From: Stanley Hirtle <shirtle@sbcglobal.net>
Sent: Sunday, April 05, 2020 11:22 PM
To: Comments
Subject: [EXTERNAL MESSAGE] FDIC RIN 3064-AF22 Community Reinvestment Act

To the Office of the Comptroller of the Currency and Federal Deposit Insurance Corp.

RE: Docket ID OCC-2018-0008. FDIC RIN 3064-AF22. Comment regarding “Reforming the Community Reinvestment Act Regulatory Framework”

The Social Justice and Peacemaking Ministry Unit of College Hill Community Church of Dayton, Ohio opposes the proposed changes to the Community Reinvestment Act (CRA) regulations. This is particularly true in light of the Coronavirus epidemic that is making radical changes in the lives and economic situation of many, and particularly those at or near poverty.

Our Church is a racial and cultural rainbow that values all people. We contact you because our faith tradition expects justice from the powerful, care for the needy and vulnerable, and love for the worth of all people in all their diversity. Accordingly outsiders and the poor are to be valued, workers are to be paid a fair wage, a fair marketplace is required, and greed, exploitation and excessive debt are to be prevented. These values are not limited to our Judeo-Christian faith tradition but are found throughout American society.

We are located in a mostly African American neighborhood in northwest Dayton, Ohio. Like many other cities, Dayton was redlined in the past and the present racial and economic makeup of the city continues to resemble that established by redlining. Dayton remains high on the list of the most racially and economically segregated cities.

The Miami Valley Equity Regional Profile[1] found our area doing poorly in racial segregation, income inequality, percentage of working people who are poor, and lack of upward mobility.

Many of the people living around us are low or moderate income. Our community has been a target for numerous kinds of disinvestment, and is often described as a food desert, a healthcare desert, and a retail desert. It was a former ground zero in the foreclosure crisis, where predatory mortgage lending first appeared. Boarded up foreclosed on homes are prevalent. Deteriorated properties far outstrip the resources needed to demolish or rehabilitate them. Supermarkets, retailers, and restaurants have left for wealthier whiter suburbs. Hospitals have closed and been demolished. Schools are closing. Abandoned strip malls are commonplace. Employers have closed their factories. What new employment there is may require purchasing a motor vehicle to get to. Small businesses struggle and often fail. Unemployment among disadvantaged groups like minority youth and citizens returning from the penal system remain high.

Many bank branches have closed as well. Many people are unbanked, suffer from the digital divide, and are taken advantage of by high cost lending. Payday and car title lenders have saturated our communities, and are now seeking to evade recent enactments by the State of Ohio to limit their activities.

Given the coronavirus epidemic and its expected effect on small businesses, poverty communities, those who lack access to nutrition, health care and stable employment, as well as on the community as a whole, we believe it is particularly unwise to engage in a radical weakening of the Community Reinvestment Act at this time.

The Community Reinvestment Act is one institution that encourages investment in communities and particularly low and moderate income communities and communities of color. We see a severe need for investment, both personal and business lending, in these communities. This was true before the coronavirus emergency and will be even more true afterwards.

We also reject arguments that blame the Community Reinvestment Act, and other provisions designed to expand access to credit, for the financial crisis. The problem was that because of inadequate regulation, the financial industry was able to profit more by making bad loans than good loans. More regulation rather than less is needed.

. The OCC and FDIC would lessen the public accountability of banks to their communities by enacting unclear performance measures on CRA exams that would not accurately measure a bank's responsiveness to local needs. The agencies assert that their changes would increase clarity and CRA activity, but the result will be significantly fewer loans, investments and services to low- and moderate-communities like ours.

The CRA must keep up with the changes in the financial industry and technology, but do so in a way that preserves its intent that the entire community benefits, including those that are most often excluded. It should include all kinds of financial institutions and their affiliates, raise the standards as to what is acceptable, and meaningfully keep up with the use of the internet in promoting access to lending throughout the society.

The agencies' proposals would dramatically lessen CRA's focus on low and middle income communities. This contradicts the purpose of the law to overcome the historical facts of redlining. The many devils are in the details of the proposed changes.

1. Numerous activities (6 pages of them) would count as "qualifying" for CRA credit. However they would not necessarily helped low income people as much as a more focused approach.

2. The definition of affordable housing would be relaxed to include middle-income housing in high cost areas. It would also assume that housing with rents at a certain low level[2] will be available to low income people. However there is no process to ensure that they are who benefits. There could easily be barriers to low income people such as discrimination, legal or illegal, lack of transportation and lack of information, which prevent them from benefitting. There might be overcome if the lenders were to require that a portion of rents be occupied by low income people.

3. The proposed regulations would count activities that do not help low and moderate people at all as CRA eligible activities. Financing large infrastructure such as bridges or even financing athletic stadiums in Opportunity Zones would be eligible.

4. The proposed regulations would expand the definitions of small businesses and farms, increasing the limit from $1 million to $2 million for small businesses and as high as $10 million for family farms. This allows actual low income businesses and farms to be ignored.

5. While the proposed regulations recognize changes in the banking industry such as the increased use of online banking, the proposed reforms to the geographical areas on CRA exams are impossible to determine and would reduce transparency. No one can understand or evaluate the agencies' proposal to add geographical areas on exams of internet banks due to the lack of publicly available data. A better idea would be to designate underserved areas and require internet banks to serve them.

6. 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 encourage banks to find the largest and easiest deals anywhere in the country as opposed to focusing on local needs.

7. Grade inflation would allow banks to pass even if they failed in one half of the areas on their exams. This encourages banks to seek large and easy deals anywhere. Also, the proposal would relax requirements that banks serve areas where they have branches first before they can seek deals elsewhere.

8. The proposal would retain a retail test that examines home, small business and consumer lending to low and middle income borrowers and communities but this retail test would eliminate the present ratings for retail, which are significant, and replace them with only be pass or fail.

9. The proposal would eliminate the test that scrutinizes bank branching and provision of deposit accounts to low and moderate income customers. This would encourage branch closures in these areas.

10. 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.

11. Small banks with assets less than $500 million could opt for their current streamlined exams instead of the new exams, and avoid having to engage in community development financing.

12. The agencies also require banks to collect more data on consumer lending and community development activities but do not require the banks to publicly release this data on a county or census tract level, where communities can evaluate it.

13. Finally, the agencies do not require mandatory inclusion on exams of bank mortgage company affiliates, many of whom engaged in abusive lending before and during the financial crisis.

Instead of weakening CRA, the agencies should 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 late Dayton City Commissioner Dean Lovelace was a dedicated advocate for using the Community Reinvestment Act to improve investment in low income communities. He was an official in the National Community Reinvestment Coalition and took part in shaping their views on the CRA and its needed improvement. We urge the OCC to seriously consider NCRC's views on the details of how to strengthen and improve, rather than weaken, the CRA. The CRA remains crucial to making the financial industry responsive to the needs of those with the least.

In summary, the deeply flawed proposal would result in less lending, investing and services for communities that were the focus of Congressional passage of CRA in 1977. It is particularly unwise to take such step in light of the Coronavirus epidemic and its expected effect on the economy and particularly the communities of poverty and color.

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 proposed rules, 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, and help rebuild these communities after the Coronavirus emergency.

Thank you for your attention.

Social Justice and Peacemaking Ministry Unit

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[1] https://www.arcgis.com/apps/Cascade/index.html?appid=e910ad3dbff745afa7c505f77bf7f053

[2] Rents "expected" at the time of the trans-action not to exceed 30 percent of 80 percent of the area median income.