

LIVE UNITED



United Way
of Frederick County

April 8, 2020

To Whom It May Concern:

United Way of Frederick County (UWFC) improves lives by mobilizing the caring power of the community to advance the common good. UWFC envisions a community where all individuals and families achieve their potential through healthy lives, education and financial stability. Our fundraising, advocacy and volunteerism focus on supporting the 39% of Frederick County households that can't afford the basic cost of living (see ALICE Report <https://www.unitedforalice.org/>).

Therefore, we strongly oppose the Office of the Comptroller of the Currency's (OCC) and the Federal Deposit Insurance Corporation's (FDIC) Notice of Proposed Rulemaking (NPRM) regarding the Community Reinvestment Act (CRA). CRA requires that deposit-taking institutions meet the convenience and needs of the low- and moderate-income (LMI) communities in which they operate. Over the decades, CRA has leveraged significant amounts of loans and investments in LMI communities; Since 1996, banks have issued almost \$2 trillion in small business loans and community development loans and investments in LMI communities.

Qualifying Activities

The strength of CRA is in the feedback loop it creates between communities, banks, and regulators. The credit needs of communities are distinct and diverse, and current regulations emphasize the need for banks to collaborate with community organizations to develop innovative products, services, loans and investments that meet the community's credit needs.

An excellent example of our collaboration with a local bank to support the community is our partnership with Frederick County Bank (now operating as FCB, a division of ACNB Bank). Over the last 5 years we have worked together on matched savings programs to support Frederick County residents in purchasing assets towards achieving financial stability. To date these programs have had 49 graduates, and of these, 5 were able to purchase a car, 14 invested in post-secondary education, 16 expanded or opened a small business, and 18 bought a home.

In light of these experiences, we oppose the creation of a specified list of qualifying activities. The OCC and FDIC's proposed regulations would create a list of qualified activities rather than hold banks accountable to meeting the needs identified by community members and nonprofit organizations. This proposal would undermine collaboration between banks and community groups by enacting unclear performance measures on CRA exams that would not accurately measure bank's responsiveness to local needs. Instead, we suggest the OCC and FDIC develop a list of principals defining CRA-qualified activities along with an illustrative but not definitive list of activities.

Affordable Housing

The NPRM redefines affordable housing to include middle-income housing in high-cost areas. In addition, the NPRM would count rental housing as affordable housing if lower-income people could afford to pay the rent without verifying that lower-income people would be tenants.

Over half of renters in our community spend more than 30% of their monthly income on rent. Due to our proximity to Washington, DC and Baltimore, MD our housing prices are significant. First time homebuyers in our county often need assistance in improving their credit scores once they begin to plan to buy their first home. The credit assistance program we sponsor is only possible due to the volunteers from local banks, volunteers that we are afraid would not be encouraged to spend their time this way if their banks felt they wouldn't receive CRA credit for this work. Far too often community members stay in high priced rentals or substandard housing as they are unable to take the steps necessary to purchase a home. Frequently, workers give up and live in Washington County, Pennsylvania or West Virginia to avoid the high cost of living in our county. This leads to reduced productivity in government and business as workers struggle with traffic to be at work and turnover is high.

As you can see, affordable housing for LMI people is a critical need in our community. The OCC and FDIC should not expand the definition of affordable housing to include middle-income housing, nor loosen the standard for verifying that housing is being used by LMI tenants.

One Ratio

The agencies propose a one ratio measure that consists 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 collaborating with communities and responding to local needs. The inclusion of public infrastructure financing as a qualifying CRA activity would further displace smaller dollar financing for small businesses or homeowners.

The proposal would also allow banks to fail the Retail Lending test and make no community development investment in one half of the areas on their exams and still pass their CRA exams. This would incentivize the export of capital from communities, as banks seek the most efficient and easiest way to fulfill their reinvestment obligations.

The impact of any reduction of funding to nonprofits in our community by banks active in our county would be severe and immediate. Services would be cut, programs cancelled and the number of clients served would be drastically reduced. When the ALICE Report clearly points out that our current safety net isn't serving all that need assistance, we know this scenario would simply be unacceptable.

The abundance of first time homebuyer mortgage products is also critical to protect as these products are often times the only reason new homebuyers can afford to enter the market. If these community members don't feel served by the banks in their neighborhoods they will feel discouraged from pursuing significant assets and their path to financial stability will be that much more difficult to complete.

Bank Branches

The NPRM would significantly reduce the importance of bank branches in CRA performance evaluations. This would likely lead to the closure of branches serving LMI neighborhoods.

There has already been a significant reduction in bank branches in the city of Frederick and throughout the county. There is only one bank now in Brunswick and the Thurmont and Emmitsburg areas each. These communities have the highest ALICE percentages in the county and we need to be increasing financial resources for them not reducing them. Our bank branch employees also tend to be very active in the community as volunteers and donors and that support and engagement is critical to keeping our communities financially vibrant.

Branches are essential to the economic vitality of communities, and CRA regulations should emphasize the importance of physical branches in LMI neighborhoods.

The proposed regulations would encourage the export of capital from communities, in direct contradiction of the statutory goal of the CRA. We urge the OCC and FDIC to discard the NPRM and instead work with the Federal Reserve Board and propose an interagency rule that will modernize CRA in a way that will increase reinvestment in LMI communities.

Sincerely,

Malcolm Furgol
Director, Community Impact