

To:

OCC at: regs.comments@occ.treas.gov [Docket ID OCC-2013-0003]
Federal Reserve at: regs.comments@federalreserve.gov [Docket No. OP-1456]
FDIC at: comments@fdic.gov [Docket ID FDIC-2013-0024-0001]

From:

The San Joaquin Valley CRA Collaborative

Date:

May 29, 2013

Subject: Community Reinvestment Act:

Interagency Questions and Answers Regarding Community Reinvestment

Dear Ladies and Gentlemen:

On behalf of the San Joaquin Valley CRA Collaborative I want to thank the Agencies for the opportunity to provide comments in regard to the Proposed Revisions to the “Community Reinvestment Act: Interagency Questions and Answers Regarding Community Reinvestment,” as published in the Federal Register on Monday, March 18, 2013.

These comments reflect the views of the San Joaquin Valley CRA Collaborative.

The San Joaquin Valley CRA Collaborative is strongly supportive of the efforts of the Agencies in making these revisions to the Interagency Questions and Answers. The San Joaquin Valley CRA Collaborative would also like to emphasize the importance of consistency across Agencies when conducting an examination, especially in light of these proposed revisions to the Interagency Questions and Answers. The San Joaquin Valley CRA Collaborative is supportive of regular, required examiner training on CRA regulations for all bank examiners, and would be pleased to discuss this further with the Agencies.

The San Joaquin Valley CRA Collaborative provides the following comments in response to several of the specific proposed revisions:

I. Proposed Revisions to Community Development Activities Outside an Institution’s Assessment Area(s) In The Broader Statewide Or Regional Area That Includes An Institution’s Assessment Area(s)

The San Joaquin Valley CRA Collaborative supports in part the proposed revision to the Q and A that reaffirms and further clarifies that a financial institution’s investment will be considered a community development loan, service or qualified investment if it supports an organization or activity that covers a statewide or regional area that is larger than, but includes, the financial institution’s assessment area.

The San Joaquin Valley CRA Collaborative supports giving financial institutions consideration for community development loans, services and qualified investments intended to benefit a

regional area. The San Joaquin Valley CRA Collaborative believes that statewide is too broad of a designation. Statewide designations may lead financial institutions to support established statewide initiatives in lieu of local, impactful community development programs and services, which generally require more due diligence. The San Joaquin Valley is a large, heavily populated, and highly impoverished area of California, and it is a concern of the Collaborative that financial institutions active in our region may use the statewide designation to support programs that benefit the entire state of California instead of finding opportunities to support community development in the San Joaquin Valley, which has a greater need for community development loans, services and qualified investments than the rest of the state. The Agencies write that community development activities intended to benefit a statewide or regional area “may not be conducted in lieu of, or to the detriment of, activities in the institution’s assessment area(s)” however the San Joaquin Valley CRA Collaborative is concerned that the Agencies means of evaluating this are not sufficient. A lack of community development opportunities may be a result of local community organizations lacking the resources to provide an adequate level of community development programs and services, which the San Joaquin Valley CRA Collaborative believes would be cause to investigate ways to promote direct development of the assessment area instead of shifting support to initiatives intended to benefit a larger area.

The San Joaquin Valley CRA Collaborative welcomes the clarifications in the description of what constitutes a regional area. This will be helpful in alleviating confusion for institutions and examiners, and create flexibility and opportunities for very impactful investments.

The San Joaquin Valley CRA Collaborative also recommends that the Agencies consider a special designation for the San Joaquin Valley. We encourage the Agencies to give financial institutions additional consideration on their community development performance for loans, services or qualified investments that are intended to benefit the San Joaquin Valley because of the heightened needs of this distressed region. The San Joaquin Valley has a population of 3.9 million and is located in the middle of California. The San Joaquin Valley includes the cities of Fresno, Bakersfield and Stockton and the eight counties of Fresno, Kern, Kings, Madera, Merced, San Joaquin, Stanislaus and Tulare. The San Joaquin Valley is one of the nation’s most agriculturally productive regions, yet it has one of the nation’s highest poverty rates at 18.3%, which is higher than the poverty rate of Appalachia (US Census Bureau & CRS Report 2005, 47). The San Joaquin Valley also has some of the nation’s highest unemployment rates, averaging 14.1% in the third quarter of 2012 compared to 10.4% in California and 8% in the rest of the United States, meaning that in the third quarter of 2012 unemployment in the San Joaquin Valley was 1.7 times greater than the national average (Bureau of Labor Statistics). The EPA reports that the Valley has the “worst air quality in the nation” (EPA Region 9 Strategic Plan). Furthermore, the Valley also receives substantially less in per capita federal expenditures, and our local nonprofits have been found to be operating with substantially less revenues than the national average (CRS Report 2005, 136 & Great Valley Center 2009, 35).

It should be noted that the San Joaquin Valley CRA Collaborative also welcomes further changes to CRA regulations to expand assessment areas to include areas that make up “credit and capital deserts,” such as the Mississippi Delta and Appalachia, which have community development needs, customers of larger institutions (through mortgage lending or internet deposits, for instance), but do not contain physical branch or deposit-taking ATM locations. These regions

may still fall outside CRA assessment areas, even using the statewide or new regional area definitions.

The San Joaquin Valley CRA Collaborative appreciates that CRA examiners must consider institutions' performance context when evaluating CRA activities. The San Joaquin Valley CRA Collaborative strongly encourages the Agencies to produce a series of publicly available briefs, updated on a regular basis, on community development lending and investment needs and opportunities in geographic areas around the country (i.e., "Community Development Needs and Opportunities in Fresno"). The San Joaquin Valley CRA Collaborative feels that publication of these briefs would be a useful resource both for financial institutions and community organizations, such as those that comprise the San Joaquin Valley CRA Collaborative, in assessing potential community development projects in their assessment or service areas.

II. Proposed Revision to provide on Investments in Nationwide Funds

The San Joaquin Valley CRA Collaborative does not support revisions that may lead its local financial institutions to support nationwide funds in lieu of supporting community development programs and services that directly benefit their assessment areas.

The San Joaquin Valley CRA Collaborative would support allowing financial institutions with a nationwide branch footprint to invest in nationwide funds, but wouldn't support allowing financial institutions with only a regional branch footprint to make these investments. The San Joaquin Valley CRA Collaborative believes that banks with a regional, or smaller, branch footprint should target their community development activities to directly benefit their assessment areas.

Furthermore, the San Joaquin Valley CRA Collaborative believes that while investment in nationwide funds may benefit some parts of credit/capital deserts, they would encourage the Agencies to go further in encouraging investment in these areas. The San Joaquin Valley CRA Collaborative believes that the San Joaquin Valley should be designated as a special needs area, given the poverty indicators described above.

In addition, the San Joaquin Valley CRA Collaborative is very supportive of the elimination of the need for written documentation by the fund demonstrating earmarking, side-letters or pro-rata allocations. The San Joaquin Valley CRA Collaborative believes this will further reduce the administrative and paperwork burden which has made some institutions reluctant to support national projects.

San Joaquin Valley CRA Collaborative urges consideration of some additional credit for longer term investments. Communities would benefit from the capacity of CDFIs to make longer term investments (8 to 15 years) in the community. Currently, long-term investments are difficult to obtain, due to the nature of shorter term investments and the current investing environment.

III. Community Services Targeted to Low or Moderate Income Individuals

The San Joaquin Valley CRA Collaborative is very supportive of these revisions. Adding language to allow institutions to receive consideration for community services provided to

students and their families from a school where the majority of students qualify for free or reduced lunch, and Medicaid recipients are welcome clarifications to the Questions and Answers.

The San Joaquin Valley CRA Collaborative also suggests adding a further appropriate category of service to low and moderate income families as follows:

“The community service is conducted for residents in a housing development which was developed or operated with low income housing government funding including (but not limited to) such programs as Low Income Housing Tax Credits, HOME, CDBG, Section 8, USDA 514/516, USDA 515, Section 202, and Section 811.”

IV. Service on Board of Directors of an Organization Engaged in Community

Development Activities

The San Joaquin Valley CRA Collaborative is very supportive of the modification to this question which includes service on the board of directors as an explicit example of a technical assistance activity to a community development organization that would receive consideration as a community development service.

V. Qualified Investments

Community Development Financial Institutions (CDFIs) and community development loan funds make many kinds of loans with community development purposes, including affordable housing development, community facilities development, community development first mortgages, or subordinate mortgages. The San Joaquin Valley CRA Collaborative understands the intent of this proposed question and answer. However, the San Joaquin Valley CRA Collaborative feels that the proposed wording of the answer may inadvertently discourage investments in CDFIs and community development loan funds, in particular, by leading examiners to discount the value of Qualified Investments made by financial institutions. In many cases, CDFIs and loan funds may first place qualified investments in Treasuries or other relatively safe investments while they wait to deploy the capital in loans with a community development purpose. The San Joaquin Valley CRA Collaborative asks that the answer be revised to allow for this practice. The San Joaquin Valley CRA Collaborative suggests that examiners look for an agreement between the financial institution and the organization which stipulates that the purpose of the Qualified Investment is community development.

Background Information Regarding The San Joaquin Valley CRA Collaborative:

The San Joaquin Valley CRA Collaborative was formed in 2012 and currently consists of a number of nonprofit organizations that provide community development services, research, and advocacy in the San Joaquin Valley (affordable housing, business attraction and expansion, credit counseling, first time homebuyer counseling, small and microbusiness lending, workforce development, volunteer income tax assistance, etc).

The primary mission of the San Joaquin Valley CRA Collaborative is to increase the resources available for community development in the San Joaquin Valley.

The San Joaquin Valley CRA Collaborative believes that the best way to increase resources for community development for the San Joaquin Valley is to encourage collaboration between nonprofits, financial institutions and federal, state and local governments in order to identify programs and services that will bring mutual benefit to all of the San Joaquin Valley's

stakeholders and have the greatest impact on the socioeconomic well-being of the residents of the San Joaquin Valley.

The Collaborative has organized unique Resource Exchange events in the San Joaquin Valley where a group of nonprofits met with financial institutions active in the San Joaquin Valley to exchange information with financial institutions about the community development programs and services they offer and potential investments, as well as get information from banks about the best way to position their organizations to receive bank funding. The Collaborative has also organized webinar trainings on the CRA for local nonprofits to assist them in developing strategies to use the CRA to obtain resources for their community development programs and services.

Closing Comment:

In closing, the San Joaquin Valley CRA Collaborative would like to thank the Agencies for their efforts to strengthen the Community Reinvestment Act by issuing the proposed revisions to the Interagency Questions and Answers Regarding Community Reinvestment, which are strongly supported by the San Joaquin Valley CRA Collaborative. The San Joaquin Valley CRA Collaborative would also like to reiterate its suggestion that the Agencies give special designation to the San Joaquin Valley in order to encourage a heightened level of community development loans, services and qualified investments to this highly impoverished region. Please feel free to contact any of the undersigned for any clarification of these comments.

Sincerely,

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