YWCA IS ON A MISSION

April 7, 2020

Office of the Comptroller of the Currency, US Treasury

To Whom It May Concern:

YWCA Southeast Wisconsin is dedicated to eliminating racism, empowering women and promoting peace, justice, freedom and dignity for all. Serving the Southeast corner of our State, primarily Milwaukee and Racine Counties, we know that addressing the racial inequities in our community is critical to building a thriving and equitable region where everyone can contribute and thrive.

To build such a community, we provide inter-connected expansive racial justice and economic empowerment programs: adult education (classroom instruction for High School Equivalency Diplomas and GED prep), financial literacy coaching and credit repair, a Women's Professional Image Program (which provides diverse job readiness services and includes a professional attire boutique/Dress for Success programs), racial justice-focused employer training and consulting services programs, as well as public convenings and other services in support of our local communities.

We work with the Metropolitan Milwaukee Fair Housing Council frequently. This private non-profit organization operates a full-service fair housing program to promote fair housing throughout the State of Wisconsin by combating illegal housing discrimination and by creating and maintaining racially and economically just housing patterns. These are bold and important goals directly related to our work.

We are writing to most strongly oppose the Notice of Proposed Rulemaking (NPRM) regarding the Community Reinvestment Act (CRA), a proposal issued by the Office of the Comptroller of the Currency (OCC) and the Federal Deposit Insurance Corporation's (FDIC).

CRA requires that deposit-taking institutions meet the convenience and needs of the low- and moderate-income (LMI) communities in which they operate. But the NPRM proposal dramatically reduces incentives for banks to serve the needs of LMI people. Further, it would reduce the importance of seeking input from the LMI people and communities in the banks' service areas.

Qualifying Activities

A key strength of CRA is the feedback loop it creates between communities, banks, and regulators. The credit needs of communities are distinct and diverse, and current regulations emphasize the need for banks to collaborate with community organizations to develop innovative products, services, loans and investments that meet the community's credit needs.

We know, from our work with and service to nearly 15,000 participants annually, that our work depends on people having access to fair and equitable housing, employment opportunities for family-sustaining wages, adequate transportation, and much more.

The OCC and FDIC's proposed regulations would undermine collaboration between banks and community groups by creating a list of qualified activities rather than holding banks accountable to meet the distinct and diverse needs identified by community members and community organizations.

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A better approach more likely to satisfy legislative intent, would be for the OCC and FDIC to develop an illustrative but not definitive list of principles defining CRA-qualified activities. Further, banks should be held accountable to CRA's original imperative to seek out input on, and meet the lending, investment and financial services needs of LMI communities.

Measuring CRA Activities on a Bank's CRA Performance Evaluation

We are more than concerned about the major changes to the way that federal regulators would measure a bank's CRA activities.

We are opposed to the "one ratio" measure that consists of the dollar amount of CRA activities, divided by dollar amount of the bank's deposits. This one ratio measure would encourage banks to find the largest and easiest deals anywhere in the country, instead of collaborating with communities and responding to local needs. If banks could get CRA credit for financing public infrastructure or sports stadiums, as the NPRM proposal suggests, those large dollar amounts included in the CRA-eligible activities would reduce the amount of home loans or small business loans in LMI neighborhoods that a bank would need, in order to pass their CRA evaluations.

We are alarmed that the CRA performance test measuring banks' home mortgage, small business and consumer lending (the "retail lending test") would be supplemental, and would count for less. And we are gravely concerned that home mortgage lending in LMI communities would be eliminated as an exam criterion. If banks are not held accountable for making mortgages to credit-worthy borrowers in LMI communities, we will likely see a return to the levels of redlining that CRA was originally established to eliminate.

Additionally, changing the retail lending test to a pass/fail assessment, instead of generating ratings for a bank's retail lending would mean that this important lending test would count for much less toward a bank's CRA rating. The changes in the proposal would mean that banks could fail their retail lending test in half of their assessment areas and still pass their CRA exam.

These items add up to our deep concern that banks will have less incentive and therefore, be even less likely to provide funding to nonprofits that serve the same people who turn to YWCA Southeast Wisconsin for services. Milwaukee and Racine have a large portion of our communities living in poverty and spending more than 30-50% of their incomes on housing. The proposed changes could impact those communities in even more disparate ways leading to even greater racial inequities than currently exist.

Affordable Housing

The NPRM proposal would count rental housing as affordable housing if lower-income people could afford to pay the rent – but banks would not be required to verify that lower-income people would actually be tenants.

The NPRM could allow banks to get credit for developments that house all upper-income families, paying very low rent. Since low-income tenants often have significant financial hurdles, this will be yet another barrier for them to overcome, competing with high-income tenants. Affordable housing for LMI people is a critical need in our community. The OCC and FDIC should not loosen the standard for verifying that housing is being used by LMI tenants.

Bank Branches

The NPRM would significantly reduce the importance of bank branches in CRA performance evaluations, likely leading to the closure of branches serving LMI neighborhoods.

Branches are essential to the economic vitality of communities, especially those that are subject to a digital divide that continues to grow throughout the nation. As such, CRA regulations should emphasize the importance of physical branches in LMI neighborhoods.

Summary

In essence: The proposed regulations would encourage the export of capital from communities, in direct contradiction of the statutory goal of the CRA. And, the proposed changes would remove incentives for banks to not only directly invest as is intended by the CRA but also affect all related financial commitments they make to affected communities – because housing is but one step in building a vibrant community – but if banks are not part of the community the incentive to invest in same disappears. In addition, the timing of changes that would proactively discourage investment at intended by the CRA could not be more ill-suited. We are in the midst of a national health emergency that has damaged the entirety of our economy; as we recover, banks should have every incentive to be part of a just economic rebuilding.

We urge the OCC and FDIC to discard the NPRM and instead work with the Federal Reserve Board to propose an interagency rule that will modernize CRA in a way that would respect the statutory goal of the CRA and increase reinvestment in LMI communities.

Sincerely,

[redacted]

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YWCA Southeast Wisconsin

cc: Martha Barry, Chief Racial Justice Officer, YWCA Southeast Wisconsin
Bethany Sanchez, Fair Housing Wisconsin