April 8, 2020

Comptroller Joseph M. Otting
Office of the Comptroller of the Currency
400 7th Street, SW
Washington, DC 20219

Chairman Jelena McWilliams
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429

*Re:* *Proposed rule changes to the Community Reinvestment Act*

Dear Comptroller Otting and Chairman McWilliams,

As a leading representative of the 30 million small businesses in America, Small Business Majority is writing in response to the OCC's and FDIC's joint proposed rule on "Reforming the Community Reinvestment Act Regulatory Framework."

Small Business Majority is a national small business advocacy organization, founded and run by small business owners to ensure America's entrepreneurs are a key part of a thriving and inclusive economy. We actively engage our network of more than 58,000 small business owners in support of public policy solutions, and deliver information and resources to entrepreneurs that promote small business growth and drive a strong, sustainable job-creating economy.

While we applaud attempts to modernize the CRA to better reflect modern banking practices, we are deeply concerned that the proposed revisions would negatively impact underserved entrepreneurs in low and moderate income (LMI) communities, primarily by allowing banks to claim CRA credit for larger-dollar investments and curtailing small-dollar CRA activity to small businesses in LMI areas.

While we are not necessarily opposed to raising the loan size threshold to $2 million and adjusting it for inflation, as this could help some small businesses achieve scale and growth, the rules should ensure adequate safeguards to ensure that smaller-dollar loans are not curtailed. We are concerned that banks' ability to make larger loans to fulfill their CRA obligations will disincentivize them from making qualified smaller-dollar loans that are the lifeblood of the nation's small businesses. According to the 2019 Federal Reserve Small Business Credit Survey, nearly 75% of firms seeking capital sought loans under $250,000, and 59% sought loans under $100,000. Small-dollar loans are essential for business growth and should be incentivized in any revision of CRA regulations.

We also believe that loans to small businesses in LMI areas are essential to spurring economic development in these communities, and as such should be given priority through multipliers. With the ratio calculation proposed in the NPR, it appears it would be possible for banks to satisfy their retail small business loan obligations through loans to any small business or small farm, regardless of where they are located. A multiplier for small business loans for businesses located in LMI areas, and/or owned by LMI individuals, would help to spur investments in small businesses in these communities and lead to sustained economic growth.

We also are concerned about the expansion of certain allowable CRA activities, primarily for large infrastructure projects or other large-scale developments that could only have a "partial" impact on LMI individuals, including investments in qualified Opportunity Zones. Again, we believe that this would encourage banks to seek out larger investments to more easily fulfill their CRA obligations, curtailing the amount of small-dollar CRA activity intended for small businesses and LMI communities. Without adequate tools to measure the true impact on businesses and individuals in LMI communities, and tools to ensure small-dollar activity is not curtailed, we oppose this expansion of qualifying CRA activity.

While modern banking has evolved digitally, it remains essential that CRA be used as a tool to allow banks to be responsive to the needs of their local communities. The new scoring system would allow banks to ignore many of the communities where they have branches and still pass their exams. More weight should be given to CRA activity in communities where banks have branches, and the methods by which they establish their assessment areas be clearly delimited, and not left to self-definition.

The NPR would also expand financial literacy to include education to any class of people, not just LMI individuals. This could allow a bank to claim CRA credit, for instance, for a real estate investment seminar geared toward wealthy investors. We oppose this expansion.

Small businesses play tremendous roles in driving economic activity and supporting job creation. We agree the CRA is overdue for reform, but changes to these regulations must ensure encourage lending to small businesses, especially to underserved entrepreneurs. Any changes must address the credit and funding gaps of low- and moderate-income borrowers and entrepreneurs of color, not further reduce their ability to find much needed capital or credit.

We strongly encourage the OCC to revise its proposed rule in line with the above feedback and are appreciative of the opportunity to comment on this important topic for our nation's small business owners.

Sincerely,

[redacted]

John Arensmeyer
Founder and CEO