



**GROUND
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April 7, 2020

RE: Request for Comments on Notice of Proposed Rulemaking (NPRM) for Community Reinvestment Act Regulations (Docket ID OCC-2018-0008)

To Whom it May Concern:

Grounded Solutions Network strongly opposes the proposed changes to the Community Reinvestment Act (CRA) regulations. While the Office of the Comptroller of the Currency (OCC) and the Federal Deposit Insurance Corporation (FDIC) assert that the proposed rulemaking would improve bank activity and clarify performance metrics, the likely outcome of the proposed changes would be substantially fewer loans and investments to lower income communities as well as inappropriate evaluation of the bank's actual performance to meet local needs. Ultimately, our analysis of the proposed rule changes indicates the changes collectively would substantially undermine both the spirit and impact of the law, by adversely affecting banks' extension of credit to lower-income neighborhoods.

Grounded Solutions Network is a national nonprofit membership organization of roughly 200 community land trusts, municipal housing programs, and nonprofits that support housing with lasting affordability across 46 states, Washington D.C., and Puerto Rico. Our mission is to cultivate communities — equitable, inclusive and rich in opportunity — by advancing affordable housing solutions that last for generations. We help our members, partners and elected officials use evidence-based policies and strategies to create inclusive, equitable communities that have diverse housing options for a variety of incomes, offering choice and opportunity for all residents — both today and for future generations.

Most of our members create affordable homeownership opportunities through shared equity homeownership models for lower income households. The shared equity sector is increasingly serving households of color. A 2019 research study of data collected for over 4,000 shared equity homes over 33 years, proves the number of minority households owning these homes has steadily increased from 13 percent in the pre-2001 period to 43 percent during the 2013-2018 housing recovery period. The primary way shared equity borrowers access mortgage financing

on relatively small loans is through banks working to meet their CRA obligations. A substantial number of our member programs also receive critical corporate support in the form of charitable donations to create affordable housing and homeownership opportunities from financial institutions that are seeking CRA credit. Hence, both our members and the lower income households they serve with affordable housing would be adversely affected by the proposed changes, as financial institutions will not be as likely to provide small mortgages or donations to create single-family or smaller multi-family affordable housing.

Hence, we strongly oppose many provisions in the NPRM that would weaken the purpose of the CRA to directly address and combat lending discrimination, redlining and disinvestment in low- and moderate-income communities and communities of color. We do not support proceeding with any of the following changes to eligibility for CRA credit:

- Expanding “affordable housing” to include middle-income housing in high-cost areas;
- Counting rental housing as affordable housing if lower income households could hypothetically afford the rent (even if lower income households are not the tenants);
- Financing large infrastructure projects, such as bridges or stadiums in Opportunity Zones; or
- Increasing thresholds from \$1 million to \$2 million for small businesses and up to \$10 million for family farms.

Still further, the proposed changes would incentivize banks to invest in easier, larger-dollar projects in order to meet CRA obligations, which will divert resources from needed revitalization of low- and moderate-income communities through supporting smaller investments in affordable housing, small business development and community facilities.

Additionally, the proposed changes to the geographical areas on the CRA exams lack transparency. The deposit information that is currently gathered does not include geographic locations of customers when they open accounts on the web. Therefore, the agencies and the public cannot assess the impact of the proposed changes for establishing new areas on exams outside of branch networks where banks collect deposits. It is unknown how many banks would have new areas, where they would be located, and whether this proposed change increases access to financing and investments for low- and moderate-income communities. However, it is likely that areas with branches will be served less since the proposed changes removed the need to satisfactorily serve them before moving beyond branch areas. Therefore, banks will likely find easier areas to engage in community development rather than focus first on areas with branches.

As it relates to the proposed evaluation system, the changes would inflate ratings and decrease banks’ responsiveness to local needs. Under the new system, it is highly likely that 100% of banks would pass their CRA exams. The one ratio measure promotes banks to find large, simple deals in any geography rather than focusing on local needs that tend to require relatively smaller financing for homebuyers or small businesses. It is problematic that banks would be allowed to

not serve half of the areas on their exams and still pass their exam. This proposal is not acceptable to meet the statutory aims of CRA.

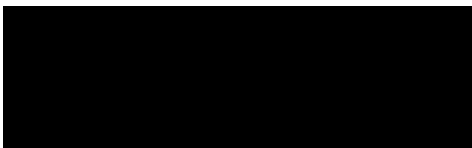
The proposed changes would keep a retail test, but it would become pass/fail rather than how it now has ratings and contributes more to the overall rating. Further, the proposed changes would eliminate the service test. The consequence would be that branches located in low- and moderate-income areas would matter very little to the one ratio, which will likely result in branch closures in these areas.

Furthermore, the numerical targets under the one ratio exam are not able to be interpreted by the public, which runs counter to the rulemaking process for enabling the public make informed interpretations on the impacts of the rule changes. The agencies also propose to allow banks with an Outstanding rating to extend exams to every five years. However, this is not adequate to ensure banks are responding to changing community needs. Furthermore, banks would not need be as concerned about their recent CRA performance when seeking permission for mergers.

Lastly, a significant group of banks that are currently required to engage in community development finance would no longer need to do so, which would be injurious to communities. We do not support the changes to small banks.

Ultimately, we do not support the NPRM's weakening of the CRA. The proposed changes would: (1) focus less on low- and moderate-income people, (2) use an overly simplistic one ratio that would discourage small lending to homebuyers and small businesses, (3) have retail lending and branch locations count for less in the evaluation, and (4) increase grade inflation while decrease lending, investing, and bank services to LMI consumers and LMI communities. This backtracking will violate the agencies' obligation under the statute to ensure that banks are continually serving community needs. Instead, the agencies should enact reforms that would increase bank activity in underserved neighborhoods and to address persistent racial disparities. Grounded Solutions Network strongly encourages the FDIC and OCC 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 in terms of reinvesting in LMI communities, not halting or reversing this progress.

Sincerely,



Emily Thaden
Director of National Policy & Sector Strategy