From:	Ines Polonius
To:	Comments
Subject:	[EXTERNAL MESSAGE] RIN 3064-AF22 - Response to Proposed Changes to CRA
Date:	Tuesday, April 07, 2020 4:36:33 PM

The Honorable Joseph M. Otting

Comptroller
Office of the Comptroller of the Currency,
400 7th Street SW, Suite 3E-218
Washington, DC 20219
Re: Notice of Proposed Rulemaking, Community Reinvestment Act Regulations, Docket ID OCC-2019-0029

At Communities Unlimited, Inc., we are deeply concerned about the proposed changes to the Community Reinvestment Act (CRA). The CRA, enacted in 1977, is intended to be a critical tool to ensure banks lend, invest, and provide services in low-income communities where they do business. The CRA, though imperfect, has been an important tool for catalyzing investment in low-income communities often beyond the reach of traditional bank business models. We strongly disagree with the proposed changes which, instead of strengthening the CRA to fulfill its full potential, makes sweeping changes to incentivize banks to bypass meaningful investment in those communities which need it most. The new regulations will exacerbate the trend of America's rural divestment, eliminating the only remaining, non-predatory sources of capital available to hard working rural entrepreneurs, homeowners and communities.

Communities Unlimited, Inc. is a Community Development Financial Institution (CDFI) serving Texas, Oklahoma, Arkansas, Louisiana, Tennessee, Mississippi and Alabama which include 45% of the persistent poverty counties in America. Given the needs in our footprint, the focus of our lending is to provide emergency financing to rural water and waste water systems, a backbone infrastructure that is rapidly deteriorating and in need of replacement or repair. We also provide working capital and start-up loans to rural entrepreneurs that have no other access to non-predatory capital. In our footprint, we continue to see a consolidation of banks, inevitably leading to the closure of more rural branches. In our footprint, we need broader CRA regulations that require banks to make investments in persistent poverty counties regardless of their narrow, mostly urban markets. The work of our CDFI is dependent on the CRA investment capital from banks!

In 2019, the Amarillo Area Foundation and key local banks, motivated by CRA, created a unique partnership to help Communities Unlimited expand into Amarillo and the Panhandle which currently does not have access to a single CDFI. Motivated by CRA, the banks made sizable investments both in the form of loans and grants to allow us to hire staff in a region that we could not otherwise serve with working capital / start-up loans to entrepreneurs that are the economic lifeblood for many rural communities in the Panhandle. The CRA regulations as currently proposed will allow our banking partners to fail in the very rural places that need our CDFI's capital and still receive a passing CRA score.

While there are many parts of the proposal that merit concern and reconsideration, the following four areas are the ones of particular importance. Each of them on their own is troubling, and combined, they are even

more so because the sum of the effect is to move banks away from smaller, perhaps more complicated investments that our communities often require and towards easier, larger transactions that are not necessarily guaranteed to provide meaningful benefit to low-income people or communities.

- **Changing the size of the small business definition** from $1 million to $2 million in revenue. Entrepreneurs in our region are generally smaller with lower revenues and rely on smaller loans to spur their growth. The increase in these thresholds combined with the other changes in this proposal, such as measuring activities in dollar units, will increase the likelihood that banks will meet requirements without taking much risk and instead investing in larger firms while bypassing the small business needs of America's rural communities.

Changes to the evaluation measure: We are concerned that the creation of a single metric system of evaluation sets up a one-size fits all approach. Such a single metric will not adequately ensure that hard to reach rural communities are appropriately served. Additionally, we are concerned that the use of dollar amounts rather the number of CRA qualifying activities, creates a misguided incentive for larger, easier activities, potentially reducing the smaller, more intensive investments that rural communities so often need.

- **Changes to Assessment Areas:** The concerning proposed changes to assessment areas are the following: 1) Allowing banks to fail in half of their markets, but still receiving a passing grade, 2) Using only bank deposits to determine banks' assessment areas, and 3) allowing bank investments in areas outside of their assessment areas to count towards their CRA requirements without ensuring that those investments target economically distressed and rural communities. Especially, the change that requires high CRA performance in only 51% of the bank's assessment areas means that very poor regions like the Mississippi Delta, Appalachia, the Black Belt, Indian Country, and Colonias will continue to be the least prioritized.
- **Using bank deposits as a measurement for banks' obligations to an area**: While we celebrate the proposal recognizing the need for banks to have CRA obligations in other areas in addition to where their branches are located, the proposal misses the mark for benefitting poor rural communities by calculating these areas outside of their branch network on the basis of total deposits in certain communities. In our communities the amounts of deposits are already very low, especially compared to more affluent regions of the country. By focusing on places of deposit concentration in addition to branch locations, very poor regions like the Mississippi Delta, Appalachia, Native communities, and elsewhere will continue to receive the lowest priority.

Deprioritizing the location of bank branches in low-income communities: The proposed decimation of the retail services test will greatly diminish the incentives for banks to help ensure the presence of depository institutions to low-income communities. Rural places still rely heavily on a cash economy. Our clients who provide important retail services in rural communities often have to travel over two hours roundtrip to be able to deposit their cash. This forces them to hold large amounts of cash at their store or at home. A new report by the Federal Reserve Board on the decline of rural banks also found that overall, bank branches remain the most widely used way for individuals to access their account. Yet, the majority of communities most deeply affected by bank branch closures are rural counties.

Solutions to Strengthen Existing CRA Framework to Serve Persistently Poor Communities

Communities Unlimited, Inc. would like to propose to the OCC and FDIC the following solutions to

increase bank investment in rural communities, particularly those in persistent poverty.[i] These were first published by the Partners for Rural Transformation in our November 2019 report, *Transforming Persistent Poverty in America.* I would like to enter them in the record of responses here:

- CRA investment requirements should be increased and the definition of CRA assessment areas should be expanded to include rural persistent poverty places where banks lend and take deposits from consumers. Assessment areas should not be limited to where banks have branches or ATMs.

- To expand economic opportunity in persistent poverty areas, CRA incentives should be created to make equity and debt available for CDFIs located in and with track records of serving rural persistent poverty regions. Such incentives could take the form of favorable treatment of such investments by banks when undergoing the CRA examination by the bank regulator.

- To improve the identification of CRA gaps, develop a CRA assessment area map of the United States. Several years ago, the Federal Reserve Bank of Atlanta created a mapping tool to illustrate the network of branches for the twenty largest banks in the Southeast region.[ii] A similar analysis covering the various regions of the country could provide a proxy overview of potential CRA gaps nationwide.

Since 1975, Communities Unlimited has been working to ensure our communities, particularly rural communities, are places of economic opportunity and became a CDFI in 1992. The CRA should be a helpful tool in building community wealth through homeownership and small business ownership, in communities historically overlooked by banking practices. At Communities Unlimited, we deeply appreciate our relationship with each of our bank investors. Their investments are key to our ability to make the needed loans that they are not able to make. We also understand that these investments require regulatory incentives and cannot just rely on charity from banking partners.

Sincerely,

Ines Polonius
CEO
3 E Colt Square Drive
Fayetteville, AR 72703
Office 479.443.2700 l Mobile 501.258.3923
Fax 479.443.5036
www.CommunitiesU.org

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[i] Transforming Persistent Poverty in America: How Community Development Financial Institutions Drive Economic Opportunity. Partners for Rural Transformation. November 2019. https://fahe.org/wp-content/uploads/Policy-Paper-PRT-FINAL-11-14-19.pdf (Accessed Feb. 12, 2020)

[ii] Federal Reserve Board of Atlanta, “Community Reinvestment Act: Geographies and Strategies in the Southeast,” https://www.frbatlanta.org/community-development/publications/partners-update/2015/04/150824-cra-geographies-and-strategies-in-southeast.aspx (Accessed Feb. 21, 2020)