Reinvestment PARTNERS
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April 3rd, 2020

Robert Feldman
Executive Secretary
Federal Deposit Insurance Corporation
550 17th St. NW
Washington, DC 20429

And by electronic mail to comments@fdic.gov

RE: RIN 3064-AF22 Community Reinvestment Act Regulations

Dear Sir:

Please accept this comment from the undersigned community groups, small businesses, and individuals on the Federal Deposit Insurance Corporation's (the "FDIC") proposal filed jointly with the Office of the Comptroller of the Currency (the "OCC") to amend the Community Reinvestment Act (the "CRA").

We have drawn from our combined experience das private citizens, small business owners, community leaders, and elected officials to write this comment. Our collective voice should underscore the depth and breadth of concerns among the people of our state over proposed changes to the CRA. We have deeply held beliefs about the beneficial impacts of the law. Driven by our sense of urgency, we write to express our sincere opposition to many of the proposed modifications in the proposed rule.

Since its passage, the CRA has fostered the growth of an entire community development ecosystem. We have institutions in our state that, if given the support engendered by the CRA, can accomplish the difficult work that is needed to restore the economic health of distressed communities and underserved households. In our state, the CRA compelled banks:

- to place deposits in community development financial institutions ("CDFIs") and community development credit unions ("CDCUs"), with the result that our community development industry has become one of the most significant locations of tax credit projects.
- to partner with non-profit housing developers, resulting in the construction of tens of thousands of units of affordable housing.
- to fund agencies that provide capital and technical assistance to small businesses.

Today, many groups exist in our state that can absorb CRA-motivated capital. Equally, financial institutions ("FIs") have an appetite for CRA projects. CRA loan programs consistently meet internal goals for profitability. Industry estimates suggest that the nation's 25 largest banks provide more than $35 billion in community development loans, equity investments, and grants each year.

We believe the proposed changes will serve to weaken the rule rather than to update it. With its focus on treating all dollars equally, it may strike nuance from examinations. Simply put, some loans are more impactful than others. Some projects require more work, even if they represent a smaller financial investment, but make a more significant impact on a per-dollar basis. The performance measurement standard, referred to as the "One Ratio," will encourage FIs to move away from funding the kinds of complicated projects that make a difference in distressed areas.

We ask that the FDIC create a final rule where: Banks continue to locate branches in low-and-moderate-income ("LMI") census tracts. Research shows that many important CRA constituencies, particularly LMI households and small business owners [1][Federal Reserve, 2019], still prefer to use bank branches. Additionally, the new approach reduces incentives for banks to keep branch offices in these areas. Between 2012 and 2017, most US counties suffered a net loss of branches, with the most extreme reductions occurring in rural areas. By so severely underweighting the value of LMI branches in the new evaluation measure, the proposed rule could delink the branch bank from the CRA – with harmful consequences.

- Examiners must examine mortgage lending for patterns of redlining and discrimination. Concerns about redlining compelled legislators to pass the CRA; there is no basis to justify this change.
- Examiners cannot inflate grades. As a condition of receiving an outstanding score under the geographic distribution test for small businesses, the FDIC should expect banks to exceed the average performance measurement in every qualifying assessment area.
- Examiners evaluate infrastructure projects not just for their benefits, but also for their social and economic costs to LMI communities. Our nation's history includes many instances where public infrastructure investments (highways, bridges, treatment facilities) harmed LMI communities. PEs should incorporate a long-term cost-benefit analysis of financial and economic impacts.

Over-emphasis on quantitative metrics may dissuade FIs from pursuing relationships with local community groups. Right, the rule says that groups can still file formal comments, but it makes no effort to put an obligation on FIs to seek out input from their community partners. This exemption is counterproductive. Instead, examination frameworks should emphasize the value of community engagement, grounded explicitly with the expectation that FIs will convene with area leaders. Similarly, during mergers and acquisitions, regulators should condition approval on the successful completion of public benefits agreements.

We have witnessed the power of the Community Reinvestment Act to bring needed capital to LMI communities. We fear that the new approach will dilute the impact of the CRA, drawing it further from its intended purposes and ultimately posing a threat to the economic well-being of our communities.

Ultimately, the CRA creates the structure for holding FIs accountable, with explicit protections against racial discrimination, and to promote the provision of safe and affordable capital to

[1] Board of Governors of the Federal Reserve System (2019) "Perspectives from Main Street: Bank Branch Access in Rural Communities." Accessed at https://www.federalreserve.gov/publications/november-2019-bank-branch-access-in-rural-communities.htm

underserved communities. The CRA has been a positive force for supporting our local economies. Our experience with the CRA's power compels our groups to stand up against a new rule that would threaten to weaken it.

We, the undersigned groups, small businesses, and individuals, submit these comments on behalf of the communities we represent.

Sincerely,

[redacted]

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With the support of the following community organizations:
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Kingdom City Community Development Corporation; Fayetteville, North Carolina
SJ Adams Consulting; Durham, North Carolina

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