SOUTH CAROLINA
Community
Loan Fund®
Investing in Community

April 2, 2020

RE: Notice of Proposed Rulemaking, Community Reinvestment Act Regulations

To Whom it May Concern:

South Carolina Community Loan Fund opposes the proposed changes to the Community Reinvestment Act (CRA) regulations. The OCC and FDIC would lessen the public accountability of banks to their communities by enacting unclear performance measures on CRA exams that would not accurately measure a bank's responsiveness to local needs. Contrary to the agencies assertions that their changes would increase clarity and CRA activity, the result will be significantly fewer loans, investments and services to low- and moderate-communities (LMI).

South Carolina Community Loan Fund (SCCLF) is a nonprofit Community Development Financial Institution (CDFI) that has deployed over $54.7MM in lending capital in rural and low- and moderate-income communities across our state. This capital was desperately needed, and its impact has been profound; it has contributed to over $361MM in project development in under-invested South Carolina communities. Revolving loan fund investments enable SCCLF to carry out this work and nearly 50% of them come from financial institutions. Much of the investment banks have made in SCCLF, and CDFIs across the country, can be directly attributed to the current CRA regulations. The proposed changes to CRA would significantly hinder SCCLF's ability to finance community development projects and serve those communities and people most in need of economic opportunity.

The NPRM would add financing large infrastructure such as bridges as a CRA eligible activity. Even financing "athletic" stadiums in Opportunity Zones would be an eligible activity. The NPRM would define small businesses and farms as having higher revenues, increasing the limit from $1 million to $2 million for small businesses and as high as $10 million for family farms. As a largely rural and sparsely populated state with an agricultural economy largely composed of small-scale family farm operations, the new regulations do not incentivize investing in the projects South Carolina needs most.

The agencies propose an evaluation system that would further inflate ratings while decreasing the responsiveness of banks to local needs. The agencies propose a one ratio measure that would consist of the dollar amount of CRA activities divided by deposits. This ratio measure would likely encourage banks to find the largest and easiest deals anywhere in the country as opposed to focusing on local needs. Since banks could fail in one half of the areas on their exams and still pass under the proposal, the likelihood of banks seeking large and easy deals anywhere would increase. Also, the proposal would relax requirements that banks serve areas where they have branches first before they can seek deals elsewhere.

The access to capital so sorely needed in South Carolina's rural communities could become even more restricted as investments in their communities become even more infrequent. SCCLF has worked to invest in South Carolina's rural communities for years, and often the facilities that communities need most require innovative financing strategies and partnerships, and otake years to successfully fund. Further incentivizing this shift could mean that even more rural communities simply cannot provide access to essential services like health clinics, schools, and adult care facilities.

Instead of weakening CRA, the agencies must enact reforms that would increase bank activity in underserved neighborhoods. The agencies do not address persistent racial disparities in lending by strengthening the fair lending reviews on CRA exams or adding an examination of bank activity to communities of color in CRA exams. At the very least, the agencies could add a category on CRA exams of underserved census tracts, which would likely include a high number of communities of color. As a CDFI who places a focus on lending to borrowers of color, we have seen firsthand the compounding harm done to communities who lack access to capital. A lack of opportunity to create generational wealth among communities of color only serves to widen the racial income and wealth gaps which are already widening at an alarming rate.

This deeply flawed proposal would result in less lending, investing and services for communities that were the focus of Congressional passage of CRA in 1977. Thanks to CRA, SCCLF has attracted over $12MM in investment capital from financial institutions, and these investments have been essential to our ability to grow and deepen our lending pool. To relax CRA regulations is to greatly inhibit SCCLF's ability to attract capital investments which are then deployed in communities across South Carolina who need them most.

The FDIC and OCC need to discard the NPRM, and instead work with the Federal Reserve Board and propose an interagency rule that will augment the progress achieved under CRA instead of reversing it.

Respectfully,

[redacted]

Anna Lewin
Chief Executive Officer
South Carolina Community Loan Fund