Members

Beloved Streets of America

Caring Ministries

Center for the Acceleration of African American Business

Civil Rights Enforcement Agency

Coalition of Concerned Citizens, Alton Area

Community Action Agency of St. Louis County

Consumers Council of Missouri

Hyde Park Neighborhood Association

International Institute CDC

Justine PETERSEN

Latinos En Axión STL

Man of Valor, Inc.

Metropolitan St. Louis Equal Housing & Opportunity Council

Missionary Baptist State Convention of Missouri

Missouri Immigrant and Refugee Advocates

Missourians Organizing for Reform and Empowerment

MOKAN

Moorish Science Temple of America #5

NAACP St. Louis

North County Churches Uniting for Racial Harmony and Justice

O'Fallon Community Developing Corporation

O'Fallon IL NAACP

Old North St. Louis Restoration Group

Ready, Aim, Advocate! Committee

St. Francis Community Services

Urban League of Metropolitan St. Louis

Voices of Women

Walnut Park East Neighborhood Association

April 7, 2020

The Honorable Joseph M. Otting
Comptroller
Office of the Comptroller of the Currency
400 7th Street, SW
Washington, DC 20219

RE: Comments on Notice of Proposed Rulemaking, Community Reinvestment Act Regulations, Docket ID OCC-2018-0008

To Whom It May Concern:

St. Louis Equal Housing and Community Reinvestment Alliance (SLEHCRA) would like to express our opposition to the proposed changes to the Community Reinvestment Act (CRA) set forth by the OCC and FDIC agencies. Despite declarations from the agencies that the proposed changes would enhance CRA activity as well as enhance clarity in CRA exam standards and performance measurements, we firmly believe these changes would effectively decrease the ability to publicly hold banks accountable and ensure they are meeting the credit needs of low- and moderate income (LMI) communities. The guiding intent of CRA law is to expand access to and the availability of mainstream banking services and products in LMI communities, a lack of which has systematically plagued communities across the country, including St. Louis. The consequences of these changes would undermine both the letter and spirit of the CRA and would mean substantial decreases in financial services to LMI communities that have historically been excluded from these financial resources and institutions.

SLEHCRA is a coalition of organizations that work to increase investment in LMI communities, regardless of race, and in communities of color, regardless of income, by ensuring banks are meeting their CRA and fair lending obligations. Since SLEHCRA's first community impact report in 2012, banks have committed over $3 billion in community development lending or investments. We see how these commitments and activities are effectively serving the needs of LMI communities and communities of color throughout the St. Louis region. The proposed changes from the OCC and FDIC would reduce the ability for community coalitions, including SLEHCRA, to utilize the CRA in their mission to ensure banks are responsive to community needs.

One of the proposed changes that leaves our members immensely concerned is the single metric assessment approach, referred to as the "one ratio", which would strictly look at CRA dollars spent as the method of assessing banks' CRA performances. This metric would encourage banks to take the largest and

easiest deals in order to meet the ratio, at the risk of neglecting smaller and more complex deals that address specific local needs. Banks may neglect partnerships between nonprofit and public sector entities since they may feel that they can more easily meet CRA obligations with a few large deals in each Assessment Area.

For example, SLEHCRA has partnered with local agencies, community development financial institutions, and banks on the development of the Gateway Neighborhood Fund project. This particular project aims to address the Appraisal Gap within St. Louis Communities by designing a financial product that is not available through traditional lending institutions. The fund for this project comes through and relies on partnerships with local banks including Carrollton Bank, Simmons Bank, and Enterprise Bank and Trust. We are concerned that the single metric approach disincentives banks from engaging with community partners like ours to address real community needs, like the appraisal gap, through innovative and responsive work. This clearly does not align with Congress' intentions, when they passed the CRA. As it currently stands, 98% of banks already pass CRA exams. Implementing this one ratio approach, while also expanding CRA eligible activities, would simply just increase the probability and ease with which banks can meet these standards, but not how they are serving local community needs.

An additional concern of our organization is that the NPRM broadens what bank activities are CRA eligible in such a way that is counter to the spirit and intent of the CRA, meeting the credit needs of low- and moderate-income individuals and communities. For instance, under these proposed rules, banks could receive credit for financing athletic stadiums in Opportunity Zones or providing financial education for any income level, including middle- and upper- income levels. This would mean that activities and services not specifically targeted to meeting the needs of LMI communities, which is the true intention of CRA law, would qualify as CRA activities. Broadening the eligibility of CRA activities would not increase actual community reinvestment to LMI communities, but would instead dilute the focus of CRA and shift away from responding to local community needs.

An additional concern of our organization are the proposed changes to CRA examination procedures would retain a retail test that examines home, small business and consumer lending to LMI borrowers and communities, but this retail test would only be pass or fail. In contrast, the current retail test has ratings that count for much more of the overall rating. Moreover, we believe that the proposal would result in branch closures, as it would eliminate the test that scrutinizes bank branching and provision of deposit accounts to LMI customers. Physical bank branches are still a high need, especially in LMI areas. Since its first 2012 Impact Report, sixteen new bank branches have opened in LMI communities or communities of color across St. Louis, including some in areas that have never had a bank branch. We have worked with six banks in the region to develop voluntary Community Benefits that includes commitments for serving low- and moderate-income communities and communities of color.

The evaluation system proposed in the NPRM would afford banks the ability to fail in almost half of all assessment areas while still receiving a passing CRA grade overall. In regions like St. Louis where the rate of growth is smaller in comparison to other regions such as Kansas City, this could present adverse impacts on the decisions banks make in choosing to invest in certain areas over others. It would give banks incentives to invest in bigger and easier areas, versus LMI

communities. This disappearance or lack of bank investment would compromise the community development work in LMI and communities of color and dramatically lessen CRA's focus on LMI communities in contradiction to the intent of the law to address redlining. Focusing solely on CRA dollars spent and expanding the eligibility of CRA activities would detract investment in LMI neighborhoods and allow banks to instead invest in community development initiatives in more affluent neighborhoods or provide financial education courses in branches located in more affluent areas, and still receive passing grades.

While the NPRM recognizes changes in the banking industry such as the increased use of online banking, our review of the suggested reforms to geographical assessment areas on CRA exams would be problematic and would reduce transparency. As it stands, neither the agencies nor the public can evaluate the agencies' proposal to designate additional geographical areas on exams in the case of internet banks due to the lack of publicly available data. The public simply has not been given a fair chance to attempt the analysis necessary to offer comments on the effectiveness of significant proposed changes whose impacts are unknown.

Additionally, the agencies propose that banks that receive Outstanding ratings be subject to exams every five years, rather than the current two to three years. Extending the time between exams would increase the likelihood that banks would delay engaging in CRA and community development activities to the latter portion of the five year timeline. Over the past ten years, SLEHCRA member groups have seen many examples of lenders who increase staffing and LMI lending, in the year directly before an exam or acquisition. This indicates that the previous years' poor performance was not because of insufficient demand for credit, rather it indicates insufficient effort on the part of lenders in earlier years. Extending the examination intervals to five years would only further encourage this kind of lender behavior, which is clearly not the intention of the CRA.

The members of SLEHCRA additionally demonstrate concern over the modifications to the definitions of affordable housing under community development obligations. Under the new list of qualifying CRA activities, middle-income rental housing in high-cost areas would qualify as banks meeting CRA initiatives under these obligations. This means that banks would be able to finance the development and construction of middle-income housing and still receive CRA credit, without focusing on development of affordable housing for low-income families who qualify as more severely cost-burdened. These definition changes would result in damaging impacts for many metropolitan areas with steadily rising costs of living with correlating increases in cost-burden ratios for low-income families. In cities such as St. Louis where 47.7% of renters are already considered cost-burdened and affordable housing is struggling to keep up alongside other economic and urban developments including the new National Geospatial Intelligence Agency headquarters that are pushing up prices of rent in many St. Louis communities, this would mean even more scarcity in affordable housing for low-income families.

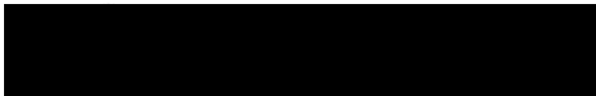
Also included in the new proposed rule making, the new Assessment Areas proposed for banks would include substantial levels of deposits outside of their branch networks. The ability to estimate the impact of these new assessment areas, is incredibly difficult as there is an immense

lack of data on deposit-taking outside of branch networks. Community members and banks have not been allowed the space and opportunity to provide any input on these Assessment Areas. Therefore, the lack of data and inclusion of community input makes these new geographic assessment areas concerning as well.

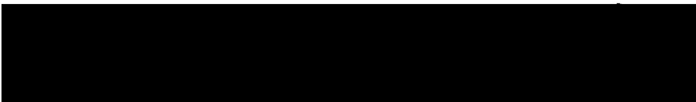
In St. Louis alone, it is predicted that these changes would result in St. Louis City and suburban St. Louis County losing as much as $382 million in annual lending activity. LMI and communities of color within St. Louis have historically suffered from discriminatory lending practices and inability to access assets and credit building products. Potential homebuyers and small business owners already face a myriad of hurdles to access capital for investments in the region's majority-minority neighborhoods. Losing access to this lending could have a devastating impact on neighborhoods and both increase disinvestment that the CRA was enacted to counter. Additionally, while also encouraging investments in areas that don't face the credit market limitations that the CRA was enacted to counteract.

In conclusion, we believe that this misconceived and flawed proposal would result in undercutting the efforts made since the 1977 passage of the Community Reinvestment Act to increase lending, community development, and investment in LMI communities and communities of color. The FDIC and OCC are obligated under the CRA to ensure that banks are held accountable and equitably serving community needs. After careful review of the proposal, we can only conclude that implementing the NPRM would go against the obligations of these agencies under the CRA.

Sincerely,



Elisabeth Risch, Co-Chair SLEHCRA



Jackie Hutchinson, Co-Chair, SLEHCRA

Sign On Organizations:
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