



Business and Professional People
for the Public Interest
25 E. Washington Street | Suite 1515
Chicago, Illinois 60602

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April 7, 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

Dear Comptroller Otting & Chair McWilliams:

Business and Professional People for the Public Interest (BPI) submits these comments in response to the OCC/FDIC's Notice of Proposed Rulemaking (the "Proposal") regarding the Community Reinvestment Act (CRA). BPI opposes the Proposal's shift from qualitative to quantitative evaluation measures because it will have dire effects in the low- and moderate-income (LMI) communities that the CRA is intended to serve. While total dollar amounts matter, a qualitative assessment of banks' activities is a necessary component for evaluating whether banks are meeting their obligations and serving the needs of the communities in which they operate. The net impact of the Proposal will be to reduce bank investments and services in LMI communities, an impact that runs counter to the intent and the spirit of the law itself.

BPI is a public interest law and policy center that strives to resolve compelling issues of social justice and quality of life in the Chicago region, and is the home of the landmark *Gautreaux* public housing desegregation lawsuit. In this context, BPI works to increase the availability of affordable housing, transform segregated public housing, and revitalize communities. In the many under-resourced communities in which BPI works, a wide range of investments are necessary to counter the decades-long impacts of segregation and disinvestment. Banks and CDFIs are key investors needed to provide the financing for affordable housing, community facilities, small business loans and many other small projects and products to revitalize communities. For example, in communities in which we work, banks and CDFIs have provided key financing for historically preserved affordable rental housing, as well as a new Arts and Recreation Center, a much needed new grocery store in a public housing redevelopment area and more. The comprehensive community development efforts underway require a broad range of community inputs in order to be successful.

Converting the CRA activities test into a dollar-based metric, as the Proposal would do, will 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. It will also discourage banks from participating in more challenging and innovative lending for which potential CRA credit is an added incentive when the level of economic profit might be uncertain. Rather than addressing the broad-based needs of the communities in which they operate, best expressed by community-based leaders, the Proposal creates incentives for banks to finance fewer, larger projects. The incentive to engage in smaller, more targeted community development loans, investments, and grants based on community needs and desires would disappear. For example, a bank could choose to spend millions improving an athletic stadium in an LMI Opportunity Zone or building bridges and other infrastructure, to the exclusion of community-based projects, and still receive a passing grade. Moreover, the Proposal's pass-fail test for evaluating banks' retail lending distribution would prompt many banks to do *just enough* to pass.

The CRA is the most significant tool we have to ensure that banks meet the needs of low- and moderate-income families and communities. While the CRA needs modernization, we must preserve what is in it that works. There must be room for qualitative measures that respond to the specific needs of specific communities. As Federal Reserve Gov. Brainard recently observed, 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 Proposal would strip away this core strength in the name of supposed objectivity.

We urge you to suspend the rulemaking process, rescind this proposal, invite the Federal Reserve back to the table, and release a proposal only when all three regulators agree on an approach to modernize the CRA. Doing so is in the best interests of the LMI communities, non-profits, banks and the regulators.

Sincerely,



Cara Hendrickson
Executive Director



Julie Elena Brown
Senior Staff Counsel