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The Frayser Community Development Corporation (CDC) opposes the proposed changes to the Community Reinvestment Act (CRA) because they would result in significantly fewer loans, investments and services to low- and moderate-communities such as ours. This proposal would make redlining legal again, permitting banks to avoid investment in low-income and minority neighborhoods. And, it would make banks far less accountable to the communities they are responsible to serve.

Frayser CDC has, for 20 years, worked to revitalize a badly disinvested community in Memphis, Tennessee. It is, at long last, working. After years of falling values and rampant foreclosures we are making great progress in rebuilding values, reducing blight and recovering home ownership rates. Banks will finally make mortgage loans in Frayser. CRA has been the major impetus in allowing this progress to occur. There could not be a worse time too cut back the effectiveness of CRA.

The proposal dramatically and irresponsibly expands what activities would be eligible for CRA credit. CRA serves my community by driving resources we otherwise could not access, providing for the financial and community development needs our community identifies and prioritizes. Switching to a "non-exhaustive list" of eligible activities developed in Washington, DC, to include infrastructure, transportation and even sports stadiums, removes my community's voice to determine our own needs. Also, the proposed rule institutes a single ratio to assess how banks serve communities. This single-ratio approach completely disregards whether the community development and financial needs of the community are being served by the bank or its investments. And as a result, my organization, that has served my neighborhood for years, and whose experience and expertise is seriously considered as part of the current CRA examination process, will be rendered voiceless. We would no longer be able to identify and prioritize our needs. Nor would we be taken as seriously by examiners when bank actors behave inappropriately in our community.

The single ratio is a deeply flawed concept. As I understand, that was made clear during previous public comment periods. Yet it still remains part of this proposed rule. Please listen to us during this period. The single ratio must be discarded.

Further, the rule proposes that a bank must meet investment benchmarks in only a “significant portion” of its assessment areas in order to receive a satisfactory or outstanding rating. The rule suggests that a “significant portion” be defined as something more than 50 percent.

That approach would legalize and encourage redlining! And I am afraid communities like mine will be in the areas that are left behind. Permitting such behavior would bring us back to an era where financial institutions had the option to draw red lines around—and deny financial services to—poor neighborhoods and all neighborhoods of color. Except this time it’s worse because we understand, yet choose to ignore, history.

The OCC and FDIC acting without the participation of the Federal Reserve risks producing three separate sets of CRA regulations my organization would have to learn in order to leverage resources to my community. That makes everyone’s job more complicated, less transparent, and results in confusion. And in the end, my community loses.

The problems of the single ratio, the overly broad definitions of CRA-eligible investments, the gutting of communities’ voices, the speedy rule-making process, the credibility gap created by the Federal Reserve’s absence, and the lack of good faith and outreach from the OCC that drove this reckless proposal make it beyond repair.

CRA was originally enacted to end redlining. The first goal of CRA modernization should have been to prioritize the problem CRA was intended to fix. No matter what CRA modernization looks like, AT LEAST make sure we are preserving the original intent. Unfortunately, this proposal prioritizes policy compliance over impact and outcomes, putting numerators and denominators ahead of families and communities. As a result of the OCC and FDIC’s narrow-minded search to ease compliance for financial institutions, you have proposed bringing redlining back.

On behalf of this very low income minority community which my organization serves, I ask that you please discard this proposal and start again. I have spoken to many bank regulators over the years, and have consistently expressed by gratitude for the effect that CRA has had on this community.

Please feel free to contact me if you would like additional information.


Steve Lockwood, Executive Director

cc: National Alliance of Community Economic Development Associations (NACEDA)

