From: [redacted]
To: Comments
Subject: [EXTERNAL MESSAGE] From Baltimore, re: RIN 3064-AF22
Date: Wednesday, April 08, 2020 11:18:54 AM

April 8, 2020

RE: Notice of Proposed Rulemaking, Community Reinvestment Act Regulations

To Whom it May Concern:

I oppose the proposed changes to the Community Reinvestment Act (CRA), on the basis that they appear fundamentally flawed in relation to supporting citizens, and in improving the community-bank relationships already in place, as well as those going into the future. 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. The result could be significantly fewer loans, investments and services to low- and moderate, income communities, which now, more than ever, we need to support and create more financial supports for, not fewer. The proposed changes lend themselves to divesting already under-invested communities, small business owners, and individuals seeking loans.

In my experience working with communities, and, in particular, the one I live in, active relationships with banks investing in the community are something which could already be improved upon. For example, my immediate neighborhood does not have a local bank or ATM within more than a one-mile radius. Attempts on the part of local elected officials to talk to banks about having a physical presence here have met with no results: there's no simple way for community members to visit and actual bank or bank ATM in anything resembling walking distance.

While there are some banks that fund non-profit work in the area, which I applaud, I wonder what incentive they, or other potential banks would have to continue the work given the relaxation of standards in the currently proposed changes to CRA. We need to incentivize bank investment in physical areas that are under, or only marginally, invested in, not create potential loopholes for them to invest elsewhere. This is of particular note when it comes to providing small business or mortgage loans: we can't build up middle-income neighborhoods, or lower-income neighborhoods, without some incentive(s) for investing in them. In the area I live in, the immediate impact on higher-income neighborhoods is also clearly evident, as this particular zip code (21212) hosts some of the highest, and lowest incomes in the City—all at once. All of the neighborhoods here are in a relationship of unique interdependence—and all of us don't have a bank we can easily get to.

The agencies would dramatically lessen CRA's focus on low and moderate income (LMI) communities in contradiction to the intent of the law to address redlining. The definition of affordable housing would be relaxed to include middle-income housing in high cost areas. In addition, the Notice of Proposed Rulemaking (NPRM) would count rental housing as affordable if lower-income people could afford to pay the rent without verifying that lower-income people would be tenants. We need real housing affordability solutions, not ones based on wishful statements that open wide interpretation for how to effect them.

While the NPRM recognizes changes in the banking industry such as the increased use of online banking, the NPRM's reforms to the geographical areas on CRA exams are problematic and would reduce transparency. <u>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</u>. The public does not have a fair chance to offer comments on the effectiveness of significant proposed changes whose impacts are unknown.

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 proposal 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, the proposal would result in branch closures since it would eliminate the test that scrutinizes bank branching and provision of deposit accounts to LMI customers.

The agencies also propose to allow banks that receive Outstanding ratings to be subject to exams every five years instead of the current two to three years. This would result in banks not making much effort in the early years of an exam cycle to serve their communities.

Small banks with assets less than $500 million could opt for their current streamlined exams instead of the new exams. The new exams would require banks to engage in community development financing while the existing small bank exams do not. This is another loss for communities.

Instead of weakening CRA, the agencies must enact reforms that would increase bank activity in underserved neighborhoods, like those that predominate in Baltimore City, and elsewhere in rural and suburban Maryland. 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. The agencies also require banks to collect more data on consumer lending and community development activities but do not require banks to publicly release this data on a county or census tract level. Finally, the agencies do not require mandatory inclusion on exams of bank mortgage company affiliates, many of whom engaged in abusive lending during the financial crisis.

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. This backtracking will violate the agencies’ obligation under the statute to ensure that banks are continually serving community needs.

The FDIC and OCC need to toss out the Notice of Proposed Rulemaking, and instead work with the Federal Reserve Board and propose an interagency rule that will support and amplify the progress achieved under CRA instead of reversing it.

Sincerely,

Leila Kohler-Frueh

Baltimore, MD 21212