From:	Christina Gabriel
To:	Comments
Subject:	[EXTERNAL MESSAGE] RIN 3064-AF22 - Comment re Notice of Proposed Rulemaking, Community Reinvestment Act Regulations
Date:	Wednesday, April 08, 2020 1:55:04 PM

April 8, 2020

TO: Office of the Comptroller of the Currency
and Federal Deposit Insurance Corporation

RE: **Notice of Proposed Rulemaking, Community Reinvestment Act Regulations Docket ID OCC-2018-0008. FDIC RIN 3064-AF22.**

To Whom it May Concern:

Thank you for providing an opportunity for citizens to comment on the proposed changes in the Community Reinvestment Act regulations. **I am writing to oppose these proposed changes.**

The proposed rules changes are inconsistent with the original intent of the CRA. They would reduce incentives for financial institutions to help meet the credit needs of the low- and moderate-income (LMI) communities in which they do business. And they would make it more difficult for federal regulators to monitor and compare the performance of financial institutions toward meeting those needs.

My experience with the CRA is as a citizen, a small business owner, a homeowner and a former philanthropic foundation grant maker focusing on improving economic opportunity within LMI communities. I also am on an advisory board for a local community bank with a strong track record for community reinvestment. For the past several decades I have worked alongside organizations and individual business owners in LMI communities with a shared goal to reduce the large, longstanding racial economic disparities that are a legacy of redlining and other failed, often racially biased economic policies of the past.

The CRA has been important to me and the communities where I have lived and worked during the four decades of my career. In particular:

1. Small business lending

Access to capital continues to be woefully inadequate for small business owners, especially for the Black-owned “Main Street” companies that anchor many LMI communities. Overcoming the legacy of redlining and its broader impacts throughout the economy has been excruciatingly difficult.

In my role as a philanthropic grant maker, we joined with other regional foundations to help. But our support could never be as large as needed to counter the exodus of banking services from our urban neighborhoods and the unwillingness of these banks to make loans to Black-owned businesses. We helped launch and sustain CDFIs, but their interest rates were high because they modeled their operations under advice from board members who were mostly conservative bankers. We also supported the kiva.org crowdfunding platform because so many of our local minority-resident-owned businesses are unable to secure even a $5000 loan from a bank or credit union. I have personally contributed to more than 90 kiva loans to businesses led by African American “Main Street” entrepreneurs in LMI urban neighborhoods near me, but these loan sizes are far less than what is needed for new equipment, storefront renovation or other routine business investment. By comparison, the state, local and foundation-funded economic development programs available to early-stage technology companies (led almost always by white entrepreneurs in non-LMI neighborhoods) offer loans and equity investments in six- or seven-figure amounts, with no better repayment potential.

The CRA is a hugely important tool to push back on the pressure that all financial institutions face to “maximize shareholder value” over the short term. A strong CRA review process can remind them of commitments they all have made to support the local communities where they do business. Our national economy is driven largely by consumer spending, and a thriving Main Street keeps dollars circulating locally to help resident entrepreneurs and their families build wealth. Yet over the years our region’s banks have placed their highest priority on pursuing higher-profit mergers and acquisitions while also significantly reducing their profile in our local LMI neighborhoods.

Comment: The proposed rules, especially to increase loan sizes and revenue thresholds for small business loans, would make it much more difficult for Black-owned businesses in LMI communities to secure the capital they need for formation and growth. Encouragement through the CRA and the competitive advantage that a strong CRA ratings track record provides are critical for financial institutions to convince their investors that the highest net-worth customers are not the only customers worth serving. **We encourage the agencies to reconsider this proposed change and instead strengthen the CRA rules to better support the actual needs of most LMI and Black business borrowers.**

2. Mortgage lending

When seeking a mortgage lender for home purchases and refinancing, our family always wanted to choose a mortgage lender that placed a priority on reinvesting in our local LMI community. Although we are not LMI borrowers ourselves, we have been neighbors to LMI neighborhoods in every city where we’ve lived. It is clear from the experiences of our LMI neighbors and professional colleagues that significant barriers against borrowing exist in formerly redlined areas. This is true even for those individuals and businesses whose financial history would place them in a low-risk category if they were white and living in a different zip code.

To select our lender, we reviewed the CRA ratings for all of the banks offering mortgages, and discovered that **many of the largest banks with local offices had been receiving Outstanding ratings even when they had a poor track record for this reinvestment; for example, making zero or only a very small number of loans to African Americans**. Only one bank appeared to take its community reinvestment responsibility seriously, and this was also the bank with the best loan terms for us.

Comment: We believe all American homeowners would benefit from a stronger and more rigorous CRA ratings system. **Rather than weakening rules and their enforcement, please work to strengthen them, to better support the CRA’s original mission.** Over the long term, it will benefit all of us when banks have strong incentives to assure that their lending helps improve economic opportunity for their LMI neighbors and local business owners.

3. Post-Dodd-Frank conservatism

Finally, in my interactions with small businesses and other community organizations, I’ve learned that banks have been referencing Dodd-Frank and the Volcker Rule as a rationale for denying access for Community Development Venture Capital (CDVC) organizations to their equity capital. CDVCs are a type of CDFI and their work is well aligned with the original mission of the Community Reinvestment Act. Yet in recent years CDVCs are finding it more difficult than ever to get started and grow in service to LMI small businesses. Although CDVCs do not represent a large part of the overall national small business support network, those that are well managed have provided enormous benefit to the communities they serve. Collateral damage to these small players is an unfortunate consequence of the necessary controls that were put into place following the 2008 financial crisis to regulate the worst actors and the worst systemic risks in the financial system.

Comment: We encourage the agencies to consider how any new CRA rules might **strengthen, rather than weaken, the incentives for financial institutions to support innovative CDFIs such as CDVCs**. The CRA process can provide assurances to banks that an overly conservative interpretation of new regulations is not necessary or wise.

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In summary, the CRA provides critical support for the vitality of our national economy. Certainly it has improved access to capital — and thus opportunity — for low-income and minority citizens and business owners. But it also has improved the lives and well-being of their non-LMI neighbors, whether or not most of us are aware of its specific influence and impact. Any changes to the CRA should recognize this success and build on it by strengthening this regulatory tool.

For these reasons and the many others articulated by many other organizations during this comment period, we ask the FDIC and OCC to withdraw this proposal and consider a different approach. There is abundant "ground truth" available to inform any new effort to modernize and strengthen the CRA. For example, thoughtful testimony was presented by the witnesses at the April 9, 2019 hearing "The Community Reinvestment Act: Assessing the Law's Impact on Discrimination and Redlining" hosted by the Subcommittee on Consumer Protection and Financial Institutions of the U.S. House Financial Services Committee. Well-researched contributions also have been submitted during this comment period by the National Community Reinvestment Coalition, the Expanding Black Business Credit Initiative, and many other organizations that work directly in alignment with the original CRA mission.

Strengthening the CRA rules and their implementation would give consumers a higher level of confidence that the financial institutions in their communities are sincere about serving all of our neighbors. As their highest priority, our local banks should be supporting local families to build wealth and local businesses to grow and thrive. And as citizens, we all need to have confidence that the money we invest through our bank deposits and mortgage interest payments is being reinvested as effectively as possible to help reduce longstanding racial economic disparities in our communities.

Thank you for considering these comments.

Sincerely,

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