CARAT
California Resources and Training®
Innovators in TA Performance and Service
300 Frank Ogawa Plaza, Suite 175
Oakland, California 94612
Email – staylor@caratnet.org
Web – www.caratnet.org
(510) 506-6243

April 8, 2020

cra.reg@occ.treas.gov

Comments@fdic.gov

RE: Community Reinvestment Act Regulations
Re: Docket ID OCC-2018-0008
RIN 3064-AF22: Notice of Proposed Rulemaking

To Whom it may concern:

California Resources and Training strongly opposes the proposed changes to the Community Reinvestment (CRA) Act

The CRA holds banks accountable to the needs of communities they have historically ignored or preyed upon. The federal statute requires each bank regulator, including the OCC and FDIC "to use its authority when examining financial institutions, to encourage such institutions to help meet the credit needs of the local communities." 12 USC 2901(b). Instead, the current proposed rulemaking seems to be seeking to dramatically lower the bar and make it easier for banks to pass CRA exams without consideration to the needs of local communities and by **taking CRA away from its focus on low and moderate income neighborhoods.**

The CRA has done tremendous good for California and the country. In an interactive research tool posted on NCRC's website it shows between the dates of 2007 and 2018 in the San Francisco, Oakland, and Hayward, California areas alone there has been approximately $25 billion of CRA small business lending and $85 Billion of CRA Housing Lending that was reported.

For 23 years .California Resources and Training (CARAT) has been providing training and technical assistance services to small businesses throughout the state of California Many of the business owners are first generation , minority and women owned businesses located in and providing services in low income communities throughout California. We have worked with financial institutions to make this happen, by being a strategic partner to offer affordable services to the business owners.

One notable project where bank partnership was essential was the Small Business Broadband Imitative. Because of CRA, over a 3 year period banks contributed $700,000 of matching funds towards program costs. CARAT was able to leverage those funds to implement a program that served over 11,000 individuals, provided 963 jobs and delivered 400 technology solution trainings to small minority and women owned small business. We served 63% women, 20% African Americans, 17% Asian and 30% Hispanic owned small businesses. CRA is still very much needed: too many low income, Black, Latino, indigenous, rural, and immigrant communities still lack access to affordable and accessible services.

Banks do not need relief from the CRA. **CRA exam processes do not need to be simplified, watered down, or made easier to pass.** For decades, over 98% of all banks have passed CRA exams with flying colors. **Loosening or otherwise expanding what would count for CRA is simply deregulation by another name. We cannot afford to do that**.

The CRA should support communities by holding banks accountable.
Banks should not be able to count for CRA credit loans and investments in upper or middle income neighborhoods, outside of where they take deposits, and to businesses with over a million dollars in annual revenue. **And the bank regulators should not rate banks by a one-size fits all, single performance number approach, simply dividing the dollar value of CRA activity by asset size. Such an expansion of what qualifies for CRA, a move away from the historic focus on low income communities, and oversimplification of performance measures would gut the CRA almost entirely. We do not support any of these proposals. If allowed, history tells us that banks would revert to choosing the easiest, most lucrative activities that counted towards this single performance number test instead of actually serving the financial needs of their communities.**
CRA should continue to be focused on activity in low and moderate income communities. Higher income communities do not lack for financial services. Having branches in low and moderate income areas must continue to be a focus of the CRA. Additional services in low and moderate income communities, such as improved access through technology should count towards CRA so long as this **does not replace branch access.** Many communities across California still rely on cash, in-person or multilingual financial services, which are best handled through branches.

Community input is critical to the success of CRA and should not be silenced. The idea for a one-size fits all single measure based on asset size cuts out the voice of community members that currently work to make banks aware of where credit and capital are most needed. Data furnished by banks to CRC indicate that those that had CRA agreements invested roughly twice as much in communities as banks without such agreements. Community need, and community input, are integral to understanding the context of CRA activities and should be kept, if not strengthened, as part of CRA exams.

CRA exams should restore consideration of fair lending law violations.
Until recently , A**LL of the bank regulators considered unlawful discrimination in lending as a factor when issuing CRA exam ratings. This should remain**. At its core, CRA was a response to bank redlining of neighborhoods of color and was meant to operate in conjunction with other fair lending laws. **Banks that violate fair housing and fair lending laws should not be given high CRA ratings or passing grades when they discriminate against the communities that the CRA is designed to protect.**

We know who will suffer.
Entrepreneurs already struggle to access bank financing when their businesses are young, small, owned by people of color, or located in low income communities or communities of color. The CRA requires banks not to ignore these small businesses and incentivizes loans made to truly small businesses. The Proposed rulemaking opens the door to allow banks to get credit for loans and investments in any business of any size in any neighborhood. Most small business owners will lose out as the incentives to serve them get redirected in favor of large businesses with lots of financing choices.

We need a stronger revised CRA, not a weaker revised one; hence we oppose major changes denoted above to CRA in this proposed rulemaking.

There is so much unmet need- we need banks to step up, not step away.

Thank you for your consideration.

Respectfully Submitted,

[redacted]

Selma Taylor, Executive Director
California Resources and Training

Cc: California Reinvestment Coalition
CC: National Community Reinvestment Coalition