



April 7, 2020

Office of the Comptroller of Currency

Via Email: cra.reg@occ.treas.gov

Chief Counsel's Office

ATTN: Comment Processing

400 7th St. SW, Ste. 3E-218

Washington, DC 20219

Federal Deposit Insurance Corporation

Via Email: Comments@fdic.gov

Robert E. Feldman, Executive Secretary

ATTN: Comments

550 17th St. NW

Washington, DC 20429

**RE: Docket ID OCC-2018-0008; RIN 3064-AF22 -
Preserve the Community Reinvestment Act, Rescind
Proposed Rule Changes**

To Whom It May Concern:

The National Coalition for Asian Pacific American Community Development (“National CAPACD”) is a national, nonprofit coalition of about 100 local organizations in 22 states and the Pacific Islands that advocates for the housing, economic, and community empowerment needs of low-income Asian American, Native Hawaiian, and Pacific Islander (“AAPI”) communities. As a nonprofit concerned with the economic well-being of low- and moderate-income (“LMI”) communities, we are writing to strongly oppose the proposed changes to the Community Reinvestment Act (“CRA”). We urge the Office of the Comptroller of Currency (“OCC”) and the Federal Deposit Insurance Company (“FDIC”) to abandon the proposed rule entirely. An effective and meaningful reform of CRA should preserve the intended goal of CRA, and a more appropriate process would include the Federal Reserve and provide sufficient time for the public to better engage in this important process, especially during our current and unprecedented crisis (i.e., COVID-19).

The CRA was a landmark piece of legislation, passed due to community advocacy in response to financial institutions’ systematic disinvestment in low-income communities, especially communities of color. Since President Jimmy Carter signed the CRA in 1977, over \$6 trillion has flowed into LMI neighborhoods in the form of home mortgages, small business loans, investments in affordable

1628 16TH STREET NW, 4TH FLOOR | WASHINGTON, DC 20009 | (202) 223-2442

1825 SAN PABLO AVENUE, #2 | OAKLAND, CA 94612 | (510) 452-4800

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housing, and other CRA-related investments. As a coalition of community-based nonprofit organizations whose communities have benefited from the CRA, we urge the Office of the Comptroller of Currency (“OCC”) and the Federal Deposit Insurance Company (“FDIC”) to withdraw the currently proposed changes to the CRA and restart the rulemaking process only when there can be consensus between the three regulatory agencies which have responsibility over the CRA – the OCC, the FDIC, *and* the Federal Reserve. We implore that the CRA remain true to its original purpose – encouraging investments that provide direct benefit to LMI people and communities.

Even in normal circumstances, as described above, it would be most prudent to delay the process and build consensus between the three regulatory agencies and move forward with reforms that would be consistent to the true spirit of the CRA. But in this current moment, as COVID-19 ravages communities across the country, community-based organizations that serve low-income communities are pre-occupied with the crisis in their communities. As a coalition of organizations serving low-income AAPI communities, we hear daily from our members at the forefront of dealing with the impact of the virus. In the top 20 COVID-19 hot spots, there are over 1.1 million AAPIs in poverty, over 1.4 million vulnerable AAPI seniors, and over 1.2 million AAPI-owned small businesses. Our members, who are dealing with threats to these constituents, have limited bandwidth to participate in the process to reform and update the CRA. The input process for CRA reform should therefore be extended until the current crisis is effectively over.

Further, as COVID-19 will have a lasting negative economic impact on our communities (e.g., the expected loss of so many small businesses, the loss of jobs and income), a robust and strong CRA will be needed more than ever. In this current moment, it is not appropriate or wise to undermine the CRA, as the proposed changes would do in the following ways:

- *Over-expansion of Qualifying Activities:* The proposed changes go too far in expanding the definition of what would qualify as a CRA-related activity, especially in terms of what would qualify as a Community Development (“CD”) activity. Any CRA reform should preserve its primary purpose of directly benefiting LMI people and communities. For example, while adding criteria for investments in community facilities is well-meaning, the criteria are vague and poorly defined. This allows for potential abuse of the system and banks taking CRA credit for investments that have only the most tangential benefit to LMI communities. For example, in the agencies’ published “non-exhaustive, illustrative list of examples of activities,” investment for improvements to a professional football stadium is included as a qualifying activity. Investments in large scale professional sports developments have historically been harmful to our communities, displacing thousands of low-income community residents. Professional sports teams are not the intended beneficiaries of the CRA.
- *Quantity over Quality:* The proposed scoring and evaluation changes, especially the proposed “one ratio,” incentivize larger investments while loosening restrictions on the type of

investment. CRA activities should be evaluated based on their impact on LMI people and communities, not just on the scale of investment. Another example is the expansion of the guidelines for the size of small business loans, which increases the eligible loan limit up to \$2 million. The “mom and pop” small businesses that anchor and benefit LMI communities (and that are most likely to fail during the current crisis) are unlikely to qualify for or even need a \$2 million loan. This is evidenced by a recent survey of small businesses in low-income AAPI communities across the country, conducted by National CAPACD. The survey documented that more than 50% of small business owners surveyed indicated a desire for a loan of \$50,000 or more; 20% indicated a loan of \$25,000-\$50,000 is what they needed. The proposed changes favor larger dollar amounts and encourage banks to shift their portfolios towards these higher dollar transactions – to maximize point scoring with fewer transactions. This shift would ultimately provide less benefit to our LMI business owners and drive resources towards larger businesses.

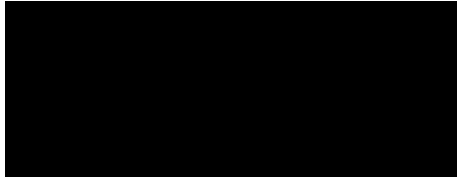
- *Evaluation Based on Fair Lending Practices:* The proposed regulations do not address the very critical issues of increasing access to banking, lending, and credit among LMI communities of color. The CRA was originally passed to address the lack of equitable access. Discrimination in banking and lending is, unfortunately, still a reality in this country and any real CRA reform must address this issue and include an evaluation of fair lending practices. If the focus remains on scale (per above), many LMI communities of color may still be left without access to credit or investments - whether intentional or otherwise. Systemic discrimination must be addressed with systemic evaluation.
- *Whose Neighborhoods?:* The proposed changes introduce too much flexibility in terms of where a financial institution can receive CRA credits for its investments. The CRA was created in direct response to redlining and financial institutions’ other systemic racist practices. Redlining had a specific geographic component to it – it was literally red lines drawn on a map in order to exclude our neighborhoods. To prevent such practices from happening again, the CRA needs to continue to have meaningful, enforceable requirements for the geographic distribution of CRA investments.

These changes, taken together, would substantially weaken the CRA and allow financial institutions to receive CRA credit for investments that would be detrimental to our neighborhoods and that will slow the economic recovery from COVID-19 in LMI communities. Therefore, we urge that the OCC and FDIC withdraw the currently proposed rule changes.

In past rulemaking for the CRA, there has been consensus from the three relevant regulatory agencies – the OCC, the FDIC, and the Federal Reserve. The current proposed changes have do not include the agreement of the Federal Reserve. Likewise, past rule changes have incorporated the feedback of LMI communities. Prior to the formal proposal of the new rules, over 1,000 LMI-serving nonprofit organizations formally commented upon the importance of the CRA in serving our LMI communities. The proposed rule changes do not reflect our concerns or our

recommendations. For these reasons, we oppose the current proposed changes until there can be consensus among the regulatory agencies and, most importantly, the changes better reflect the needs and recommendations of our diverse LMI communities.

Sincerely,



Seema Agnani
Executive Director
National CAPACD