METROPOLITAN ST. LOUIS
EQUAL HOUSING AND OPPORTUNITY COUNCIL
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Working to ensure equal access to housing and places of public accommodation for all people

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November 6, 2014

Office of the Comptroller of the Currency: Docket ID OCC-2014-0021
Federal Reserve Board: Docket OP-1497
Federal Deposit Insurance Corporation: Attention: Robert E. Feldman, Executive Secretary, CRA comments

RE: Proposed Changes to the Interagency Q&A Regarding Community Reinvestment

To Whom It May Concern:

The Metropolitan St. Louis Equal Housing and Opportunity Council (EHOC) is writing to respond to the request for comments on the proposed changes to the "Interagency Questions and Answers Regarding Community Reinvestment." We commend the regulatory agencies' proposals to reward small dollar lending and the use of alternative credit histories with Community Reinvestment Act (CRA) credit. However, we urge the agencies to reconsider the suggestions regarding alternative service delivery methods. Access to banking services for low- and moderate-income (LMI) communities is a key component of CRA, and financial institutions must meet a high bar to prove that alternative service delivery methods are meeting the needs of LMI individuals. Until it is clear that alternative service delivery methods fully meet the needs of low- and moderate-income individuals and communities, bank branches should continue to receive greater weight on the service test of CRA examinations.

EHOC is the only private, not-for-profit fair housing agency working to end illegal housing discrimination in the metropolitan St. Louis area. We operate throughout Missouri and Illinois to fight illegal housing discrimination through education on fair housing laws, enforcement actions against individuals and entities committing acts of illegal discrimination, and community outreach. EHOC is a member of the National Community Reinvestment Coalition.

One aspect of our work is to monitor the mortgage lending patterns of banks in the St. Louis region with a coalition of other non-profits service providers in our area called the St. Louis Equal Housing and Community Reinvestment Alliance (SLEHCRA). SLEHCRA works to increase investment in minority communities, regardless of income, and in low- and moderate-income communities, regardless of race, by ensuring that banks are meeting their obligations under the Community Reinvestment Act and fair lending laws. SLEHCRA members use the CRA guidelines to formulate comments and analyses surrounding banks' mortgage lending performance for the communities and individuals we serve. When banks in our region are due for a CRA evaluation, we perform our own evaluation of the bank and offer a public comment letter to the regulator and the bank. Thus, the CRA guidelines are a fundamental aspect of our coalition's work.

We commend the regulatory agencies on some of the proposed updates and changes to the Q&A. Specifically, we are pleased with the recommended updates to the question addressing innovative and flexible lending practices.

1) We are encouraged by the Agencies' inclusion of using alternative credit histories as a practice that warrants CRA credit. Many existing underwriting practices effectively exclude a large number of creditworthy LMI borrowers. Financial institutions would have a greater incentive to integrate alternative credit histories into their business with the added clarity that the practice is eligible for CRA credit.

2) Small dollar loan programs offer a promising alternative to higher-cost loans offered by institutions like payday lenders. With the financial literacy and savings components, these loan programs offer real opportunities to help build sustainable wealth and financial knowledge. This is particularly relevant to our communities in St. Louis, where 19 percent of the population is underbanked and there is a high usage of alternative financial services. It must be clear to examiners, however, that these small dollar loan programs should only be awarded credit if they are safe and sound alternatives to high-cost and predatory products.

Additionally, we are pleased that the Agencies are specifically recognizing the importance of the public comments and information offered by community groups such as SLEHCRA in the CRA evaluation process. This standard could be strengthened however, by requiring examiners to review the information from all of these sources instead of just identifying them as mere opportunities.

Yet these helpful changes are outweighed by our concerns with proposed changes to other questions and answers, most notably the proposed changes that address advancements in financial service technology. Our principal concerns are listed below.

1) There is a need to account for changes in banking technology and how customers engage with financial institutions. As a result of online and mobile technology, financial institutions can reach consumers in new ways, yet access to bank branches must continue to be given primary emphasis in determining a bank's CRA service test rating. Additionally, it must be made clear that financial institutions will not receive CRA credit even for the LMI individuals and geographies outside the financial institutions' established assessment areas that are reached through mobile or online technology. So long as assessment areas are regional, examiners must restrict their assessments to a financial institution's performance and services in those areas.

2) The existence of online and mobile technologies and services alone is insufficient. To warrant CRA credit, it must be clear that:
   a) Those services are accessible to LMI individuals and geographies;

b) There is actual adoption of those technologies by LMI individuals and geographies;
c) Those technologies are the preferred method of engagement; and
d) Those services are not the sole method for LMI individuals and geographies to engage financial institutions.

3) Regulators should not be awarding CRA credit for a financial institution's support for expanded broadband access. Broadband access is a growing need, especially in rural areas, and it is a clear priority for the Administration. But giving CRA credit for supporting broadband expansion is problematic. It is more important to use CRA credit to encourage financial institutions to find more direct ways to meet the needs of LMI individuals and geographies.

We urge the banking regulatory agencies to consider this feedback and to strengthen the revisions to the Interagency Questions and Answers document to ensure that LMI communities continue to receive adequate and accessible banking services. Should you have any further questions about our comments, please contact Elisabeth Risch at erisch@ehoc-stl.org or 314-534-5800 ext. 7012.

Thank you for your consideration.

Sincerely,

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Elisabeth Risch
Director of Research and Education
Metropolitan St. Louis Equal Housing and Opportunity Council