Legislative and Regulatory Activities Division
Office of the Comptroller of the Currency
Mail Stop 9W-11
400 7th Street SW., Washington, DC 20219
Via email: regs.comments@occ.treas.gov
Re: Docket ID OCC-2014-0021

Robert deV. Frierson,
Secretary, Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington, DC 20551
Via email: *regs.comments@federalreserve.gov*
RE: Docket No. OP-1497

Robert E. Feldman, Executive Secretary
Attention: Comments
Federal Deposit Insurance Corporation
550 17th Street NW.
Washington, DC 20429.
Via email: comments@fdic.gov

November 10, 2014

To whom it may concern:

Opportunity Finance Network appreciates the opportunity to comment on the Interagency Questions and Answers (Q&A) Regarding Community Reinvestment. Opportunity Finance Network (OFN) is the leading national network of community development financial institutions (CDFIs) investing in opportunities that benefit low-income, low-wealth, and other disadvantaged communities across America. Our Network of more than 240 CDFIs has originated more than $30 billion in financing. With cumulative net charge-off rates of less than 1.7%, we have demonstrated our ability to lend prudently and productively in unconventional markets often overlooked by conventional financial institutions.

That CDFIs lend in markets often overlooked by the conventional financial services industry does not mean that they operate without collaboration from mainstream institutions. On the contrary, the Community Reinvestment Act (CRA) has been critical to the success of partnerships between CDFIs and conventional financial institutions—partnerships that have channeled billions of dollars to underserved urban, rural, and reservation markets across America. OFN is pleased to see the Agencies taking steps to strengthen CRA and advance the issues raised during the series of hearings held more then four years ago. OFN believes that the proposed revisions will enhance community reinvestment activity but reminds the Agencies that they must take additional steps to fully modernize CRA and ensure it has kept pace with the changing financial services industry.

The most glaring area in which CRA falls behind the financial services industry's changes of the last 35 years is in its reliance on antiquated assessment areas. As CRA lending has largely defined financial institutions' community development lending and investment activity, it has become significantly more difficult to lend and invest in markets that are not included in a bank's CRA assessment area. The Questions and Answers issued last year, and those proposed in the current revision, take some steps to correct this problem but do not go far enough to bring CRA in line with the current marketplace.

In addition to highlighting opportunities to move forward on the assessment area issue, OFN's comments identify other ways in which the proposed Q&As have and could further strengthen the partnerships between CDFIs and conventional financial institutions.

Existing Q&A: Access to Banking Services

Proposed __.24(d)-1. The Agencies rightly recognize that financial institutions can reach low- and moderate-income people through means other than bank branches and ATMs. By including examples of virtual services and mobile banking, the Agencies acknowledge that financial institutions' customer base is much broader than their immediate neighborhoods. Providing consideration for these kinds of services calls into sharp relief the disconnect between banks' CRA assessment areas and the ways they do business. Providing consideration for these activities when they happen to reach low- and moderate income people is not the same as obligating financial institutions to meet the needs of low- and moderate-income people in all the markets in which they do business. The Agencies should take the next step and recognize that a bank's assessment area also includes those areas it reaches by means other than branches and deposit-taking ATMs, and that financial institutions have a commensurate community reinvestment obligation in those markets.

Existing Q&A: Innovative or Flexible Lending Practices

Proposed __.22(b)(5). In __.22(b)(5), the Agencies identify several examples of innovative or flexible lending practices, including technical assistance, outreach, and alternative underwriting standards. In discussing these examples, the Agencies rightly indicate that in and of themselves such practices might not merit consideration, but could qualify if they augment the success of other CRA-related initiatives.

OFN offers a further example in this vein: the development and implementation of a referral network for small business loans between regulated institutions and CDFIs. In many cases, CDFIs have tools and mission obligations to make small business loans in ways and markets that regulated financial institutions cannot; CDFIs see prospective borrowers that might be better suited to bank loans. However, many markets lack the robust referral systems that could make borrowers better aware of their opportunities to access financing from CDFIs or their bank partners. As with the technical assistance and contracting examples identified by the Agencies in this part, simply passing on prospective borrowers to a CDFI is not by itself worthy of favorable consideration. The development of a network or system that supports the success of small business borrowers might.

Existing Q&A: Community Development

Proposed ___.12(g)(3)-1. OFN appreciates the inclusion of CDFIs in the list of entities for which the Agencies will presume that any loan to or investment in promotes economic development in the proposed ___.12(g)(3)-1. Throughout the Questions and Answers, the Agencies identify CDFIs as effective vehicles for meeting CRA obligations, and it is appropriate that they be added here.

Existing Q&A: "Green" Loans

Proposed __.12(h)-1. We applaud the inclusion of an additional example in __.12(h)-1 concerning loans that finance energy-efficiency technologies. We would like to suggest that the additional language underlined below be added to this example, in order to reflect more fully the kinds of energy-efficiency technologies that are available and that are critical to providing environmental safety and efficiency in affordable housing:

> "Examples of community development loans include, but are not limited to loans to: ….• borrowers to finance renewable energy or energy-efficient, or water-consumption reducing equipment or projects that support the development, rehabilitation, improvement, or maintenance of affordable housing or community facilities, such as a health clinic, even if the benefit to low- or moderate-income individuals from reduced cost of operations is indirect, such as reduced cost of providing electricity, *or reduced water consumption*, to common areas of an affordable housing development, *or improved energy performance of a building through equipment purchases, improving insulation, windows or improvements which reduce heating or cooling costs.* The rehabilitation and construction of affordable housing or community facilities, referred to above, may include the abatement or remediation of, or other actions to correct, environmental hazards, such as lead-based paint, *asbestos, mold, or radon* that are present in the housing, facilities, or site."

Proposed Q&A: Responsiveness and Innovativeness

Proposed __.21(a)-4. OFN is pleased to see the Agencies include language in proposed __.21(a)-4 that recognizes innovation by "institutions that do not have the capacity to be market leaders in innovation." Smaller, more locally-focused community banks are increasingly important partners for CDFIs. They often have less familiarity with CDFIs and with investing in them, and may partner with a CDFI for the first time as a strategy to bring products and services to customers they would like to reach more effectively. The Agencies can encourage this kind of partnership, and increase the incidence of them, by providing consideration for banks that begin a new strategy for CDFI investment.

Conclusion

In the nearly 40 years since its passage, CRA has channeled billions of dollars into communities across the United States and helped CDFIs and banks find, serve, and innovate in new markets. It has, however, long lagged developments in the financial services industry over that time. OFN applauds the Agencies for the steps in this Q&A and the one finalized last year that move toward updating the CRA. These are only first steps, however, and OFN looks forward to further revisions from the Agencies and to opportunities to shape those new policies.

Please do not hesitate to contact me with questions or comments on the recommendations in this letter.

Sincerely,

President and CEO