HAVENWOODS
Economic Development Corporation

April 8, 2020

RE: Notice of Proposed Rulemaking, Community Reinvestment Act Regulations

To Whom It May Concern:

Havenwoods Economic Development Corporation (HEDC) opposes the proposed changes to the Community Reinvestment Act (CRA) as written in the Notice of Proposed Rule Making (NPRM) by the OCC and FDIC (the agencies). Though the OCC and FDIC have said they care about resources and investment making its way to low-income communities, their changes to CRA would actually divert resources away from low-income communities and small business. The proposed changes lessen the public accountability of banks to their communities by clouding up performance measures on CRA exams. If the agencies pass their proposed rule-making, advancement in low- to moderate- income communities will be halted or reversed and banks will be able to pass CRA while actually providing a very poor performance.

Havenwoods EDC works in a low- to moderate- income community in Milwaukee. We work to build sustainable homeownership and increase quality of life for residents as well as focusing on manufacturing and small business. Several of the proposed changes could significantly impact the families and work in our area by lessening CRA's focus on LMI communities.

First, 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. In recent years, CRA dollars have empowered LMI homebuyers and LMI neighborhoods. For example, Associated Bank's Path Program provides up to $4000 of down payment assistance to LMI borrowers or borrowers moving into LMI areas. This program, partnered with our Employer Assisted Homeownership Program, has assisted several residents with home purchase. This is a way that CRA financing has strengthened the Havenwoods community and home buyers therein. However, with the relax of the definition of affordable to include middle-income housing in high cost areas, those CRA financing resources would be diverted away from neighborhoods like the one I work in and LMI residents who need it.

Another diversion of needed funds to low- income communities is through the NPRM's expansion of funding project that can be counted toward CRA activity. The NPRM would add financing large infrastructure such as bridges or financing "athletic" stadiums in Opportunity Zones as eligible activities. Bridges and transportation systems serve several areas and are huge sums of money. Taking all of those financing dollars and counting them toward CRA activity would take away banks accountability to focus on essential, local LMI area needs. Furthermore, “athletic stadiums” often do not provide long-term sustained support to low-income communities. Under this definition expansion, the NPRM gives no consideration to how many jobs or other benefits to LMI communities. The OCC and FDIC must be reminded that the original purpose of CRA was to combat redlining in low- and moderate-income neighborhoods. If CRA exams award points for financing or activities that do not address lack of access to banking or community development needs in lower income neighborhoods, then CRA will be less effective in channeling resources to the communities that were the focus of the 1977 legislation.

Potentially one of the most devastating changes to the CRA is the agencies proposal of 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. Banks could find the largest or easiest deals anywhere in the country – similar to the aforementioned stadiums or infrastructure projects – and neglect 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. What is worse, is that focus on deposits and mortgage assistance in low- income communities would likely decrease. This will cause a domino effect on other problems. Milwaukee is the most segregated city in the country with a huge black/white wealth gap and homeownership gap. Homeownership is one of the most significant ways to build wealth, especially in our community for people of color. Ensuring that banks focus on financing home purchase for credit-worthy borrowers in these communities is essential. The one-ratio would take that accountability away.

The agencies’ NPRM would hurt communities as relates to the efficacy of bank branches. First, the proposal would relax requirements that banks serve areas where they have branches first before they can seek deals elsewhere. Second, because the proposal eliminates the test that scrutinizes bank branching and provision of deposit accounts to LMI customers, many brank closures in LMI communities would inevitably occur. So many of the employees of our Havenwoods community manufacturing companies receive their payroll on a cash card. They risk keeping all “cash in hand,” risk losing their card and, therefore, their money, may not have access to the money right away and could face monthly service charges. These folks need to be banked so that they can access the benefits of having a checking or savings account, doing away with the aforementioned risks. Bank closures decrease this access to having a bank account. Further, several residents in our community do not have computers. They rely on bank branches. For example, when applying for certain neighborhood grants that require some financial information from their lending institution, some of our senior population will drive to their bank branch to acquire that paperwork as opposed to printing it from the internet. They need paperwork for various grants they can receive. Taking branches away reduces their quality of life and increases their stress.

Decreasing branches can also hinder a smooth process for first time home buyers. LMI communities have many first-time home buyers. Having a bank branch or LPO in that community is so important in the smooth, successful process of purchasing that first home. Havenwoods has seen the benefit of the simple bricks and mortar installation of a Loan Processing office. Associated Bank set up an LPO in the Havenwoods community. They use that

office to meet with clients and host closings for their mortgagors. Three of the home purchase closings with Havenwoods and Associated Bank's down payment assistance have been at that LPO, right in the neighborhood where the buyer both has purchased and is employed.
The proposed rulemaking changes will inevitably encourage the closure of important bank branches. This is unacceptable.

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. This is ridiculous. So many of our small businesses are worth even under $1 million. They are the ones that need help. It is small businesses that will help our economy. Especially after the current covid-19 pandemic, so many small businesses under the $1 million threshold, much more so under the $2 million threshold, will need assistance. Our economy will need new start-ups – start-ups that will thrive in LMI- communities – but this will not happen if they cannot get the needed funding from banks. Even before the proposed rulemaking small businesses have insufficient access to financing. This needs to be strengthened not weakened.

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. It also prevents more frequent opportunities for community partners to really assess and make community benefits agreements with banks. HavenwoodsEDC has both had the opportunity to be part of a community benefits agreement with Associated in which several Milwaukee stakeholders took part. Not only do community benefit agreements help keep banks accountable to reinvesting in the community, the discussions surrounding them help to support the very work that the bank's own CRA loan officers and relationship managers are trying to accomplish. Taking away more regular CRA exams will decrease these discussions and partnerships, will thwart some of the great work that CRA officers are pursuing and will prevent meaningful, local community benefits.

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. Small banks are able to do a lot for a community. Havenwoods EDC has partnered and received sponsorship for valuable community programs like financial wellness and home ownership workshops from smaller banks. Small banks presence in the CRA portfolio should not be weakened.

We have decades ahead of us to correct the income and racial disparities in lending. 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. 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. During the ANPR, the National Community Reinvestment Coalition estimated that low- and moderate-income neighborhoods could lose up to $105 billion in home and small business lending nationally over a five year time period. In Wisconsin, that would equal a loss of between $703,393,000 and $1,406,786,000. The loss in my specific Congressional district in Milwaukee would be between $141,222 and $282,443. Home and small business lending to the LMI, majority minority neighborhood of Havenwoods is already not sufficient. We would hate to see any progress reversed. 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 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.

Sincerely,

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