up program is designed to educate this growing population about their tax compliance requirements and provide them with the tools and resources necessary to help them stay tax compliant and on the path to economic success. CASH engages with entrepreneurs and small business owners through tax preparation, financial education classes and individual consultations. The annual revenue of most businesses CASH works with averages between $10,000 and $20,000. Unfortunately, many of the entrepreneurs and small business owners CASH sees are unable to access affordable capital as they often do not meet creditworthiness requirements for traditional funding sources and do not have the internal capacity to apply for funding through grants.

By redefining the small business to include businesses with $2M in annual revenue, the OCC and FDIC will divert lending from the smallest businesses who otherwise struggle to access affordable capital.

One Ratio

The agencies propose a one ratio measure that consists of the dollar amount of CRA activities divided by deposits. This ratio measure does not encourage banks to collaborate with communities and respond to local needs but instead provides the opportunity for banks to find the largest and easiest activities within their geographic footprint. This can be harmful as projects to improve localities may receive less funding and, equally important, less financial guidance from banking officials because they no longer have a vested interest in the growth and prosperity of the area. The partnership between financial institutions and their local connections has previously led to successful projects and economic growth in many communities nationwide such as Cadence Bank and Iberia Bank and their work with Community Lift in Memphis Tennessee; or Wells Fargo Bank and Neighbor works America working with local nonprofits such as Neighborhood Housing Services of Baltimore to promote homeownership in communities across America.

In addition, the inclusion of public infrastructure financing as a qualifying CRA activity would displace smaller dollar financing for small businesses. When the US economy is growing, usually evidenced by thriving small businesses, all businesses report better earnings. The CRA was created to support growth and prosperity at local levels. Displacing smaller dollar financing for small businesses is not good for the growth and prosperity of communities nor for the US economy as a whole.

The current proposal would also allow banks to fail the Retail Lending test, make no community development investment in one half of the areas on their exams, and still pass their CRA exams. This section of the proposal needs to be further vetted. It is an unwise decision to implement a test for which failure in an area by 50% still provides the opportunity to pass the overall exam. Moving forward with this plan would incentivize the export of capital from communities, as banks seek the most efficient and easiest way to fulfill their reinvestment obligations. This is the very antithesis of the CRA.

To nonprofit organizations like ours, every dollar counts. Therefore, if banks reduced or eliminated funding that assists these hard working entities, the vulnerable people and communities we serve would be needlessly jeopardized. At CASH, we lead and collaborate with partners across the state providing Volunteer Income Tax Assistance (VITA). This program offers free tax help to people making $55,000 or less annually by providing IRS trained volunteers to complete their taxes. We recruit and screen the volunteers, coordinate classes for their instruction with the IRS, and provide them supplies and support to complete their work. The people these volunteers help would otherwise succumb to more expensive tax preparation services that often precipitate more financial harm than help. We also provide an opportunity for financial practitioners across the state to convene annually to discuss best practices and approaches to disseminate content, share updates in new federal, state, or local laws that benefit or harm populations we serve, and allow us to build longer-term, thriving, partnerships to make the best use of the resources and funding we all receive.

If banks stopped providing funding for products and services that benefit local community members, we will see a greater usage in those communities of Alternative Financial Services (AFS), which are often costlier and detrimental to economic growth and prosperity of communities/neighborhoods. Many financial institutions provide access to low cost deposit products and financial education programs that create a more informed and inclusive population, many of whom still use local traditional banks as their primary method for managing their monies.

In 2019, the US News and World Report listed Maryland as the #6 best state overall to live and work. If banks stopped or reduced funding to Baltimore city and other jurisdictions in Maryland, we would see a decline in economic growth and activity across the state which has been the hallmark of Maryland's performance. If banks eliminated or decreased funding for local nonprofits, then organizations that employ staff to support government services and support relief efforts during difficult times would no longer exist or be able to function adequately.

Nonprofits have also traditionally helped financial institutions find qualified employees through workforce development initiatives and training programs. They also connect banks to successful entrepreneurial opportunities for loans and deposit products that bring banks interest income and funds to grow successfully and remain competitive in the financial marketplace. Banks need new customers and new opportunities to grow. Nonprofits like CASH provide a channel for the prosperity of financial institutions, including banks.

We urge the OCC and FDIC to discard the NPRM and instead work prudently with the Federal Reserve Board and propose an interagency rule that will modernize CRA in a way that encourages and enhances the financial health and long term prospects of communities all across the country.

Sincerely,

Robin McKinney

Co-Founder & CEO

CASH Campaign of Maryland

Baltimore, MD