SOUTHERN ECONOMIC ADVANCEMENT PROJECT

April 7, 2020

The Honorable Jelena McWilliams
Chairman
Federal Deposit Insurance Corporation
1776 F Street, NW
Washington, DC 20006

Re: Comments on FDIC Notice of Proposed Rulemaking, Community Reinvestment Act Regulations, RIN 3064-AF22

Dear Chairwoman McWilliams:

We would like to provide comments regarding the proposed rule on Community Reinvestment Act (CRA) reforms by the Office of the Comptroller of the Currency (OCC) and the Federal Deposit Insurance Corporation (FDIC). We have significant concerns about the reforms, particularly as it relates to the economic security of low- and moderate-income (LMI) communities in the South.

We at the Southern Economic Advancement Project (SEAP) travelled throughout the South in 2019 to hear from partner organizations working on the frontlines of economic security in housing, entrepreneurship and small business development, farming, and employment. We heard of banking, housing, child care, and jobs desserts. Lack of affordable housing was the number one issue raised throughout our listening sessions. We talked to Black farmers who cannot access the capital needed to grow their small farms. We heard from communities struggling to develop and finance basic amenities such as grocery stores.

Our conversations in communities throughout the South illuminated the need for greater access to capital and the importance of strengthening the CRA to fulfill its intended goal of banking fairness for LMI communities. We believe the current proposal significantly weakens accountability to and investment in the very communities the CRA should serve.

In particular, we are concerned with:

- **Changes to small business loan size and revenue thresholds that will negatively impact Black entrepreneurs**. We share the concerns expressed to you by the Expanding Black Business Credit Initiative in their March 11, 2020 letter. The OCC and FDIC CRA proposal's larger revenue and loan size thresholds risk negatively impacting the ability of Black entrepreneurs to access credit. Black-owned small businesses already experience disparities in access to capital, and these changes could increase those disparities rather than decrease them.

- **Changes to evaluation and accountability metrics that will negatively impact rural communities**. We share concerns of rural partners that the proposed metric system, with its focus on dollars invested rather than number of activities, will put rural communities at risk for significant disinvestment. Additionally, the change to allow CRA credit for activities located outside of the branch network based solely on deposits will de-prioritize rural communities where deposits are traditionally lower.

- **Changes to deemphasize bank branches that will negatively impact low-income communities and communities of color.** Retail services remain an essential service for communities, particularly LMI communities and communities of color. The current proposal's de-emphasis on bank branches will weaken access to critical financial services for the very communities the CRA was intended to serve.

We agree with the OCC and the FDIC that "the CRA remains a powerful tool for promoting community revitalization and increasing financial activity in neighborhoods across the country." We believe that modernization of the CRA should make this an even more effective tool; however, the current proposal weakens the ability of the CRA to meet its intent. Reforms to the Community Reinvestment Act must prioritize the diminishment of wealth gaps and the expansion of fairness in lending and investment in communities of color, rural communities, Black-owned small businesses and small farms, and historically underinvested neighborhoods. This proposal does the opposite and we therefore urge the OCC and FDIC to abandon the current proposal.

Sincerely,

[redacted]

Stacey Y. Abrams
Executive Director
SEAP

Sarah Beth Gehl
Research Director
SEAP