From: Chad Adams <ChadA@swmhp.org>
Sent: Wednesday, April 08, 2020 11:12 PM
To: Comments
Subject: [EXTERNAL MESSAGE] RIN 3064-AF22

April 8, 2020

RE: Notice of Proposed Rulemaking, Community Reinvestment Act Regulations

To Whom it May Concern:

The Southwest Minnesota Housing Partnership (SWMHP) opposes the proposed changes to the Community Reinvestment Act (CRA) regulations as deeply misconceived. The OCC and FDIC would lessen the public accountability of banks to their communities by enacting unclear performance measures on CRA exams that would not accurately measure a bank's responsiveness to local needs. Contrary to the agencies assertions that their changes would increase clarity and CRA activity, the result will be significantly fewer loans, investments and services to low- and moderate-communities (LMI).

SWMHP is a NeighborWorks organization serving a rural area in southwest and south central that represents nearly a third of the entire geography of Minnesota. Our region of the state would be negatively impacted by the proposed changes as they would discourage banks to focus on LMI people and communities. The agencies changes would dramatically lessen CRA's focus on LMI communities in contradiction to the intent of the law to address redlining. Specifically, the definition of affordable housing would be relaxed to include middle-income housing in high cost areas. 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 verifying that lower-income people would be tenants.

In rural Minnesota from 2009 to 2018, CRA qualified lending supported mortgages to LMI borrowers or neighborhoods in the amount of $2,685,013,160. In this same time period, CRA qualified lending supported $242,586,860 in business loans to LMI neighborhoods as well as loans to small businesses in the amount of $848,983,000. The proposed changes to the CRA would significantly lessen the amount of support to our rural communities in the future compared to the amount of support indicated above from 2009 to 2018.

We are already experiencing challenges with reinvestment into our rural Minnesota communities and the LMI families we serve. Many large banks with the most resources to reinvest do not have branches in rural persistent poverty areas and therefore do not have a requirement to advance community reinvestment in those areas. At the same time, large bank lending and deposit capture activity still occurs in those communities. To address the mismatch, CRA investment requirements should be increased and the definition of CRA assessment areas should be expanded to include rural persistent poverty places where banks lend and take deposits from consumers.

Bank investment has also been a critical driver of CDFI success, though less so in rural areas. To expand economic opportunity in persistent poverty areas, CRA incentives should be created to make equity and debt available for CDFIs located in and with long track records of serving rural persistent poverty regions. Such incentives could take the form of favorable treatment of such investments by banks when undergoing the CRA examination by the bank regulator.

This deeply flawed proposal would result in less lending, investing and services for many of our rural communities that were a large focus of the 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 augment the progress achieved under CRA instead of reversing it.

Sincerely,

[redacted]

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Chief Executive Officer
Southwest Minnesota Housing Partnership

SOUTHWEST MINNESOTA Housing Partnership

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