April 8, 2020
To Whom It May Concern:

MKE United is a collective impact effort working to implement a shared and inclusive vision for Milwaukee's downtown and surrounding neighborhoods, paired with an action agenda of how to get there. Among other areas, MKE United is focused on a housing agenda and working to support ownership and increased property values across disinvested neighborhoods in our community. We represent an agenda comprised of over 45 individual neighborhood, district, and area plans, and feedback from over 2000 individuals. We actively work with over 70 different individuals and organizations to drive this shared and inclusive vision forward.

We are writing to strongly oppose the proposed changes to the Community Reinvestment Act (CRA), as described by the Office of the Comptroller of the Currency (OCC) and the Federal Deposit Insurance Corporation (FDIC) in their Notice of Proposed Rulemaking (NPRM).

CRA law requires that deposit-taking institutions meet the convenience and needs of the low- and moderate-income communities in which they operate. But the NPRM proposal would dramatically reduce incentives for banks to serve the needs of LMI people. And it would reduce the importance of seeking input from the LMI people and communities in the banks' service areas.

We believe that the current proposal from the OCC and the FDIC would allow banks to reduce their focus on meeting the needs of LMI people and communities. If that happened, it would undermine our work to increase investment and cross-sector engagement in LMI communities.

Measuring CRA Activities on a Bank's CRA Performance Evaluation

We are very concerned about the major changes to the way that federal regulators would measure a bank's CRA activities.

We are opposed to the "one ratio" measure that consists of the dollar amount of CRA activities, divided by dollar amount of the bank's deposits. This one ratio measure would encourage banks to find the largest and easiest deals anywhere in the country, instead of collaborating with communities and responding to local needs. If banks could get CRA credit for financing public infrastructure or sports stadiums, as the NPRM proposal suggests, those large dollar amounts included in the CRA-eligible activities would reduce the amount of home loans or small business loans in LMI neighborhoods that a bank would need, in order to pass their CRA evaluations. This could divert significant CRA investment away from the individuals and business owners who benefit from it the most.

We are alarmed that the CRA performance test measuring banks' home mortgage, small business and consumer lending (the "retail lending test") would be supplemental, and would count for less. And **we are gravely concerned that home mortgage lending in LMI communities would be eliminated as an exam criterion.** If banks are not held accountable for making mortgages to credit-worthy borrowers in LMI communities, we will see a return to the levels of redlining that CRA was originally established to eliminate.

Additionally, changing the retail lending test to a pass/fail assessment, instead of generating ratings for a bank's retail lending would mean that this important lending test would count for much less toward a bank's CRA rating. The changes in the proposal would mean that banks could fail their retail lending test in half of their assessment areas and still pass their CRA exam.

Affordable Housing

The NPRM proposal would count rental housing as affordable housing if lower-income people could afford to pay the rent – but banks would not be required to verify that lower-income people would be tenants. This creates a clear loophole and diverts the investment away from a LMI target market.

The NPRM could allow banks to get credit for developments that house all upper-income families, paying very low rent. Since our low-income tenants often have significant financial hurdles, this will be yet another barrier for them to overcome, competing with high-income tenants. Affordable housing for LMI people is a critical need in our community. The OCC and FDIC should not loosen the standard for verifying that housing is being used by LMI tenants.

Small Businesses

In the NPRM, the OCC and FDIC change the definition of a small business. They propose changing the definition from one that takes in $1 million in annual revenue, to a business that receives up to $2 million in annual revenue. The Consumer Financial Protection Bureau (CFFPB) estimates that 95% of small businesses have revenues of $1 million or less.

By redefining the small business to include businesses with $2 million in annual revenue, the OCC and FDIC will divert lending from the smallest Milwaukee businesses who otherwise struggle to access affordable capital. We see access to affordable capital as a significant issue in Milwaukee's small business landscape, especially real estate development, and specifically for firms owned by individuals of color.

Bank Branches

The NPRM would significantly reduce the importance of bank branches in CRA performance evaluations. This would likely lead to the closure of branches serving LMI neighborhoods.

Branches are essential to the economic vitality of communities, and CRA regulations should emphasize the importance of physical branches in LMI neighborhoods. The proposed regulations would encourage the export of capital from communities, in direct contradiction of the statutory goal of the CRA. MKE United is firmly positioned encouraging increased investment in disinvested communities and see this as a disincentive towards those ends.

We urge the OCC and FDIC to discard the NPRM and instead work with the Federal Reserve Board to propose an interagency rule that will modernize CRA in a way that will increase reinvestment in LMI communities.

Sincerely,

Tony Panciera
Project Director
MKE United, an initiative of the Greater Milwaukee Committee