

John A. McDermott Jr.

Chicago, IL

April 8, 2020

Comptroller Joseph M. Otting
Comptroller of the Currency
Comp 400 7th Street, SW
Washington, D.C. 20219

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

Docket No. OCC-2018-0008 / RIN 3064-AF22

Dear Comptroller Otting & Chair McWilliams:

I submit these comments in response to the OCC/FDIC's Notice of Proposed Rulemaking (the "Proposal") regarding the Community Reinvestment Act (CRA).

I have been a community organizer for nearly 30 years. My work has focused on housing justice, especially campaigns to create or preserve housing for low- and moderate-income Chicagoans in gentrifying communities. From 1996 to 2001, I was Executive Director of the Lakeview Action Coalition (LAC), an institution-based, multi-issue community organization. During my tenure, LAC doubled its membership and won a series of affordable housing development and preservation victories.

From 2002 through 2017, I was Housing & Land Use Director at the Logan Square Neighborhood Association (LSNA), where I staffed local campaigns to build affordable housing and citywide coalition campaigns for policy change on issues from inclusionary housing (set-asides) to protecting tenants in foreclosure to Chicago's distorted Tax Increment Financing (TIF) priorities. I also organized LSNA's decade-long campaign to preserve an historic public housing development in an economically thriving area. The campaign won several unprecedented victories, including a federal court agreement to replace 525 public housing units eliminated from the site with 525 units to be developed across Chicago's largely white, affluent North Side. I also played key role in implementing a comprehensive community development plan in conjunction with the Local Initiatives Support Corporation (LISC) that sparked housing, economic development and open space investments.

Since 2017, I have been a consultant on housing, community development and equity for a variety of Chicago organizations.

I strongly oppose the Proposal's drastic shift from qualitative to quantitative evaluation measures. Dollar amounts matter, but not to the exclusion of a qualitative assessment of banks' activities in *meeting local community needs*. The net impact of the Proposal would be to reduce

bank investments and services in low- and moderate-income (LMI) communities. This runs counter to the spirit of the law itself.

A pass-fail test for evaluating banks' retail lending distribution would prompt many banks to do *just enough* to pass. Converting the CRA activities test into a dollar-based metric would encourage banks to cut down on many small, impactful loans and projects – which together may have higher transaction costs – and instead focus on fewer, high-dollar-value projects. Why, for example, would a bank expend resources making dozens of small loans to “Mom and Pop” owners of small rental buildings when it could instead spend millions on a road-building project?

The CRA is our most significant tool to ensure that banks meet the needs of low- and moderate-income (LMI) families and communities. Yes, the CRA must be updated and strengthened, but modernization must *preserve what works* under the CRA.

As Federal Reserve Gov. Brainard observed recently, one of the “core strengths” of the CRA is creating an ecosystem that “encourages banks to engage on the priorities identified by local leaders.” The current Proposal would abandon this core strength in the name of supposed objectivity. To protect the CRA ecosystem, we urge you to suspend the rulemaking process, invite the Federal Reserve back to the table, and release a proposal only when all three regulators are on the same page.

This approach is in the best interests of the LMI communities, non-profits, banks and the regulators. It is also *the only appropriate way forward* amid the Covid-19 crisis, as individuals, organizations and public officials appropriately put “all hands on deck” to save lives and support families through the rapidly emerging economic crisis.

Sincerely,

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John A. McDermott Jr.