April 7, 2020

Comment on Notice of Proposed Rule Making, Community Reinvestment Act

To Whom It May Concern:

REACH Community Development opposes proposed changes to the Community Reinvestment Act (CRA). REACH is a non-profit organization based in Portland, Oregon with a mission to create quality, affordable housing for individuals, families and communities to thrive. We are stewards for over 2,300 permanently affordable rental apartments serving low income households. REACH is affiliated with both NeighborWorks America and Housing Partnership Network, reflecting our commitment to community based approaches to development.

CRA has had a tremendous positive impact on our communities. The strongest and most economically dynamic communities are those that make room for households at all income levels. Thanks to CRA, disinvested communities have been revitalized and also gentrifying communities have preserved and created affordable housing. CRA is one of the most flexible and impactful federal regulations ever created. Since 1996, banks have issued almost $2 trillion in small business loans and community development loans creating opportunity for low- and moderate-income households and communities.

As an example, here in Portland, OR, CRA has motivated banks to provide loans and investments for affordable housing and economic development. For example, just over the past five years, as Portland housing prices and rents are rising and pricing out many working families, REACH has created hundreds of new affordable apartments thanks to CRA motivated banks. If it weren't for CRA, it is unlikely that REACH would have been able to gain the private investment necessary to build new communities like Orchards at Orenco in Hillsboro, Glisan Commons in Portland and Isabella Court in Vancouver, WA, Renaissance Commons in NE Portland. And these new construction developments have generated hundreds of high paying jobs in the process.

REACH agrees that CRA reform is a worthy initiative, to take into account changes in banking and technology. But the proposed rulemaking discards some of the most effective elements of CRA, and will allow banks to become less responsive to community needs, counter to the purpose of the CRA legislation.

The proposed rulemaking will allow many banks to avoid CRA exams for longer periods of time. With the use of the new "one ratio" and changes to definition to what is considered affordable housing, we would see a major dilution in the amount of investment in low- and moderate-income neighborhoods.

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The goal of simplifying the bank rating progress, while admirable, may actually work at cross purposes to the central part of CRA's effectiveness. CRA is about creating opportunities in specific local areas of need. A bank should be required to lend to dis-invested and lower income areas within all of its service areas. The current rating process ensures that banks prove investment in all of the local areas they serve. The 'one ratio' would allow banks to potentially pass CRA by focusing investment in certain larger markets and halting low income investment in smaller markets. Low and moderate income communities in Portland, for example, would likely become a relatively ignored market as some large banks would focus in larger metro areas.

CRA exams currently evaluate and rate bank performance in geographical areas called assessment areas where banks have branches. Examiners are required to solicit and consider comments from community members about performance in assessment areas. This critical part of CRA, considering public comments on local performance, will be significantly undermined if the one ratio replaces assessment areas or significantly diminishes the importance of assessment areas and public input on CRA ratings.

REACH has enjoyed strong relationships with the banking community here including Wells Fargo, Bank of America, Key Bank and US Bank, to name a few. These banks maintain a strong team of CRA bankers here in Portland. REACH and other nonprofits meet regularly with these bankers to discuss investments in affordable housing and also in local policy changes to support economic development and affordable housing. We believe that some of these CRA banking teams would be diminished and discontinued at the banks, if the CRA 'one ratio' were to be implemented.

The proposed rule seeks to recognize that bank lending and deposit taking in geographical areas beyond bank branches has been increasing and that CRA exams should scrutinize this activity. This makes sense, but there is concern that by including the dollar amount of this activity in the numerator of the one ratio, this would actually allow some banks to dramatically reduce CRA investment in areas where they have branches. A better alternative would be to establish assessment areas for geographical areas where banks do not have branches, but engage in a significant amount of business. This would better facilitate accountability to local needs and public input.

The proposed rulemaking seeks to broaden definition for activities and populations that are counted as CRA investments. Industry trade associations have been advocating for CRA consideration for projects that have broad benefits such as financing hospitals and infrastructure that are not necessarily located in low- and moderate-income neighborhoods. This is ill-advised, because the original purpose of CRA was to combat redlining in low- and moderate-income neighborhoods. The legacy of redlining and disinvestment are still clearly visible today. If CRA exams award points for financing or activities that do not address lack of access to banking or community development needs

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in lower income neighborhoods, then CRA will be less effective in channeling resources to needs like affordable housing and small business development – needs that are massively underinvested in our communities.

In conclusion, meaningful CRA reform could boost lending and access to banking for underserved communities. Assessment areas must be added that include areas outside of bank branch networks in which banks make high volumes of loans. Lending and access to banking for people and communities of color must be considered on CRA exams. Mortgage company affiliates of banks must be included on CRA exams.

To ease bank anxiety about unclear aspects of CRA, communications among the federal agencies, banks, and community groups could be improved. However, easing bank anxiety via the one ratio and diminishing the importance of branches, assessment areas, and public input will decrease lending and access to banking in the communities that need it the most.

We urge the FDIC and the OCC to go back to the drawing board and instead work with the Federal Reserve Board to develop an interagency proposal that builds upon and respects the incredible progress attributable to the Community Reinvestment Act.

Thank you for considering our comments.

Sincerely,

[redacted]

Dan Valliere
CEO, REACH Community Development