



November 10, 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 Urban Economic Development Association of Wisconsin, Inc. (UEDA) is a member of the National Community Reinvestment Coalition and is writing to respond to the request for comments on the proposed changes to the "Interagency Questions and Answers Regarding Community Reinvestment."

UEDA is a 501(c)(3) membership organization dedicated to the professional development of individuals and groups working in economic and community development in Wisconsin. Incorporated in 1997, our work focuses on housing, economic development and job creation and emphasizes collaborative efforts in the areas of sustainable homeownership, regional transportation, economic education, foreclosure mitigation and small business development. We work with a diverse cross-section of members and other partners that include community-based organizations, financial institutions, CDFIs, government agencies, small businesses, funders and individuals concerned with these issues.

We commend the regulatory agencies' proposals to reward small dollar lending and the use of alternative credit histories with Community Reinvestment Act (CRA) credit. In particular, our work to promote and support asset-building and economic education programs in the region has made clear that consumers and small business owners continue to face challenges when it comes to accessing capital and 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 ***until it is clear that alternative service delivery methods fully meet the needs of LMI individuals and communities, bank branches should continue to receive greater weight on the service test of CRA examinations.***

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. This could have a real impact on the ability of existing small business owners to access capital, and LMI clients to purchase a home.

- 2) **Small dollar loan programs offer a promising alternative to higher-cost loans offered by institutions like payday lenders.** And with the financial literacy and savings components, these loan programs offer real opportunities to help build sustainable wealth and financial knowledge. 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.***

Yet these helpful changes are outweighed by concerns with proposed changes to other questions and answers, most notably the proposed changes that address advancements in financial service technology. For example:

- 1) There is a need to account for changes in banking technology and how customers engage with financial institutions. For example, our members and partners often discuss the changes they've seen in how clients communicate and access services through mobile devices and the Internet, yet access is still an issue in LMI communities. ***With all the advances in technology, we have found that the most effective method remains when banks make a concerted effort to connect with community-based organizations and work together to reach LMI and minority communities with financial literacy resources and services. This often occurs at the branch level.*** Thus, access to bank branches must continue to be given primary emphasis in determining a bank's CRA service test rating as it is a key way to reach consumers.
- 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 merely for a financial institution's support for expanded broadband access – this is problematic. Broadband access is a growing need, especially in rural areas, and it is a clear priority for the Administration. ***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 me at (414) 562-9904 or Kristi@uedawi.org.

Thank you for your consideration.

Sincerely,



Kristi Luzar
Deputy Director/Programs
Urban Economic Development Association of Wisconsin, Inc. (UEDA)