



36 Water Street
P.O. Box 268
Wiscasset, Maine 04578

Creating opportunities for people and places since 1977

207.882.7552

877.340.2649

fax 207.882.7308

cei@ceimaine.org

www.ceimaine.org

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Legislative and Regulatory Activities Division
Office of the Comptroller of the Currency
Mail Stop 9W-11
400 7th Street, SW
Washington DC 20219
Docket ID OCC-2013-0003
Regs.comments@occ.treas.gov

Mr. Robert deV. Frierson, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington DC 20551
Docket No. OP-1456
Regs.comments@federalreserve.gov

Mr. Robert E. Feldman, Executive Secretary
Attention: Comments
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington DC 20429
Comments@fdic.gov

Dear Madams/Sirs:

On behalf of CEI, I am pleased to have the opportunity to comment on proposed changes to the Interagency Questions and Answers Regarding Community Investment. CEI, a 36-year-old rural Community Development Corporation (CDC) and Community Development Financial Institution (CDFI) based in Maine, has long been concerned with the ways in which the Community Reinvestment Act is and is not effective in attracting investment and loan capital to disinvested and underserved areas, especially the rural geographies served by CEI.

CEI is a 501(c)(3) private, nonprofit community development corporation (CDC) and community development finance institution (CDFI). CEI's mission is *to help create economically and environmentally healthy communities in which all people, especially those with low incomes, can reach their full potential*. Based in Wiscasset, Maine, CEI ranks among the nation's leading rural community development corporations CDCs/CDFIs. With offices statewide, in partnership with other CDC/CDFIs, CEI also serves communities throughout rural New England and upstate New York. CEI's New Markets Tax Credit subsidiary, CEI Capital Management LLC (CCML), invests nationwide in rural markets and is the largest allocatee in the nation.

CEI views this proposal as an important and positive step toward the modernization of CRA, and is especially encouraged by the focus on community development activities. CEI is a member of the Opportunity Finance Network and of the National Community Reinvestment Coalition, both of which have submitted comments regarding this Q&A. Ellen Seidman, former Director of the Office of Thrift Supervision, who has also submitted comments, serves on CEI's Board of Directors. CEI echoes many of the points made in those letters.

CRA has been an important tool for CEI to leverage bank capital for community investing. Historically and currently in-state, regional and national banks have provided important liquidity for CEI lending to small businesses, affordable housing and community facilities, and investment (through our socially-responsible venture capital funds). Over our history several bankers have also served on our board, and their institutions have provided grants to support such operations as business counseling, including counseling for women business owners, first time homebuyer workshops and, most recently, foreclosure mitigation (CEI in fact now runs the largest foreclosure counseling program in Maine).

Recommendations

CEI urges the Agencies to strongly consider the recommendations included in OFN's comments, especially the following points:

1. The language in Proposed New Q&A § __.12(t)-9 could result in financial institutions receiving less than full credit for Qualified Investments in CDFIs that the CDFI uses for community development purposes. To reflect common and prudent practices of CDFIs, and to provide full credit for the institutions that invest in them, my organization recommends that the Q&A be revised as follows:

“A9. Examiners will give quantitative consideration for the dollar amount of funds that benefit an organization or activity that has a primary purpose of community development. If an institution invests in (or lends to) an organization that, in turn, invests those funds in instruments that do not have as their primary purpose community development, such as Treasury securities, and the agreement between the institution and the recipient requires that the recipient uses only the income, or a portion of the income, from those investments to support the organization's community development purposes, the Agencies will consider only the amount of the investment income used to benefit the organization or activity that has a community development purpose for CRA purposes.

“If the agreement between the institution and the recipient does not prohibit the CDFI's use of investment capital for community development loans, the Agencies will give consideration for the full amount of the investment, even if the recipient invests it in liquid securities.”

2. CDFIs frequently serve the same market interests as minority-owned financial institutions, women-owned financial institutions, and low-income credit unions. More important, they serve the markets targeted by CRA and so would help meet the CRA's purpose in the same way as those institutions. The Agencies should make a revision to Redesignated Q&A § __.21(f)-1 to provide the same consideration for investments in CDFIs as are provided to investments in those institutions.

CEI also asks the regulators to consider the recommendations of NCRC, particularly the following:

1. The recommendation to publicly provide data on community development lending and investing on a census tract level or at least on a county level. If county level data was available for community development financing, the agencies and the public at large could assess how effective any proposed changes to the regulation or Q&As would be in stimulating more community development financing in rural counties and smaller cities while ensuring that the current assessment areas do not experience significant declines in community development financing.

2. A more rigorous service test which assesses data on bank deposits in addition to bank branches in low- and moderate-income communities is urgently needed.
3. The recommendation to increase focus on foreclosure prevention and loan modifications. CEI urges the Agencies to reform the CRA regulation to boost the importance of foreclosure prevention and servicing in order to stimulate large-scale foreclosure prevention activities.

CEI believes that this proposal is an important first step in updating CRA to keep pace with the financial services industry, but it is only a first step. Most notably, the Agencies must update the determination of a financial institution's assessment area and the way in which the institution provides lending, investment, and services to it. A modernization of this aspect of CRA is critical to fulfilling its purpose.

In addition, CEI urges the Agencies to evaluate the effectiveness of incentives to meet community needs in areas beyond assessment areas, particularly rural areas, and to strengthen these incentives as necessary and appropriate. CEI is concerned that the limited scope exam process undermines such incentives, as the result of that system is that not only does much community investment activity not count, but uncertainty about whether it will count reduces the incentive to make such investments. The Q&A discusses clarifying and strengthening exam guidelines and examiner training – in that context, it will be especially important to look at the limited scope exam process to address these concerns.

CEI has in the past advocated for improved needs assessment as another way to strengthen investment in rural and underserved areas. In a letter to the Agencies dated October 11 2012, CEI wrote:

“Improved needs analysis is necessary, especially in conjunction with any larger assessment areas for community development financing, in order to ensure responsiveness to needs and avoid cherry-picking geographical areas for community development financing.

“The agencies could choose a few clear economic indicators for identifying areas in need of community development financing. For example, data on unemployment rates and/or poverty rates by county could identify rural areas and smaller cities in particular need of equity investments in small businesses. Data on housing cost burdens and rental and owner vacancy rates could likewise identify rural areas and smaller cities in urgent need for more affordable housing. If the agencies facilitated this type of data dissemination via a mapping tool to examiners, banks, and the public, then stakeholders could form partnerships to increase credit and equity in hard-hit areas.”

CEI is encouraged by these proposed revisions and considers them to represent important progress. I urge the Agencies to continue this process and work toward comprehensive modernization of CRA. Thank you again for the opportunity to comment.

Sincerely,



Ronald L. Phillips
President and CEO