April 7, 2020

Comptroller Joseph M. Otting
Comptroller of the Currency
Comp 400 7th Street, SW
Washington, D.C. 20219

Chair Jelena McWilliams
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429

Docket No. OCC-2018-0008
RIN 3064-AF22

Dear Comptroller Otting & Chair McWilliams:

The Alliance of the SouthEast (ASE) submits these comments in response to the OCC/FDIC's Notice of Proposed Rulemaking (the "Proposal") regarding the Community Reinvestment Act (CRA).

ASE opposes the weakening of CRA's rules, and the proposal's drastic shift from qualitative to quantitative evaluation measures. Both the total dollar amount **AND** the **quality** of investment matter by banks to meet the needs of low and moderate income communities matter. We oppose the emphasis of dollar amounts at the exclusion of a qualitative assessment of banks' activities. The net impact of the Proposal would be to reduce bank investments and services in low- and moderate-income (LMI) communities. This runs counter to the spirit of the law itself.

Our neighborhoods have seen massive divestment. The communities on Chicago's southeast side were disproportionately affected by predatory mortgage lending that set homeowners up for failure and resulted in foreclosures and abandoned buildings. Many of those foreclosures did not need to happen, as many homeowners already owned their own homes. We need more bank investment in quality home loans and small business loans. We don't need more reverse redlining (higher priced loans located in mostly minority, low-income communities), or less investment in creating and supporting home ownership and local businesses and entrepreneurship.

Chicago's southeast side has a rich history. Our communities were steel making communities that helped build downtown Chicago. We need investments in our communities and in our future. Under the proposed rules, why would a bank invest in low to moderate income neighborhoods, like ours, when they can make one large investment in a middle income neighborhood and avoid our neighborhoods all together?

The proposed rules goes against the very reason CRA was passed in the first place- to ensure investment in minority neighborhoods, and low to moderate income neighborhoods. The new rules would, in effect, bring back redlining as:

- Banks would no longer be held accountable to offer mortgages or consumer loans in low- and moderate-income census tracts.
- There would be little incentive for banks to open or keep branches in lower-income neighborhoods. Additionally, many residents on Chicago's southeast side have limited access to internet, and need brick-and-mortar branches.

- Affordable financial products that protect low income consumers from high interest rates -- creating safe alternatives to payday loans, predatory mortgages, and the like-- would no longer count toward a bank's CRA eligible activities.
- The proposed rules include a new LIST of CRA-eligible activities would give banks ways to rack up "CRA credit" -- measured in dollars -- that cut against CRA's intent. The LIST would allow banks to do a small number of big-dollar projects instead of making essential home & small business loans to low- and moderate-income (LMI) families and neighborhoods!

A pass-fail test for evaluating banks' retail lending distribution would prompt many banks to do *the bare minimum* to pass. Converting the CRA activities test into a dollar-based metric would encourage banks to cut down on many impactful loans and projects – which together may have higher transaction costs – and instead focus on fewer, high-dollar-value projects. Why, for example, would a bank expend resources to provide 300 $100,000 loans when it could spend $300 million on a megatron at a stadium?

The CRA is the most significant tool we have to ensure that banks meet the needs of low- and moderate-income (LMI) families and communities. Modernization must preserve what works under the CRA. As Federal Reserve Gov. Brainard recently observed, one of the "core strengths" of the CRA is creating an ecosystem that "encourages banks to engage on the priorities identified by local leaders." The Proposal would strip away this core strength in the name of supposed objectivity. To protect the CRA ecosystem, we urge you to suspend the rulemaking process, invite the Federal Reserve back to the table, and release a proposal only when all three regulators are on the same page. This approach is in the best interests of the LMI communities, non-profits, banks and the regulators.

We applaud the federal banking regulators announcement that banks' efforts to help low- and moderate-income people and communities impacted by COVID-19 will receive CRA credit. We are encouraged by the hardship relief programs that have been announced by many banks. We need more of this type of investment, not less.

The Alliance of the SouthEast (ASE) is a multicultural, interfaith, and intergenerational alliance consisting of churches, schools, businesses, and community organizations that prioritize grassroots participation to address the challenges facing the neighborhoods of southeast Chicago. ASE's mission is to build the capacity of leaders, organizers, and associations in order to carry out community and social change.

ASE organizes on Chicago's SE side- in South Chicago and the East Side. South Chicago is 73.3% African American, 22.6% Latino, and 2.9% white. The East Side is 79% Latino, 17.6% white, and 2.5% black. Our area is predominately low to moderate income.

If you have questions, please call me at (773) 221-8908.

Sincerely,

[redacted]

Amalia NietoGomez
Executive Director