From: Wilds, Karen
To: Comments
Subject: [EXTERNAL MESSAGE] RIN3064-AF22
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To Whom It May Concern:

I oppose most of the proposed changes to the Community Reinvestment Act (CRA) regulations. The proposed changes are counter to the intent of the law enacted in 1977 and serve to discourage banks from focusing on people and neighborhoods with low- and moderate incomes (LMI).

The OCC- and FDIC-proposed changes will lessen the public accountability of banks to their communities by enacting unclear performance measures on CRA exams that will not accurately measure a bank's responsiveness to local needs.

- Contrary to the agencies assertions that their changes would increase clarity and CRA activity, the result will be significantly fewer loans, investments and services to LMI communities.
- The proposed broader definitions of eligible CRA activities will dramatically lessen CRA's focus on LMI individuals and communities in contradiction to the intent of the law to address redlining.
- Financing of large infrastructure projects such as bridges will be considered as a CRA eligible activity. Even financing "athletic" stadiums in Opportunity Zones will be an eligible activity.

The proposed changes to the geographical assessment areas on CRA exams are problematic and will reduce transparency.

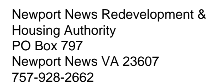
- Neither the agencies nor the public can evaluate the agencies' proposal to designate additional geographical areas on exams in the case of internet banks due to the lack of publicly available data. The public does not have a fair chance to offer comments on the effectiveness of significant proposed changes whose impacts are unknown.
- The changes to the geographical areas on CRA exams will further inflate ratings while decreasing the responsiveness of banks to local needs.
- The agencies propose a single metric that will consist of the dollar amount of CRA activities divided by deposits. This ratio measure will likely encourage banks to find the largest and easiest deals anywhere in the country as opposed to focusing on local needs. Furthermore, it appears that the single metric thresholds would be very easy to attain, resulting in less CRA activities overall compared to current CRA lending and investment volume. It is also likely that the target ratios are very easily obtained by most banks, providing insufficient incentive for them to expand their CRA lending and investing activities.
- Since banks could fail in one half of the areas on their exams and still pass under the proposal, the likelihood of banks seeking large and easy deals anywhere, regardless of the economic benefit to LMI residents and communities would increase.
- The proposal will relax requirements that banks serve areas where they have branches first before they can seek deals elsewhere.
- The proposal will retain a retail test that examines home, small business and consumer lending to LMI borrowers and communities but would only be pass or fail. In contrast, the current retail test has ratings that count for much more of the overall rating.
- The proposal will result in branch closures since it will eliminate the test that scrutinizes bank branching and provision of deposit accounts to LMI customers.

I am concerned that under the proposed regulations, banks' incentives to invest in Low Income Housing Tax Credit (LIHTC) deals, or make CDFI loans will decrease. While LIHTC properties have been a very successful investment for banks, I expect that the proposed rule will fundamentally change how banks view these investments. It will be much more difficult to attract equity investment going forward with the result that it will be more costly to raise equity capital for affordable housing, especially if banks could hit their target through alternative activities such as the purchase of Mortgage Backed Securities. Returns for LIHTC investments will increase, resulting in less equity capital going into each property. This will make many affordable housing deals uneconomic unless some new source of funds is found to replace the near certain reduction in LIHTC investment. Furthermore, the common current practice of providing rents below the maximum levels permitted under the LIHTC program to serve tenants with less income will have to change; rents will have to be higher to service the increased debt that will result from lower equity investment. The low-income families who would live in these properties will pay the price.

The proposal to provide "double credit" under the 2% CD test for LIHTC investment and CDFI loans could very well have unintended consequences. While I appreciate the recognition of the importance of such investments and loans, I am concerned that such double counting would be meaningless if this 2% threshold is too easy for banks to meet. Even if that is not the case, it is possible that multiplying these investments and loans by two could actually result in less activity in these areas, not more, since a bank could get the same credit for half of the activity.

I do support the proposal to identify qualifying activities for CRA and for banks to receive more information about their exam and the status of their compliance with CRA. However, I am concerned that the expanded definitions of "qualifying activities" and "community development" dilutes the requirement to lend and invest in the community. In particular, the proposed expansion of eligible activities to include such things as public infrastructure, sports facilities, and hospitals that only partially serve LMI individuals is an unnecessary incentive that will only weaken CRA.

In summary, it is clear that the proposed changes will result in less lending, less investing and less services for communities that were the focus of Congressional passage of CRA in 1977. This backtracking will violate the agencies' obligation under the statute to ensure that banks are continually serving community needs. The FDIC and OCC need to discard the NPRM, and instead work with the Federal Reserve Board and propose an interagency rule that will augment the progress achieved under CRA instead of reversing it.



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