NCALL

NATIONAL COUNCIL ON AGRICULTURAL LIFE
AND LABOR RESEARCH FUND, INC.

April 8, 2020

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The Honorable Jelena McWilliams
Chair, Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429

Re: Notice of Proposed Rulemaking – Community Reinvestment Act Regulations
Docket ID OCC-2018-0008

Dear Chair McWilliams:

The National Council on Agricultural Life and Labor Research Fund, Inc. (NCALL) opposes the proposed changes to the Community Reinvestment Act (CRA) regulations as deeply misconceived and fundamentally flawed. As a Delaware-based Community Development Financial Institution (CDFI) and chartered member of NeighborWorks America (NWA), NCALL believes that the OCC's and FDIC's Notice of Proposed Rulemaking (NPRM) would lessen the public accountability of banks to their communities resulting in significantly fewer loans, investments, and services to low- and moderate-income (LMI) communities.

For more than four decades, NCALL has leveraged CRA investments from banking institutions to provide critical services to LMI people in our target market of the Delmarva Peninsula. These services include prepurchase and foreclosure prevention counseling, financial coaching, affordable housing development, community development lending, technical assistance to nonprofits, and other community revitalization activities. With a mission to "strengthen communities through housing, lending, and education," NCALL has counseled more than 9,000 new homeowners, provided financial coaching to more than 8,000 people, saved more than 1,500 homes from foreclosure, developed 58 affordable apartment communities, and deployed more than $138 million in community development loans. We currently receive an average of $339,000 per year in CRA-motivated operational grants, and additional annual support in the form of capital grants, that

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are critical to this tremendous impact. A weakening of CRA would reduce these grants significantly and subsequently our impact in the community.

Under the NPRM, community development loans, investments, and services would no longer have a primary purpose of serving LMI individuals or areas. The proposed rule would include middle-income housing in high cost areas, and would expand financial education to include people of all income levels. As one of the top providers of housing counseling and financial education activities within the NWA network, NCALL is concerned that this undermining of CRA's historic LMI focus will result in decreased funding for these activities. The LMI individuals that participate in our various programs are empowered to enter the economic mainstream and to utilize safe and responsible financial products. Funding decreases for these programs would result in fewer LMI participants and, due to less available conventional credit options, in greater use of predatory services by many LMI households.

Proposed changes also include the use of a single total-dollar volume metric to determine a bank's CRA rating. This change favors the quantity of bank activities over quality, and encourages banks to seek larger, less complex projects as opposed to small-scale, high impact ones, such as those involving CDFIs. As a community development lender with nearly $14 million of financing capital borrowed from banks (representing 81% of our total borrowed capital), with an average loan of $1.3 million per bank, NCALL is concerned that there will be fewer of these critical investments in the future. As these bank loans decrease, so too will the number of crucial community development loans that NCALL makes that benefit LMI individuals and areas. In addition, bank branches in LMI communities are devalued considerably under this single metric determination, which will likely lead to significant branch loss in LMI communities and a decrease in lending.

This dollar volume metric also results in new presumptive ratings, which suggests this is the dominant measure of a bank's CRA activities. This new standard undermines one of the most important benefits of CRA – the creation of community partnerships between banks, community organizations, and other stakeholders. The voice of community development organizations would be greatly devalued under this new proposed rule. In addition, these presumptive standards will allow banks to pass their overall CRA exams despite failing investment tests in nearly 50% of their assessment areas. Likewise, there will be no review of mortgage lending in LMI neighborhoods, creating the potential for redlining.

The NPRM also expands the list of CRA eligible activities which will serve to divert resources from traditional community development activities such as investment in affordable housing, community facilities, and loans to LMI individuals. For example, financing certain large infrastructure improvements or Opportunity Zone projects would be eligible under the proposal, even if those deals provide little or no benefit for LMI individuals.

The new proposed rule also allows for credit to be given for CRA activity outside of a bank's assessment area regardless of performance in the bank's assessment area. This will allow banks to seek larger CRA eligible projects around the country while ignoring the small but important projects where their bank branches and employees are located. This is especially troubling for small states such as Delaware and rural areas.

CRA has been tremendously successful in delivering financial products and services to historically disadvantaged populations and communities. Despite this success, CRA is in need of reform and modernization. The proposed regulatory framework, however, drastically alters the Community Reinvestment Act as we know it and significantly away from the purpose of the act – to stop redlining and to ensure that financial institutions invest in their community, and in particular the LMI communities in their area. It would divert critical investments away from traditional community development activities toward activities that provide minimal benefit to LMI communities and populations. We encourage the OCC and FDIC to discard the NPRM and work with the Federal Reserve to create an interagency proposal that will augment the progress achieved under CRA as opposed to reversing it.

Sincerely,

[redacted]

Karen B. Speakman
Executive Director