From:	Kevin Hill
To:	Comments
Subject:	[EXTERNAL MESSAGE] RIN 3064-AF22 CRA NPR Comment
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I disagree with this proposal and agree with former FDIC Chairman Martin Gruenberg that this is a "“deeply misconceived proposal that would fundamentally undermine and weaken the Community Reinvestment Act.” I also disagree entirely that this will accomplish the stated goals of the OCC and FDIC in increasing CRA activity, directing CRA activity to where it's needed most, and creating additional transparency. In most cases these proposals will have the opposite effect. The CRA also must do a better job of analyzing a bank's lending based on race, in addition to income, in order to best prevent against discrimination and encourage the banking industry to address long standing racial inequalities that persist today.

CRA must do a better job of analyzing a bank's lending based on race. Persistent and glaring racial disparities in lending manifest themselves year after year and decade after decade. The current trend is that people of color receive disproportionately few loans, while in the years leading up to the financial crisis, they received disproportionately high levels of subprime loans. The agencies should include an additional category of “underserved census tracts" in the banks’ assessment areas.These tracts would be identified via data analysis as those with lowest loans per capita. Many of these tracts would likely be predominantly minority. CRA exams should also include a more robust fair lending section along the lines of exams conducted before the changes to the CRA regulations in the 1990s.

The additional activities added for consideration are moving away from community development geared to people with low and moderate incomes (LMI). Credit for stadiums? It's absurd that this would be considered community development. It is debatable how much community benefit comes from stadiums. The NPR also wants to give credit for improvements to stadiums - are we really going to start calling financing for jumbotrons community development? How is this directing CRA resources to where they're needed most? Also, why do we need to encourage financing for stadiums? Banks would take part in this activity anyways for business reasons - why do we need to create an incentive for this? This isn't increasing CRA activity, it's diluting it.

Changing the definition of a small business from $1 to $2 million will discourage banks from seeking out ways to meet the credit needs to businesses only making $1 million - who are in higher need. Also, 95% of US businesses are under $1 million in revenue. How is this change directing CRA resources to where they're needed most?

NPR appears to redefine affordable housing as it relates to CRA. Currently banks need to demonstrate that actual people with LMI are benefiting from this housing for it to be considered affordable. NPR appears to suggest changing that definition to just having to have affordable rent. Allowing middle and upper income households to get a discount by getting cheaper rent is not affordable housing.

NPR approach of creating additional assessment areas will decrease transparency and relies on information not currently collected. This is a major part of the proposal, and it will need to be worked out later. The NPR needs to more clearly lay out how that information will be collected, and how it will be made publicly available. If information on physical addresses of depositors is not shared publicly, community members will have to wait until a CRA exam comes out to know if their community is part of a bank's assessment area. A much better approach would be to base the creation of additional assessment areas on lending data, for example, any MSA where a bank's lending activity makes up more than 5% of that total communities lending activity should be a new assessment area. Banks already report lending data, and it's already made available to the public.

Regarding the new thresholds, 11% and up Outstanding etc., NPR mentions a study done to come up with this, but doesn't provide results of that study. Those results should be released immediately. This is the only way for the public to know if these thresholds actually encourage additional activity, a stated goal, or if they merely serve to legitimize current levels, and possibly move more banks from

Satisfactory to Outstanding.

Banks should not be allowed to get credit for activities done anywhere, without some accounting for their performance where they have branches. Opening this up, combined with the dollar volume based approach and the ability to pass CRA exams with only doing substantial activity in half of your assessment areas, will encourage banks to find national intermediaries they can support in order to quickly get their performance ratios where they need to be, regardless of need. Banks should also required to pass performance metrics in at least 80% of assessment areas before they can be considered Satisfactory, and their should be penalties if a bank continuously fails in the same assessment area.

You also should not combine retail lending with community development activity, both should continue to be analyzed separately in order to encourage participation in both. Replacing the service test is also a mistake. Given the formula provided for branches, a bank with 30% of their branches in LMI census tracts, which would be a relatively high percentage of branches in LMI census tracts, would only receive a branch score of .3 percentage points in the CRA evaluative measure, and banks need to get to 6 in order to pass. This will lead to massive branch loss in LMI communities. Retail lending is also not well suited for a dollar volume based test, as loans to borrowers with LMI and small businesses tend to be smaller, basing off dollar volume will discourage in favor of larger dollar community development deals, which means we are moving away entirely from the original intent of the CRA to proactively ensure that everyone in a community has access to credit and capital.