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West Palm Beach, FL

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RE: Notice of Proposed Rulemaking (NPRM), Community Reinvestment Act Regulations

To Whom It May Concern:

As a volunteer board member of Neighborhood Renaissance, a community based nonprofit development corporation that is dedicated to building and supporting strong economies and diverse communities in Palm Beach County, I oppose the proposed changes to the Community Reinvestment Act (CRA) regulations as deeply misconceived. In short, the proposed changes encourage redlining of the low and moderate-income (LMI) neighborhoods and communities of color that my organization serves.

NRI's revitalization efforts throughout Palm Beach County's underserved neighborhoods is making a positive impact addressing the effects of redlining and years of disinvestment, which led to concentrations of blight, substandard housing and persistent poverty. Because of the current CRA performance measures, we were able to leverage over \$40 million in the past six years to build quality affordable homes, bring needed goods and services to the neighborhoods and to create small business opportunities. The following are examples of recent projects made possible because of CRA investment.

- Constructed five single-family homes for LMI buyers on vacant lots in Pleasant City, a historical LMI community of color in West Palm Beach where no new single-family homes were built in decades. We assisted the buyers to obtain affordable CRA bank loans.
- Built the West Village Art Lofts in a low-income census tract in Lake Worth Beach consisting of eight live/work artist townhomes and new neighborhood commercial space that transformed an entire block. We assisted the homebuyers to obtain affordable CRA bank loans.
- Undertook the Lincoln Rd. Model Block in Coleman Park, a historical African-American LMI neighborhood, which includes affordable single-family new construction, housing rehab assistance for existing homeowners and neighborhood improvements.
- Assembling vacant land along the N. Tamarind commercial corridor with CRA bank investment for a scattered mixed-use development that will include affordable residential apartments for LMI residents and small business opportunities.

Under the agencies' proposed CRA changes, our revitalization efforts in Palm Beach County's (PBC) underserved neighborhoods will come to a complete stand still, since bank investment and LMI loans are critical to building and supporting strong economies and diverse communities. **The**

agencies would dramatically lessen CRA's focus on LMI communities in contradiction to the intent of the law to address redlining in and disinvestment from LMI and communities of color.

The definition of affordable housing would be relaxed to include middle-income housing in high cost areas. In addition, the NPRM would count rental housing as affordable if lower-income people could afford to pay the rent without verifying that lower-income people would be tenants. In PBC this matters since an estimated 56% of renters are cost-burdened and 30% are severely cost burdened (Dr. Ned Murray, 2017 FIU Metropolitan Study) with LMI households being the most severely rent burdened.

The NPRM would add financing large infrastructure such as bridges as a CRA eligible activity. Even financing "athletic" stadiums in Opportunity Zones would be an eligible activity. The NPRM would define small businesses and farms as having higher revenues, increasing the limit from \$1 million to \$2 million for small businesses and as high as \$10 million for family farms.

While the NPRM recognizes changes in the banking industry such as the increased use of online banking, the NPRM's reforms to the geographical areas on CRA exams are problematic and would 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 agencies propose an evaluation system that would further inflate ratings while decreasing the responsiveness of banks to local needs. The agencies propose a one-ratio measure that would consist of the dollar amount of CRA activities divided by deposits. This ratio measure would likely encourage banks to find the largest and easiest deals anywhere in the country as opposed to focusing on local needs. 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 would increase. As a minor assessment area for many of the large banks, it has been our experience that PBC LMI neighborhoods already receive a disproportionate amount of investment and loans as compared to the major assessment areas in South Florida and the rest of the state.

The proposal would retain a retail test that examines home, small business and consumer lending to LMI borrowers and communities but this retail test would only be pass or fail. In contrast, the current retail test has ratings that count for much more of the overall rating. Moreover, the proposal would result in branch closures since it would eliminate the test that scrutinizes bank branching and provision of deposit accounts to LMI customers.

The agencies also propose to allow banks that receive Outstanding ratings to be subject to exams every five years instead of the current two to three years. This would result in banks not making much effort in the early years of an exam cycle to serve their communities.

Small banks with assets less than \$500 million could opt for their current streamlined exams instead of the new exams. The new exams would require banks to engage in community development financing while the existing small bank exams do not. This is another loss for communities.

Instead of weakening CRA, the agencies must enact reforms that would increase bank activity in underserved neighborhoods. The agencies do not address persistent racial disparities in lending by strengthening the fair lending reviews on CRA exams or adding an examination of bank activity to communities of color in CRA exams. At the very least, the agencies could add a category on CRA exams of underserved census tracts, which would likely include a high number of communities of color. The agencies also require banks to collect more data on consumer lending and community development activities but do not require banks to publicly release this data on a county or census tract level. Finally, the agencies do not require mandatory inclusion on exams of bank mortgage company affiliates, many of whom engaged in abusive lending during the financial crisis.

This deeply flawed proposal would result in less lending, investing and 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.

Respectfully,

Julie Hyatt