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Allegheny Land Trust
Bloomfield-Garfield Corporation
Brookline Area Community Council
Carnegie CDC
Central Northside Neighborhood Council
Community Leaders United for Beechview
East Allegheny Community Council
East Liberty Concerned Citizens Corporation
East Liberty Development, Inc.
Economic Development South
Fineview Citizens Council
Friendship Development Associates
Garfield Jubilee Association
Hazelwood Initiative, Inc.
Highland Park CDC
Hill CDC
Hill District Consensus Group
Hill House EDC
Hilltop Alliance
Housing Alliance of Pennsylvania
Lawrenceville Corporation
Lawrenceville United
Manchester Citizens Corporation
McKees-Rocks CDC
Mexican War Streets Society
Millvale Borough Development Corporation
Mt. Washington CDC
Northside Leadership Conference
Oakland Planning and Development Corporation
Operation Better Block
Perry Hilltop Citizens Council
Pittsburgh Downtown Neighborhood Association
Pittsburgh Project
Polish Hill Civic Association
South Side Community Council
South Side Local Development Company
South Side Slopes Neighborhood Association
Troy Hill Citizens, Inc.
Uptown Partners of Pittsburgh
Urban Innovations21
West Pittsburgh Partnership
Wilksburg CDC

May 10, 2013

Re: Proposed Changes to Interagency Q&A

OCC: Docket ID OCC-2013-0003

Federal Reserve: Docket No. OP-1456

FDIC: Attention: Comments on CRA Interagency Q&A

To Whom It May Concern:

The Pittsburgh Community Reinvestment Group (PCRG), a member of the National Community Reinvestment Coalition (NCRC), acknowledges that the proposed changes to the Interagency Question and Answer (Q&A) document would be modestly helpful but the proposed changes fall far short of the comprehensive revisions to the CRA regulation needed to keep pace with the changes in the banking industry. In the wake of the foreclosure crisis and the slowdown in lending, PCRG believes that the agencies must implement bold and aggressive changes to the CRA regulation in order to increase responsible lending, investing, and services in low- and moderate-income communities.

The agencies propose to motivate increased community development lending and investing in smaller cities and rural areas by facilitating lending outside of banks' assessment areas (or geographical areas containing bank branches that are scrutinized by CRA exams). Currently, a bank receives favorable CRA consideration for lending and investing in statewide or regional areas that includes the bank's assessment area(s) provided that the bank is adequately serving the needs of its assessment area(s). The agencies propose to change this to providing favorable CRA consideration for community development financing in the larger areas as long as the financing in the larger areas are not "in lieu of or to the detriment of" financing in the assessment area(s).

These proposed changes would modestly facilitate community development financing in smaller cities and rural communities, but these changes are much less effective than broader changes to banks' assessment areas would be. Currently, assessment areas are only those geographical areas containing bank branches although several banks, especially large banks, make considerable numbers of loans beyond their branch networks through loan officers, brokers, or correspondent lenders. For example, in 2011, the Bank of America made over \$112 million in residential mortgage loans in Allegheny County, Pennsylvania, accounting for more than 2.5% of all HMDA reportable mortgage loans in the county. However, as the Bank of America has no branches in Allegheny County, the county is not part of its assessment area and it is neither held accountable nor given credit for its community development financing in the region.

The agencies should designate additional assessment areas for counties and metropolitan areas in which a bank makes sizable numbers of loans but in which the bank does not have branches. This is not difficult to do; the former Office of Thrift Supervision (OTS) assessed performance in geographical areas with high numbers of loans beyond bank branch networks. Expanding assessment areas would be more effective in stimulating increased community development financing and home and small business lending than the tortured semantic and legalistic changes proposed to the Q&As.

In addition, the agencies are missing an opportunity to assess the effectiveness of their proposed changes by not requiring additional data disclosure of community development lending and investing. For the past several years, NCRC and its members have been advocating for the agencies to publicly provide data on community development lending and investing on a census tract level. If census tract 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 on the part of banks that make sizable numbers of mortgage loans but have no physical presence in a region. The data would either reconfirm any recent changes or would prompt additional changes.

The agencies must also refrain from altering examination weights in their proposed Q&A on community development lending. While it is desirable to affirm the importance of community development lending as the first part of the proposed Q&A does, the second part of the Q&A stating that strong performance in community development lending can compensate for weak performance in retail lending must be deleted. Since retail lending is the predominant part of the lending test, it is unlikely that strong performance on community development lending can or should compensate for weak performance on retail lending.

Better methods can be developed for elevating the importance of community development lending. Either examination weights can be more fully developed on the lending test or community development lending and investing should be considered together on a community development test. A change to a Q&A cannot adequately deal with the complex issue of weighing community development lending and could inadvertently decrease the level of bank retail lending.

The proposed Q&As do not address the glaring deficiencies of the service test. 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. The area served by a branch is as important as the census tract in which it is located. For example: in 2011, PNC Bank closed a branch that served hundreds of low- and moderate-income families in an affordable housing development in the Pittsburgh neighborhood of Garfield. The branch was literally a few feet away from the low-income census tract where those families live, but the current test looks only at the census tract where the branch is located. PNC was able to argue that, as another branch served the same census tract; the branch closing did not result in a significant loss of service to low- and moderate-income families. The service test should assess who is actually served by a bank branch, not only the characteristics of the census tracts in which they are located.

In addition, the existing Q&As regarding foreclosure prevention and loan modifications are not effectively stimulating large-scale foreclosure prevention activities. Reforms to the CRA regulation boosting the importance of foreclosure prevention and servicing must be undertaken.

Still another issue that is not addressed by the proposed changes to the Q&A is loan purchases versus originations. NCRC and its members have commented recently on CRA exams in which banks are making few loans to low- and moderate-income borrowers but purchasing several loans made to these borrowers from other banks. Making loans represents a more concerted effort to serve community needs than purchasing high volumes of loans. Existing Q&As warn banks against purchasing loans to "artificially inflate CRA performance." But since this behavior continues, the Q&A needs to be strengthened by saying that CRA examiners will separately evaluate originations and purchases and will downgrade banks if the purchasing is conducted in a manner to inflate the CRA rating.

Three years after the summer 2010 hearings in which the agencies received hundreds of comments, PCRG is profoundly disappointed that the agencies are proposing half measures in the form of Q&As while the agencies need to engage in comprehensive reforms regarding assessment areas, the service test, foreclosure prevention, and the consideration of loan purchases on CRA exams. We urge prompt and comprehensive reform to the CRA regulations.

Sincerely,



Ernest Hogan

Executive Director

Pittsburgh Community Reinvestment Group

cc. National Community Reinvestment Coalition