OHIO CDC
association

April 8, 2020

Chief Counsel's Office
Office of the Comptroller of the Currency
Attention: Comment Processing, Office of the Comptroller of the Currency
400 7th Street SW, Suite 3E-218
Washington, DC 20219
Via Email: cra.reg@occ.treas.gov

Re: Comment – OCC, Docket ID OCC-2018-0008

To Whom It May Concern:

I'm writing to make public comment on behalf of the Ohio CDC Association (OCDCA) which is a statewide membership organization that fosters vibrant neighborhoods and improves the quality of life in all communities through advocacy and capacity building of our member agencies.

Our 265 member organizations work in concert with banking partners to revitalize and stabilize their respective communities through tactics such as affordable housing and economic development. We've taken the time to educate and receive feedback from the membership regarding their thoughts on the proposed rule to this incredibly critical community development tool – the Community Reinvestment Act (CRA). The universal response to the rule has been one of shock and fear for the low-income communities and disenfranchised that they work with.

The results of redlining are unfortunately well known and are still with us today. In fact, a recent study confirmed that 74% of neighborhoods marked off and declared hazardous in the 1930's are low-to-moderate (LMI) income today. Not until civil rights activists led the national fight in 1977 to pass the CRA, were banks required to invest in the communities they serve. Due to the proposed rule, CRA is now at risk of being dismantled allowing for modern-day redlining.

CRA requires lending to poor communities, and banks are evaluated on their lending practices. Forty-plus years later, we can say with confidence that the CRA has made significant improvements to provide access to credit. The law has led lenders to make billions of dollars worth of loans and investments in underserved communities for affordable housing, small businesses, and economic development.

We may be taking a trip back in time reversing hard fought progress. There's much to be concerned with in the 240-page proposed technical rule, but these issues demonstrate its danger to communities throughout Ohio and the country.

How it counts – Banks are currently assessed on the goal of serving all communities where they do business. The proposed rule would institute an overly simplified scoring system (known as single metric) that would disregard whether the lending needs of the local community are being served by the banks. It incentivizes large deals over access to loans for LMI mortgages and small businesses.

Where it counts – The new rating system would allow banks to disregard up to 50% of their assessment area and still get a passing grade — something that isn't possible under current CRA regulations. This is an invitation to a modern form of redlining where one can envision bank investments deployed in gentrifying neighborhoods while disinvesting in historically disenfranchised neighborhoods.

What counts – It dramatically and irresponsibly expands what activities would be eligible for CRA credit to investments unrelated to the intent of CRA. For example, the building of stadiums or luxury boxes in Opportunity Zones would count toward CRA and would in effect diminish small business and mortgage lending. Eligible activities would no longer be required to primarily benefit LMI communities departing from the CRA's original intent.

Capital is the fuel for the American dream. Without access to capital dreams of homeownership go unfulfilled, businesses don't open, and our Main Streets deteriorate. To get a sense of what's at stake, the National Community Reinvestment Coalition (NCRC) estimates that in Ohio, just a modest decrease of 10% in CRA lending would result in a $975 million loss in home and small business lending over a five-year period. That's nearly $1 billion exiting out of Ohio communities for every 10% reduction in CRA lending.

Why is this happening especially so soon after communities across Ohio and the country are still dealing with the ravages of the great recession's foreclosure crisis? My suspicion is that this proposed rule has nothing to do with bolstering community reinvestment. It has to do with making compliance automatic for banks while diminishing the incentives and actualized lending in communities that are most challenged. Additionally, the Office of the Comptroller of the Currency (OCC) and the Federal Deposit Insurance Corporation (FDIC) have not been able to provide any real data to prove their baseless theory that CRA investments will increase due to the rule. That's because when you take the rule in totality, the net consequence will be less investments in struggling communities.

Also, it's quite troubling and revealing that the OCC and FDIC would not halt the rulemaking process in the middle of a nationwide pandemic. First, the pandemic is an all-encompassing national disaster with all of the organizations interested in CRA diverting much of their attention and resources to serve their communities in a time of need. Second, it's obvious that there will be severe consequences from the pandemic with bank investments critical to long-term recovery. It makes no sense to push through a rule that will not take into consideration the important policy context of the pandemic. A pandemic that will overwhelmingly hit those most in need of strong CRA rules and incentives.

Banks and community organizations such as ours agree that the CRA needs to be modernized and strengthened. Modernized so it reflects the way mobile and online banking has reshaped the industry and strengthened so that it truly reflects community economic needs. This version of reform is not the answer.

This proposal guts CRA and effectively takes us toward a modern form of redlining. We need to encourage robust investment in struggling communities and not rig the system against them yet again.

It is our sincere hope that the OCC and FDIC rescind their proposed rule. Please craft a future for a CRA that fulfills the 1977 intent instead of what lies before us – a rule that will make compliance automatic and reduce investments and capital in communities that need them most.

Thank you for your consideration. If you have any questions please do not hesitate to contact me at (614) 461-6392 x 207 or ncoffman@ohiocdc.org.

Sincerely,

Nate Coffman
Executive Director
Ohio CDC Association