



March 6, 2020

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Federal Deposit Insurance Corporation
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**RE: Preserve the Community Reinvestment Act, Rescind Proposed Rule Changes
Docket ID OCC-2018-0008; RIN 3064-AF22**

To Whom It May Concern:

AYPAL is a nonprofit, community-based organization working with low-income Asian American and Pacific Islander middle to high school aged young people in Oakland, CA. We strongly oppose the proposed changes to the Community Reinvestment Act ("CRA"). We urge the Office of the Comptroller of Currency ("OCC") and the Federal Deposit Insurance Company ("FDIC") to abandon this plan entirely. An effective and meaningful reform of CRA should preserve the intended goal of CRA, and a more appropriate process would include the Federal Reserve and provide sufficient time for the public to better engage in this important process.

The single biggest threat to housing stability for over two million low-income Asian Americans and Pacific Islanders (AAPIs) is displacement due to rising rents and eviction, particularly in high-cost housing markets. Almost 75% of AAPIs in poverty live in high housing cost metropolitan areas and approximately 65% of AAPIs in poverty live in high housing cost zip codes—these concentrations are higher than for any other racial or ethnic group and over double the proportion of the general poverty population.

AYPAL has been developing young AAPI leaders for 22 years in Oakland through community social justice work and incorporation of cultural art. Our leaders are active community members who bring in critical viewpoints on issues that impact them. As low-income AAPI people many of our young people and their families have been affected by rising rents in Oakland as it has become a city full of new developments. Our office and programs are centered in Oakland Chinatown which has been impacted by new developments, and we have seen the displacement

of families and family owned businesses around us. As a representative of deeply impacted communities, we want to see CRA reform that incentivizes development that will benefit LMI populations by creating more affordable housing and access to credit - not displace them from the neighborhoods they have helped to build over generations.

The CRA was a landmark piece of legislation, passed due to community advocacy in response to financial institutions' systematic disinvestment in low-income communities, especially communities of color. Since President Jimmy Carter signed the CRA in 1977, over \$6 trillion has flowed into low- and moderate-income ("LMI") neighborhoods in the form of home mortgages, small business loans, investments in affordable housing, and other CRA-related investments. As a community-based nonprofit organization that works to improve the conditions of LMI communities and neighborhoods, we urge the OCC and the FDIC to withdraw the currently proposed changes to the CRA. They must restart the rulemaking process until there can be consensus between the three regulatory agencies which have responsibility over the CRA – the OCC, the FDIC, *and* the Federal Reserve. We implore these agencies to preserve the original purpose of the CRA – encouraging investments that provide direct benefit to LMI people and communities.

The proposed rule changes will undermine the CRA's effectiveness in LMI populations that could otherwise benefit in the following ways:

- *Over-expansion of Qualifying Activities:* The proposed changes go too far in expanding the definition of what would qualify as a CRA-related activity, especially in terms of what would qualify as a Community Development ("CD") activity. Any CRA reform should preserve its primary purpose of directly benefiting LMI people and communities. For example, while adding criteria for investments in community facilities is well-meaning, the criteria are vague and poorly defined. This allows for potential abuse of the system and banks taking CRA credit for investments that have only the most tangential benefit to LMI communities. For example, in the agencies' published "non-exhaustive, illustrative list of examples of activities," investment for improvements to a professional football stadium is included as a qualifying activity. Investments in large scale professional sports developments have historically been harmful to our communities, displacing thousands of low-income community residents. Professional sports teams are not the intended beneficiaries of the CRA.

- *Quantity over Quality:* The proposed scoring and evaluation changes, especially the proposed "one ratio," incentivize larger investments while loosening restrictions on the type of investment. CRA activities should be evaluated based on their impact on LMI people and communities, not just on the scale of investment. Another example is the expansion of the guidelines for the size of small business loans, which increases the eligible loan limit up to \$2 million. The "mom and pop" small businesses that anchor and benefit LMI communities are unlikely to qualify for or even need a \$2 million loan. This is evidenced by a recent survey of small businesses in low-income AAPI communities

across the country, conducted by National CAPACD. The survey documented that more than 50% of small business owners surveyed indicated a desire for a loan of \$50,000 or more; 20% indicated a loan of \$25,000-\$50,000 is what they needed. The proposed changes favor larger dollar amounts and encourage banks to shift their portfolios towards these higher dollar transactions – to maximize point scoring with fewer transactions. This shift would ultimately provide less benefit to our LMI business owners and drive resources towards larger businesses.

● *Evaluation Based on Fair Lending Practices:* The proposed regulations do not address the very critical issues of increasing access to banking, lending, and credit among LMI communities of color. The CRA was originally passed to address the lack of equitable access. Discrimination in banking and lending is, unfortunately, still a reality in this country and any real CRA reform must address this issue and include an evaluation of fair lending practices. If the focus remains on scale (per above), many LMI communities of color may still be left without access to credit or investments - whether intentional or otherwise. Systemic discrimination must be addressed with systemic evaluation.

● *Whose Neighborhoods?:* The proposed changes introduce too much flexibility in terms of where a financial institution can receive CRA credits for its investments. The CRA was created in direct response to redlining and financial institutions' other systemic racist practices. Redlining had a specific geographic component to it – it was literally red lines drawn on a map in order to exclude our neighborhoods. To prevent such practices from happening again, the CRA needs to continue to have meaningful, enforceable requirements for the geographic distribution of CRA investments.

These changes, taken together, would substantially weaken the CRA and allow financial institutions to receive CRA credit for investments that would be detrimental to our neighborhoods. Therefore, we are opposed to the proposed rule changes and urge that the OCC and FDIC withdraw them.

In past rulemaking for the CRA, there has been agreed upon consensus from the three relevant regulatory agencies – the OCC, the FDIC, and the Federal Reserve. Likewise, past rule changes have incorporated the feedback of LMI communities. Prior to the official proposal of the new rules, over 1,000 LMI-serving nonprofit organizations formally commented on the importance of the CRA in serving our LMI communities. The proposed rule changes do not reflect our concerns or our recommendations. For these reasons, we oppose the current proposed changes until there can be consensus among the regulatory agencies and, most importantly, the changes better reflect the needs and recommendations of our diverse LMI communities.

Sincerely,

AYPAL: Building API Youth Power

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