

April 8, 2020



Re: CRA Policy Changes

Dear Representative,

*OneWest, a Louisville based non-profit, opposes the proposed changes to the Community Reinvestment Act (CRA) because they would result in significantly fewer loans, investments and services to low- and moderate-communities. This proposal would make redlining legal again, permitting banks to avoid investment in low-income and minority neighborhoods. And, it would make banks far less accountable to the communities they are responsible to serve.*

OneWest is a nonprofit commercial development corporation committed to elevating our entire city through commercial development growth in west Louisville. To achieve this, our efforts include four primary areas of focus: commercial/retail development; capacity-building of west Louisville entrepreneurs and small business owners; advocacy for responsible investment, financial commitments, and policies; and ongoing, meaningful community engagement with west Louisville residents and stakeholders.

The proposal dramatically and irresponsibly expands what activities would be eligible for CRA credit. CRA serves my community by driving resources we otherwise could not access, providing for the financial and community development needs our community identifies and prioritizes. For marginalized and disenfranchised communities like the West End of Louisville, our projects cannot compete with infrastructure, transportation and even sports stadiums, our communities need CRA provisions as they are today even to ensure the community's voice to determine our own needs.

Also, the proposed rule institutes a single ratio to assess how banks serve communities. This single-ratio approach completely disregards whether the community development and financial needs of the community are being served by the bank or its investments. And as a result, my organization, which was developed to serve in a capacity that was missing in the community, and whose experience and expertise is seriously considered as part of the current CRA examination process, will be rendered voiceless. We would no longer be able to identify and prioritize our needs. Nor would we be taken as seriously by examiners when bank actors behave inappropriately in our community.

The single ratio is a deeply flawed concept. As I understand, that was made clear during previous public comment periods. Yet it still remains part of this proposed rule. Please listen to us during this period. The single ratio must be discarded.

Further, the rule proposes that a bank must meet investment benchmarks in only a “significant portion” of its assessment areas in order to receive a satisfactory or outstanding rating. The rule suggests that a “significant portion” be defined as something more than 50 percent. This is extremely insufficient.

That approach would legalize and encourage redlining! And I am afraid communities like the West End will be in the areas that continue to be left behind. Permitting such behavior would bring us back to an era where financial institutions had the option to draw red lines around—and deny financial services to—poor neighborhoods and all neighborhoods of color. Except this time, it’s worse because we are choosing to ignore the model set before us and the dysfunctionality of it...our history.

The OCC and FDIC acting without the participation of the Federal Reserve risks producing three separate sets of CRA regulations my organization would have to learn in order to leverage resources to our economically challenged community. That makes everyone’s job more complicated, less transparent, and results in confusion. As in the past, low-income and communities of color lose.

The problems of the single ratio, the overly broad definitions of CRA-eligible investments, the gutting of communities’ voices, the speedy rule-making process, the credibility gap created by the Federal Reserve’s absence, and the lack of good faith and outreach from the OCC that drove this reckless proposal make it beyond repair.

As a result of the OCC and FDIC’s effort to ease compliance for financial institutions, you have proposed bringing redlining back.

On behalf of the low and moderate-income people and places my organization serves, I ask that you please discard this proposal and start again.

Evon J. Smith, President/CEO  
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