



NEW JERSEY URBAN MAYORS ASSOCIATION  
c/o The John S. Watson Institute for Public Policy  
Thomas Edison State University  
315 W. State St.  
Trenton, NJ 08618

April 7<sup>th</sup>, 2020

RE: Notice of Proposed Rulemaking, Community Reinvestment Act Regulations

To Whom It May Concern:

The New Jersey Urban Mayors Association (NJUMA) opposes the proposed changes to the Community Reinvestment Act (CRA) regulations as deeply misconceived. The OCC and FDIC changes will lessen the public accountability of banks to our communities by enacting unclear performance measures on CRA exams that would not accurately measure a bank's responsiveness to local needs. The result will be significantly fewer loans, investments and services to low- and moderate-communities (LMI).

The NJUMA is an organization comprised of 32 mayors who represent urban and rural municipalities across the state of New Jersey. Our local elected officials diligently work to serve their respective cities and towns, and know firsthand the needs of underserved communities. The proposed changes of the CRA would negatively impact NJUMA municipalities by discouraging banks from focusing on people with low- and moderate-incomes (LMI).

The OCC and FDIC would dramatically lessen CRA's focus on LMI communities in contradiction to the intent of the law to address redlining, a policy that has affected NJUMA communities for decades. The definition of affordable housing would be relaxed to include middle-income housing in high cost areas, which would take much needed resources from residents who are in the most need of assistance. In addition, the Notice of Proposed Rulemaking (NPRM) would count rental housing as affordable if lower-income people could afford to pay the rent without actually verifying that lower-income people would be tenants. As we know, New Jersey is one of the least affordable places in the country for renters and many residents in NJUMA suffer to meet their most basic needs as they grapple to keep staying housing for themselves and their families.

The NPRM would add financing large infrastructure such as bridges as a CRA eligible activity. Even financing "athletic" stadiums in Opportunity Zones would be an eligible activity. The NPRM would define small businesses and farms as having higher revenues, increasing the limit from \$1 million to \$2 million for small businesses and as high as \$10 million for family farms.

While the NPRM recognizes changes in the banking industry such as the increased use of online banking, the NPRM's reforms to the geographical areas on CRA exams are problematic and

would reduce transparency. Neither the agencies nor the public can evaluate the agencies' proposal to designate additional geographical areas on exams in the case of internet banks due to the lack of publicly available data. The public does not have a fair chance to offer comments on the effectiveness of significant proposed changes whose impacts are unknown.

The agencies propose an evaluation system that would further inflate ratings while decreasing the responsiveness of banks to local needs. The agencies propose a one ratio measure that would consist of the dollar amount of CRA activities divided by deposits. This ratio measure would likely encourage banks to find the largest and easiest deals anywhere in the country as opposed to focusing on local needs, which would decrease access in many urban and rural communities. Since banks could fail in one half of the areas on their exams and still pass under the proposal, the likelihood of banks seeking large and easy deals anywhere would increase. Also, the proposal would relax requirements that banks serve areas where they have branches first before they can seek deals elsewhere.

The proposal would retain a retail test that examines home, small business and consumer lending to LMI borrowers and communities but this retail test would only be pass or fail. In contrast, the current retail test has ratings that count for much more of the overall rating. Moreover, the proposal would result in branch closures since it would eliminate the test that scrutinizes bank branching and provision of deposit accounts to LMI customers.

The agencies also propose to allow banks that receive "Outstanding" ratings to be subject to exams every five years instead of the current two to three years. This would result in banks not making much effort in the early years of an exam cycle to serve their communities.

Small banks with assets less than \$500 million could opt for their current streamlined exams instead of the new exams. The new exams would require banks to engage in community development financing while the existing small bank exams do not. This is another loss for our NJUMA communities.

Instead of weakening the CRA, the agencies must enact reforms that would increase bank activity in underserved neighborhoods. The agencies do not address persistent racial disparities in lending. At the very least, the agencies could add a category on CRA exams of underserved census tracts, which would likely include a high number of communities of color. The agencies also require banks to collect more data on consumer lending and community development activities but do not require banks to publicly release this data on a county or census tract level, which decreases transparency to our most vulnerable populations. Finally, the agencies do not require mandatory inclusion on exams of bank mortgage company affiliates, many of whom engaged in abusive lending during the financial crisis.

This deeply flawed proposal would result in less lending, investing and services for communities that were the focus of Congressional passage of CRA in 1977. This backtracking will violate the agencies' obligation under the statute to ensure that banks are continually serving community needs. The FDIC and OCC need to discard the NPRM, and instead work with the Federal Reserve Board and propose an interagency rule that will strengthen the progress achieved under CRA instead of reversing it.

Thank you for your time and your consideration of the aforementioned concerns of the New Jersey Urban Mayors Association in reference to the proposed changes to the Community Reinvestment Act. If you have any questions or would like to share any pertinent information for our NJUMA members please contact Ishiya Hayes, Senior Policy Fellow for the NJUMA, at (609) 777-4351 ext. 4254 or via email at [ihayes@tesu.edu](mailto:ihayes@tesu.edu).

Sincerely,



The Honorable Albert Kelly  
Mayor of Bridgeton  
President of NJUMA