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April 8, 2020

Office of the Chief Counsel
Attention: Comment Processing
Office of the Comptroller of the Currency
400 7th Street, SW, Suite 3E-218
Washington DC, 20219

Robert E. Feldman, Executive Secretary
Attention: Comments RIN 3064-AF22
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington DC 20429

RE: Community Reinvestment Act Regulations
Notice of Proposed Rulemaking
OCC Docket ID-Occ-2018-0008
FDIC Docket ID RIN 3064-AF22

Dear Public Agencies:

A Community of Friends (ACOF) is writing to express our opposition to the proposed changes to the Community Reinvestment Act (CRA). The CRA is a critically important regulatory tool to address redlining practices of financial institutions and spurring economic investment in low-income communities throughout the country. Given its significance, it is concerning that the Federal Deposit Insurance Corporation (FDIC) and the Office of the Comptroller of the Currency (OCC) would continue to move forward with the rulemaking process on the CRA during the COVID-19 pandemic that is gripping the country. We ask that you suspend all rulemaking activities at this time.

ACOF is particularly interested in CRA changes. As a nonprofit affordable housing developer based in Los Angeles, ACOF develops and operates permanent supportive housing for formerly homeless individuals and families affected by mental illness. In the past 32 years, we have completed 50 apartment buildings housing over 2,650 of the most vulnerable people in our communities – low-income households with disabilities, 88% of which have incomes less than \$19,000 a year. In many cases, CRA has been an impetus for financial institutions to collaborate with ACOF in this work – through the provision of loans, tax credit equity, and grants.

While we recognize that there are always opportunities to improve upon regulations adopted so many years ago, we believe that the first rule in updating programs and regulations should be “do no harm.” Several provisions in Notice of Proposed Rulemaking lead us to believe that the result will be significantly fewer loans, investments, and services to low and moderate income communities.


Definition of CRA Activity – The proposed rules dramatically expands the range of activities that are eligible for CRA credit, including investments that do not serve low and moderate-income people, such as renovations to professional football stadiums and financing of large infrastructure like bridges. These type of investments do not build wealth or increase economic opportunity for the people in the communities who need it most. Providing CRA credit for middle- and upper-income housing development would also decrease the likelihood that financial institutions would invest in supportive housing developments for homeless individuals and households.

Rating – The proposed rule would inflate ratings while decreasing the responsiveness of financial institutions to local needs. The proposed one ratio measure that divides the amount of CRA activities by deposits is likely to encourage financial institutions to fund the largest and easiest projects anywhere in the country as opposed to focusing on local needs, which are often best addressed with smaller dollar financing for small businesses or homeowners. Since banks could fail in half of the areas of their exams and still pass under this proposal, the likelihood of banks seeking large and easy deals anywhere would increase instead of the more complicated projects like supportive housing that is so desperately needed to end homelessness.

Pass/Fail Retail Test – Although the proposed rule would retain a retail test that examines home, small business and consumer lending to low and moderate income borrowers and communities, the new proposal would make this retail test only pass or fail. This change could result in branch closures since it would eliminate the tests that analyzes a bank's branches and deposit accounts to low and moderate income customers.

Again, we agree that CRA regulations adopted in 1977 could be modernized, but the current proposal will materially weaken and undermine the current CRA framework. The CRA was intended to end banks' discrimination in our housing and banking markets. It is critically important that any changes proposed *do no harm* against that original intent. A Community of Friends urge you to suspend the rule-making process until the current health crisis has passed, and we urge you to work with the Federal Reserve to reach consensus on new regulations to the CRA to avoid further uncertainty for the financial institutions you regulate.

Sincerely,



Dora Leong Gallo
President & CEO