April 7, 2020

Comments regarding "Reforming the Community Reinvestment Act Regulatory Framework"

RE: RIN 1557-AE34, Federal Register Number 2019-27940, Docket ID OCC-2018-0008

To Whom It May Concern:

My name is Aron Kurlander and I am the Director of Business Services at Greater Jamaica Development Corporation (GJDC). GJDC is a nonprofit that advances responsible development in a formerly redlined community in Queens, New York. As part of my position, I manage GJDC's Community Development Financial Institution (CDFI) and offer other support services to small businesses in Jamaica and throughout Queens.

I am writing regarding the OCC and FDIC's Notice of Proposed Rulemaking (NPR) seeking input on proposed changes to the Community Reinvestment Act (CRA).

Through my work with GJDC, I have provided technical assistance to over 100 businesses and provided capital of over $800,000 to 28 businesses last year alone. Given our geography and mission, we work predominantly with entrepreneurs of color who are building the kind of businesses—everything from auto repair shops, to restaurants, to architecture firms—that form that backbone of Jamaica's economy.

Much of this work is made possible through the incentive system set up by the CRA. I strongly oppose the ideas presented in the NPR that would significantly weaken the CRA, leading to less investment in small businesses that need it the most.

The Proposed CRA Reform is Bad For Small Businesses

The proposed reform will harm small businesses in Jamaica, Queens in several ways.

- **The proposed CRA reform may cut CRA related financing for the businesses that need it the most**:
    - We believe that the one-ratio approach will incentivize banks to make larger deals over smaller deals, which will make it more difficult for smaller businesses to get the financing need to grow. In my work, I have seen the tremendous positive impact a small loan can have for a growing business. In fact, I believe that low-dollar loans to small businesses can have an outsized effect on community economic development compared to larger loans to bigger firms.

    - Additionally, the proposal greatly expands what counts for CRA credit, including activities that benefit larger businesses. This includes bumping up the threshold for small loans and small businesses to $2 million in loan size and revenue (up from $1 million). Many businesses I work with have an annual revenue of well under $2 million and would not be able to accommodate a loan of $2 million. Because a few bigger deals will help banks fulfill CRA obligations faster and with less hassle than many smaller deals, small deals will likely be less attractive to banks.
    - The incentive to make larger loans and investments will also impact CDFIs like ours. The loans and investments we get are likely much smaller than a large-scale development. And grants are certainly smaller than any of these. Even with the double-credit for loans to CDFIs, banks will be incentivized to find larger deals elsewhere, leaving us starved of the capital we need to serve small businesses in our area.

- **The proposed CRA reform may cut off entire communities from CRA related financing**:
    - Under the new CRA rules, banks can do high volumes of investment in some areas, while excluding others entirely. In fact, a bank could fail 50% of its assessment areas and still pass its exam with a satisfactory or outstanding. This might lock small businesses in Jamaica out of financing incentivized by the CRA entirely. In addition, the bank-level evaluation combines CRA-qualified dollars loaned invested in all the assessment areas combined, as well as qualified activities <u>anywhere</u>, regardless of assessment area. While some of these areas may need investment, that investment cannot come at the expense of the obligation to meet local needs.

- **The proposed CRA reform leaves little room for community input**:
    - When it comes to banks addressing small business needs, community input and innovative thinking is necessary, both to inform community needs and provide feedback on how banks are meeting those needs. Unfortunately, under the proposal, community needs come a distant second to the total dollars invested. There is no meaningful way to incorporate community comments on local credit needs, no way to incorporate comments on bank performance, and is no systematic way to incentivize high-impact activities. Creative solutions to small business needs in Jamaica will be left unmet under the proposed CRA changes.
- **The proposed CRA reform reduces the emphasis on branches:** Bank branches are important to small businesses. Studies show a direct link to branches and small business loans. Small businesses also need to have a place to bank—deposit cash/checks, conduct business, etc. Fewer bank branches make it hard for small businesses to conduct business.

Conclusion

Meaningful CRA reform could boost lending and access to banking for underserved communities by incentivizing high quality, high impact activities based on local needs.

Transparent and consistent exams would support these goals. This proposal does none of that. It creates a more complicated, less transparent system that will lead to investments in our small businesses. The OCC and FDIC should abandon this proposal and go back to the table with the Federal Reserve to come up with a plan that preserves the core of the CRA, truly addresses its shortcomings, and modernizes it to incorporate today's banking world.

Thank you for your attention to our comments.

Sincerely,

Aron Kurlander, Director Business Services, GJDC

90-04 161st Street
Jamaica, NY 11432
718-291-0282

akurlander@gjdc.org