COMMUNITY FIRST FUND

April 7, 2020

The Honorable Joseph Otting
Comptroller of the Currency
Office of the Comptroller of the Currency
400 7th Street SW #3E-218
Washington, DC 20219

Re: Reforming the Community Reinvestment Act Regulatory Framework

Dear Comptroller Otting:

Community First Fund (Community First) appreciates the opportunity to comment on Docket ID OCC– 2018-0008, the "Advanced Notice of Proposed Rulemaking (ANPR) on Reforming the Community Reinvestment Act Regulatory Framework." Our organization strongly supports the Community Reinvestment Act (CRA) while also acknowledging that there are aspects of the law and its administration that could be improved.

Community First Fund is a federally certified community development financial institution with nearly thirty years of experience in providing flexible loans to businesses, affordable housing developers, commercial real estate developers and nonprofit social service agencies. We focus our activities in the eastern Pennsylvania cities of Lancaster, Reading, Harrisburg, York, and Allentown, and several neighborhoods in north Philadelphia. These communities are some of the most distressed places in the nation, with poverty rates of thirty to forty percent. According to census data from 2018, the average household in these low-income communities earns substantially less than the area median income. Over thirty percent of the families in our market are housing cost burdened – spending substantially more than thirty percent of their monthly income on rent or mortgage payments. These economic factors illustrate the critical need for continued bank support through CRA, to ensure the revitalization of Pennsylvania's core cities.

Since 1992 we have provided $230 million of financing for these communities; most of our capital comes from CRA investments from local, regional and national banks. In fact, since 2015 we have obtained investments from seven banks, totaling $26MM.

The following information outlines our concerns with the proposed rulemaking.

1. We are concerned with the proposed one-ratio measure and expanded list of CRA-qualifying activities; these changes would enable banks to shift away from responding local needs. Instead, banks would receive credit for an expanded list of CRA-eligible investments in infrastructure, Opportunity Zones, and even sports stadiums. Such a framework gives banks little incentive to support CDFIs or invest in small high-impact projects that truly benefit low-and-moderate-income Americans. Impactful community development projects often require innovative and complex financing. This is especially true where CDFIs pioneer strategies to address community needs banks are unwilling to explore—such as healthy food outlets, childcare facilities, and community health centers and workforce development centers. The proposal removes any incentives for banks to provide this crucial, early-stage capital. The one-ratio framework makes even the proposal's attempt to incentivize high impact investments—through a 2X multiplier—is nearly certain to backfire, as banks will simply receive the same CRA credit for half their current volume. In our Lancaster PA community, we provided special financing to Tec Centro – a bi-lingual workforce training center assisting the Latino community. Adult students are trained for good-paying jobs, like certified nurses and dental hygienists. Most of the students learn English as a second language while they are building their medical skills. Since opening in 2014 Tec Centro has placed over 1500 people in jobs with nursing homes and other health centers. Without CRA is it unlikely that the local financing team at Fulton Bank would have contributed its multi-million investment into this project.

2. We are concerned with the dilution of focus on low- and moderate-income people and communities. In 1977, Congress passed CRA in response to redlining of low- and moderate-income (LMI) communities and communities of color. Since Congressional passage, the federal bank agencies have focused CRA on meeting the needs of LMI families and communities. In our fifteen-county market in eastern PA, we prioritize funding to businesses and projects that support the lowest-income communities, like Reading PA, that has a poverty rate of close to 40%. In many cases we partner with banks like Santander, to provide resources to the small businesses operating in the city. Bank support in these communities is essential as the public and private sector join together to re-build what was once a vibrant financial center and hub of industry and manufacturing.

3. We are concerned that under the Notice of Proposed Rule Making, the definition of affordable housing is relaxed to include middle-income housing in high-cost areas. In addition, housing is assumed to be affordable if lower-income people can afford to pay the rent without verifying that lower-income people will be tenants. As noted earlier, many of the families in our target market are housing cost-burdened. We believe that providing affordable housing opportunities for the lowest-income families – those making less than 60% of the area median income – is most important. However, often the multi-family housing developments are less lucrative for the developer. We are concerned that the change in regulation will shift the market to support middle-income families and further exacerbate gentrification in many communities.

4. We are concerned that essential infrastructure such as bridges is added as an activity eligible for community development but clearly estimating the benefit to LMI populations of such large-scale projects is difficult and likely to result in ratings inflation as well as diverting funding from community development directly in LMI communities.

5. We are concerned that funding "athletic stadiums" located in LMI tracts in Opportunity Zones will be an eligible activity without any consideration of how many jobs or other benefits accrue for people with LMI.

6. We are concerned that the revenue size for defining a small business is raised from $1 million to $2 million. Community First Fund works with over one thousand businesses each year, of which 85% have revenues of less than $1 million. Many are early stage businesses who need technical business assistance along with flexible financing. CDFIs are the most adept at providing these resources as businesses build their capacity to access traditional bank financing. By increasing the revenue size definition, we believe the smallest businesses will be left without resources to grow, and that banks will direct their investments to larger-scale businesses to meet CRA requirements.

7. The Notice of Proposed Rule Making also allows for credit to be given for CRA activity outside of their assessment area regardless of performance in the banks assessment areas. This will encourage banks to gravitate to the largest deals anywhere in the country instead of executing smaller deals more responsive to local needs.

8. The "one ratio" measurement will favor larger and easier transactions and likely decrease bank small-dollar home and small business lending. As a CDFI that works with small business borrowers, we understand the need for small dollar loans. In the past 5 years, Community First Fund has provided approximately $58 million of small dollar loans – 350 loans, with an average loan size of $165K.

9. The ratio-focused analysis will also decrease consideration of how responsive the activities are to local credit and capital needs.

10. We are concerned that the lending test that looks at home mortgage, small business and consumer lending would now be pass or fail instead of generating ratings. It would count for much less towards the rating in each Assessment Area and overall. We are concerned that banks can fail their retail lending test in half of their assessment areas and still pass their examination requirements.

11. We are concerned that home mortgage lending in LMI communities is eliminated as an exam criterion, which could lead to displacement in gentrifying neighborhoods. In communities like north Philadelphia, the real estate market has change dramatically, and what were once affordable single-family homes are now ripe for purchase by speculators and non-residents, which will further exacerbate the gentrification that is rampant in the neighborhoods.

12. We are concerned that public input will be harder because CRA exams will be less transparent.

13. We are concerned that the Notice of Proposed Rule Making indicates that banks with an Outstanding rating will be evaluated once every five years instead of once every two or three years. This approach will allow banks with a five-year exam cycle to relax their efforts in the early years of the cycle. Banks will also have less accountability to maintaining acceptable recent CRA performance when they seek permission to merge with other banks.

Thank you once again for the opportunity to provide our comments to the potential changes to the CRA regulatory framework. If you have any questions, please feel free to contact me at 717-330-5815.

Sincerely,

[redacted]

Daniel Betancourt, President and CEO