From:	Louis Irvin
To:	Comments
Subject:	[EXTERNAL MESSAGE] RIN 3064-AF22
Date:	Wednesday, April 08, 2020 12:34:26 PM
Attachments:	image001.png image002.png

April 8, 2020

To Whom It May Concern:

Redbud Financial Alternatives, Inc. of Hazard, KY is a non-profit CDFI that provides consumer micro loans and financial counseling to help low income people break the debt cycle and build assets like purchasing a home.

We are writing to strongly oppose the proposed changes to the Community Reinvestment Act (CRA), as described by the Office of the Comptroller of the Currency (OCC) and the Federal Deposit Insurance Corporation's (FDIC) in the Notice of Proposed Rulemaking (NPRM) they issued.

CRA law requires that deposit-taking institutions meet the convenience and needs of the low- and moderate-income communities in which they operate. But the NPRM proposal dramatically reduces incentives for banks to serve the needs of LMI people. And it would reduce the importance of seeking input from the LMI people and communities in the banks' service areas.

Qualifying Activities

The strength of CRA is in the feedback loop it creates between communities, banks, and regulators. The credit needs of communities are distinct and diverse, and current regulations emphasize the need for banks to collaborate with community organizations to develop innovative products, services, loans and investments that meet the community's credit needs.

Redbud was created in 2016 to answer a community need to assist people with cleaning up their credit to meet the qualifications to purchase a home. The families we serve are low income and have many different credit challenges from being exposed to predatory lenders. These families need financial counseling and good financial products to help build or rebuild their credit. Redbud provides counseling and micro consumer loans to help families consolidate debt and build a solid credit history. Working with community banks we build a bridge for families to escape the need for accessing payday lenders.

The successful partnerships we have established with banks could be threatened by the proposal for creation of a specified list of qualifying activities. The OCC and FDIC's proposed regulations would undermine collaboration between banks and community groups by creating a list of qualified activities rather than holding banks accountable to meet the needs identified by community members and community organizations.

Instead, we suggest the OCC and FDIC develop an illustrative but not definitive list of principles defining CRA-qualified activities. And banks should be held accountable to CRA's original imperative to seek out input on, and meet the lending, investment and financial services needs of LMI communities.

Measuring CRA Activities on a Bank's CRA Performance Evaluation

We are very concerned about the major changes to the way that federal regulators would measure a bank's CRA activities.

We are opposed to the "one ratio" measure that consists of the dollar amount of CRA activities, divided by dollar amount of the bank's deposits. This one ratio measure would encourage banks to find the largest and easiest deals anywhere in the country, instead of collaborating with communities and responding to local needs. If banks could get CRA credit for financing public infrastructure or sports stadiums, as the NPRM proposal suggests, those large dollar amounts included in the CRA-eligible activities would reduce the amount of home loans or small business loans in LMI neighborhoods that a bank would need, in order to pass their CRA evaluations.

We are alarmed that the CRA performance test measuring banks' home mortgage, small business and consumer lending (the "retail lending test") would be supplemental, and would count for less. And we are gravely concerned that home mortgage lending in LMI communities would be eliminated as an exam criterion. If banks are not held accountable for making mortgages to credit-worthy borrowers in LMI communities, we will likely see a return to the levels of redlining that CRA was originally established to eliminate!

Additionally, changing the retail lending test to a pass/fail assessment, instead of generating ratings for a bank's retail lending would mean that this important lending test would count for much less toward a bank's CRA rating. The changes in the proposal would mean that banks could fail their retail lending test in half of their assessment areas and still pass their CRA exam.

As a small CDFI, Redbud relies on community investment from our partners that build affordable housing. These investments are critical to LMI families to build assets and break the cycle of debt and poverty. Without the need for financial institutions to make investments in the hard to serve economically broken regions, areas like Appalachia will be challenged to attract the investment necessary to survive.

The NPRM could allow banks to get credit for developments that house all upper-income families, paying very low rent. Since our low-income tenants often have significant financial hurdles, this will be yet another barrier for them to overcome, competing with high-income tenants. Affordable housing for LMI people is a critical need in our community. The OCC and FDIC should not loosen the standard for verifying that housing is being used by LMI tenants.

Bank Branches

The NPRM would significantly reduce the importance of bank branches in CRA performance evaluations. This would likely lead to the closure of branches serving LMI neighborhoods.

Redbud provides service in Eastern Kentucky where there is a high percentage of the population that is unbanked and underserved by financial institutions. Reducing banking services even more in rural areas create increased difficulty for people to access quality financial products and will increase that already high number of predatory lenders. In Perry county it is projected $2.6 million in interest and fees are extracted from the local economy.

Branches are essential to the economic vitality of communities, and CRA regulations should emphasize the importance of physical branches in LMI neighborhoods. The proposed regulations would encourage the export of capital from communities, in direct contradiction of the statutory goal of the CRA.

We urge the OCC and FDIC to discard the NPRM and instead work with the Federal Reserve Board to propose an interagency rule that will modernize CRA in a way that will increase reinvestment in LMI communities.

Sincerely,

Louis Irvin
CDFI Director
Redbud Financial Alternatives
606-436-0497