



November 16, 2018

Via Electronic Submission

The Honorable Joseph Otting
Comptroller
Office of the Comptroller of the Currency
400 7th Street SW, Suite 3E-218
Washington, DC 20219

RE: Docket ID OCC-2018-0008; RIN 1557-AE34 - Reform of the Community Reinvestment Act

Dear Comptroller Otting,

The members of the Community Development Bankers Association (CDBA) and the National Bankers Association (NBA) respectfully submit the enclosed comments in response to the Advance Notice of Proposed Rulemaking (ANPR) published in the Federal Register on September 5, 2018, on reform of the Community Reinvestment Act (CRA).

WHO WE ARE & WHO WE SERVE

CDBA is the national trade association of banks and thrifts with a primary mission of promoting community development. There are 135 banks with the Department of the Treasury's Community Development Financial Institution (CDFI) designation – which means at least 60% of their total lending, services, and other activities are targeted to low- and moderate-income (LMI) communities. CDFI banks have a primary mission of community development and work in impoverished urban, rural, and Native American communities. Our members are on the front lines serving LMI communities that are too often by-passed by traditional banks and financial service providers.

NBA is the leading trade association for the country's Minority Depository Institutions (MDIs). NBA's mission is to serve as an advocate for the nation's MDIs on all legislative and regulatory matters concerning and affecting our member institutions and the communities they serve. Many of NBA's member institutions are also CDFIs, and like the CDBA, many of our member institutions are the only banks in their communities that serve consumers and businesses who are underserved by traditional banks and financial service providers.

CDBA AND NBA SUPPORT A STRONG CRA

In enacting CRA, Congress stated that the purpose of CRA was to ensure that regulated financial institutions demonstrate that they “serve the convenience and needs of the communities in which they are chartered to do business.” As such, these institutions have a “continuing and affirmative obligation to help meet the credit needs of the local communities in which they are chartered.” CRA has made great strides in ensuring access to credit in LMI communities and among minority and low-income borrowers. Systemic economic and social challenges, however, perpetuate a lack of access to fair services for many and allow predatory providers to thrive. Given growing economic inequity in urban, rural, and Native American communities, it is important to get CRA reform right.

CDBA and NBA strongly support the purposes and objectives of CRA. Enacted 40 years ago, CRA has been instrumental in ensuring LMI communities have access to credit and financial services. Yet, the last significant regulatory overhaul of CRA occurred two decades ago. In that time, the financial services industry has radically changed, but CRA has not. We strongly support modernization that ensures CRA does not lose effectiveness for LMI communities. The success of this CRA reform effort should be measured by whether it will result in more credit and services delivered to LMI people.

CDBA AND NBA RECOMMEND UPDATING CRA AND PRESERVING FLEXIBILITY

CDBA and NBA members believe that the current framework for CRA is effective, but needs modernization to reflect changes in the financial service landscape. We strongly agree with the Office of the Comptroller of the Currency (OCC) that CRA examinations should be conducted in a more clear, consistent, and transparent manner. We believe, however, that this result can be best achieved by modifying the existing framework – rather than inventing a new system. Thus, the comments contained herein will focus on updating the current framework.

We have significant concerns about the proposed “metric based, single ratio” framework outlined in the ANPR; and thus oppose its adoption. We believe the proposed “single ratio” metric is too simplistic to fit all banks and all communities. We believe the proposed system will reduce banks’ flexibility to respond to local market conditions. We believe a single ratio would encourage a minimalist approach to CRA compliance whereby financial institutions will be more focused on hitting a ratio than thinking comprehensively about the best strategies for meeting credit needs of LMI communities that the current framework requires.

While imperfect, the strength of the existing framework lies in its flexibility. Each bank can develop a strategy that fits its business model, local economic conditions, and opportunities. The distressed urban, rural, and Native communities served by CDFI and MDI banks are often “outliers” relative to more prosperous communities. Thus, a formula that fits high- or middle-income places is unlikely to fit the communities we serve. No matter how sophisticated, we do not believe a formula-based approach can adequately capture the nuances of every community – and could result in harm to our banks and communities.

We believe that CRA can continue to be a powerful tool to promote investment in LMI communities. In doing so, we urge the regulators to both ensure CRA remains strong, as well as strive to eliminate unnecessary regulatory burden. To this end, we offer the following responses to the questions outlined in the ANPR.

I. CURRENT REGULATORY APPROACH

CDBA and NBA members generally believe the CRA framework, regulations, and Question & Answer (Q&A) guidance are clear and understandable. Our members, however, believe inconsistency in implementation by examiners is a substantial problem that should be addressed. CDFI and MDI banks note significant discrepancies in interpretation and application of the rules from one exam to the next. For example, a survey of NBA member institutions' CRA officers found that nearly 60% of respondents indicated that interpretations of relevant provisions of the CRA and what qualifies as CRA activity varies significantly between examiners. Nearly 70% of NBA CRA officers, for example, also noted that they would benefit from having more clarity on CRA-eligible activities before engaging in activities. Despite a common set of regulations and Q&A guidance, bankers cite discrepancies in implementation both between and within Federal agencies. For example, terms like "reasonable" and "substantial" leave interpretation up to the discretion of the examiner and can lead to inconsistencies in examinations. With the changes outlined below, we believe the current framework and regulations can be implemented in an objective, fair, and transparent manner.

CDBA and NBA recommend improving consistency with: (1) enhanced examiner training; (2) robust public information sharing of peer data and case studies; and (3) reinstating the ability of banks to obtain an agency opinion on CRA eligibility of a proposed activity with public dissemination of those opinions once given.

A. TRAINING:

CDBA and NBA strongly recommend enhanced interagency CRA training for examiners. To address discrepancies in implementation of CRA between bank regulatory agencies, we recommend that all CRA examiner trainings be conducted on an interagency basis. To further facilitate common understanding of how CRA exams are conducted, we recommend that bank CRA officers also be permitted to attend such trainings.

B. PUBLIC CASE STUDY DATABASE:

To enhance transparency, CDBA and NBA recommend the creation of a robust public database of CRA case studies and peer performance data. The case studies should describe the project or activity and include an explanation of why specific activities are deemed CRA "eligible" or "ineligible." Approximately 83% of NBA CRA officers surveyed indicated that they would benefit from a formal line of communication between their CRA regulator and their bank's CRA team that could provide near real-time feedback on CRA-eligible activity before an investment is made. A database of opinions and case studies can serve as a training tool and source of information for both examiners and bankers.

C. CRA METRICS:

CDBA and NBA recommend publication of timely CRA peer performance data to enhance transparency. In lieu of the single ratio, we propose CRA performance metrics tailored to each bank's business model, performance context, and mix of products and services. Similar to financial performance indicators, bank CRA performance benchmarks could be published and available for comparison to other peer banks (by geography, business model, asset size, etc.). Banks should also have the opportunity to describe innovative or other high-impact initiatives that cannot easily be captured with numeric benchmarks. Below are some illustrative potential benchmarks:

- *Is the bank's total lending and services in LMI census tracts proportionate to the LMI population in its Assessment Area?*
- *What is the average number of volunteer hours contributed per employee? How does this compare to peer banks?*
- *What is the total number of LMI residents that participated in and completed financial literacy training with the bank?*
- *What was the average increase in credit score of customers participating in credit repair initiatives?*

D. ASSET THRESHOLDS:

CDBA and NBA also recommend updating asset thresholds on a regular basis and adding in additional gradations in expected performance as banks grow. Currently, a CDFI bank of \$1.252 billion has the same CRA requirements as a \$10 billion, \$100 billion, or \$1 trillion bank. The threshold between a small bank holding company and a Large Bank holding company was raised from \$1 billion to \$3 billion earlier this year and CDBA recommends that the CRA Large Bank threshold be set at a similar amount. Within the Large Bank category, there should be different performance standards and requirements as the asset size and capacity of a bank grows. A \$1.252 billion bank is much closer to its community and more likely to reinvest in the communities in which it raised deposits than a larger bank. There is a far greater risk that a bank with assets exceeding \$10 billion will raise deposits from one community and reallocate it to meet demand in a different community. For that reason, as banks become larger they should have most robust CRA requirements.

II. METRIC BASED SINGLE RATIO FRAMEWORK:

CDBA and NBA oppose adoption of the proposed "single ratio" metric framework. We believe the new system proposed in the ANPR could be harmful to LMI communities. We also believe it will greatly reduce banks' flexibility to develop strategies and initiatives that address local market conditions and respond to challenges and opportunity unique to each community.

The ANPR requests input on how to implement the “single ratio” system and how certain diverse factors could be measured and weighted to fit into a formula that will be used to calculate the ratio. The factors listed include qualitative factors such as performance context, innovation, community involvement, business models, and others. In short, we do not believe these highly subjective factors can be measured quantitatively. We believe the proposed “single ratio” metric framework is too simplistic to fit all banks and all communities. In addition to reducing flexibility, we note that any formula based system can easily create incentives that generate unintended outcomes. A more thoughtful and holistic approach is better for both our banks and our communities.

For these reasons, CDBA and NBA respectfully decline to comment on Questions 7-12 of the ANPR. Instead, we urge the agency to direct its energies toward modernizing the current CRA framework.

III. REDEFINING COMMUNITY AND ASSESSMENT AREA

Technology is fundamentally reshaping the financial services industry. Modernizing CRA to consider technology-driven delivery channels should be a key priority. CRA needs to incorporate the evolution toward mobile, internet, and other digital delivery mechanisms while recognizing the continuing importance of brick-and-mortar branches. Notably, Federal Reserve and FDIC research reveals that un- and under-banked consumers are more likely than other demographics to access financial services through mobile devices, prepaid debit cards, or other nontraditional means.

The CRA statute requires banks to serve the “convenience and needs” of the communities in which they are chartered to do business and have a “continuing and affirmative obligation to help meet the credit needs of the local communities in which they are chartered.” As technology disrupts and unbinds financial service delivery to geography, regulators need to rethink their interpretation of the “convenience and needs” of the communities that our member institutions serve. CRA regulations could be reoriented to view services delivered via technology as a new form of a micro-sized “branch” office.

A. DELIVERY CHANNELS:

To meet the convenience and needs of customers in the current technology driven era, CDBA and NBA recommend that CRA recognize services provided via digital channels based on the customers’ geocoded addresses. If a customer resides in an LMI census tract, services delivered to that customer should be CRA eligible. For a business customer, the address can be tied to the principal business address. We do not believe it is necessary to tailor a service, product, or delivery strategy to LMI customers to be CRA eligible. If a bank, however, does develop a tailored product or service for LMI customers, examiners should afford additional CRA consideration as an innovative or high-impact product.

CDBA and NBA recommend regulators consider products and services delivered through new channels as CRA eligible. We do not support, however, diluting CRA to include activities in non-LMI census tracts and/or those that do not provide a direct benefit to LMI people.

B. BUSINESS MODEL APPROACH TO CRA:

CDBA and NBA recommend that regulators explicitly recognize a variety of bank business models and craft CRA regulations that fit each business model. The banking sector has grown far more diverse over the past two decades due to technology and other factors. Thus, having a “one size fits all” CRA regulatory standard no longer makes sense. We anticipate that the business models, delivery channels, and mix of product and services offered by banks will continuously evolve in response to advancing technology. Within CRA, banking regulators already recognize some non-traditional bank business models.

A bank’s business model has a strong bearing on how it reaches and serves customers. A traditional community bank is principally located in, collects deposits, and serves a defined local geography. Thus, their CRA Assessment Area should reflect this targeted geographic focus. By contrast, an internet bank or credit card bank may raise deposits and serve customers on a nationwide basis. Thus, their Assessment Area should include both the local community in which they are chartered and the broader geographies they actually serve. Similarly, limited purpose and wholesale banks principally take deposits from and make loans to a broad geography. Limited purpose and wholesale banks should no longer be permitted to select only local Assessment Areas that are significantly smaller in scope than their real service areas. Large Banks with a national or super-regional focus that have a business model with a mix of retail, internet, credit card, or other delivery strategies should be required to have corresponding CRA strategies that reflect their delivery channels. Lest CRA be adapted to reflect the evolution of alternative business models and delivery channels, technology will continue to exacerbate an inequitable application of CRA between traditional and non-traditional banks and create significant loopholes for some institutions to avoid meaningful CRA obligations.

C. CDFI BANK BUSINESS MODEL:

CDBA and NBA recommend that the regulatory agencies explicitly recognize CDFI banks as a distinct business model and adopt a set of tailored CRA requirements. Certified CDFI banks should have the option to select the CDFI bank CRA regulations or small community bank CRA regulations. CDFI banks are a distinct business model that should be recognized under CRA. CDFI banks have a primary mission of promoting community development and/or serving economically disenfranchised populations. To be certified CDFI, a bank must demonstrate that at least 60% of its total activities (lending, investment, services) are focused on serving low-income communities, low-income people, or otherwise underserved populations.

CDFI banks are innovators and leaders in community development finance and have an outsized impact relative to their modest size. CDFI banks represent only 2% of the 5,765 FDIC insured banks in operation as of 6/30/2018. CDFI banks are among the smallest regulated banks in the United States. The average asset size of a CDFI bank is \$400 million, with the largest at \$3.17 billion and the smallest at \$26 million. Given the unique role and public policy objectives

they fill, we believe CDFI banks should have the option to have their own tailored CRA requirements.

Most importantly, CDBA and NBA recommend that CRA reporting align with the reporting requirement of the U.S. Treasury Department’s CDFI Fund. Federal banking regulatory agencies implementing CRA and the Treasury Department are interested in the same outcomes – improving the economic well-being of LMI communities through access to responsible credit and financial services. Yet these agencies have very different definitions, regulatory standards, and reporting requirements. This lack of policy coordination results in voluminous double reporting that creates an unnecessary administrative burden and siphons resources away from entities serving underserved communities. We propose that the agencies work to close the gap by developing common definitions and reporting standards, as well as sharing data. To become a certified CDFI, a bank must demonstrate that at least 60% of its total activities meet the CDFI Fund’s Target Market test. A Target Market can be a geographic based Investment Area or people focused Target Population – or a combination of the two. The vast majority of CDFI banks meet the Target Market test using the geographic Investment Area designation.

The requirements of the CDFI Target Market and CRA Assessment Areas -- while sharing similarities -- do not directly align. This circumstance creates additional compliance burden as CDFI banks must maintain separate sets of loan and services data and documentation. Most CDFI banks’ Assessment Areas are incorporated in their more broadly defined Investment Areas. Although CDFI Investment Areas are not required to correspond with branch and ATM locations, CDFI banks’ Investment Areas typically include their branches and ATMs due to the high concentration of customers in those areas. CRA evaluations focus on activities proximate to a branch and ATM locations whereas the CDFI Target Market test looks at activities across a bank’s entire service area. Because CDFI banks typically go above-and-beyond the requirements of CRA to meet community needs both within and outside their Assessment Area, they are often frustrated that examiners do not give adequate CRA consideration for activities outside of their Assessment Areas.

CDBA and NBA strongly recommend that the Treasury, the CDFI Fund, and the banking regulatory agencies provide CDFI banks with the option to select a CRA test tailored to the unique business models of CDFI banks that will:

- (1) Maximize alignment of definitions used for CRA and CDFI certification, geographic service areas, program application, service tests, and reporting;
- (2) Reduce reporting burden by streamlining and sharing data submitted by CDFI banks for Call Reports, CRA, HMDA, CDFI annual re-certification, and CDFI award compliance;
- (3) Give CRA consideration for all activities performed within CRA Assessment Areas, CDFI Investment Areas, and that benefit low-income or Underserved Target Populations; and
- (4) Give CRA consideration for collecting social impact data and actively participating in CDFI Fund Programs or other Federal, state, or local programs that offer tools to enhance services to their CDFI Target Markets or to reach deeper to serve low-income people and communities.

D. CRA OUTSIDE OF ASSESSMENT AREAS:

CDBA and NBA recommend that all banks maintain responsibility for serving LMI communities within the physical geography in which they are chartered. Depending on a bank's business model and delivery channels, we suggest that a portion of their CRA obligation could be met with eligible activities that occur outside their local Assessment Area(s). "Outside" of Assessment Area activities should be required to benefit LMI geographies and populations. Alternatively, a list of "priority" activities and/or areas could be developed to make certain activities automatically CRA eligible. For example, many USDA Persistent Poverty counties or Indian Country communities suffer disinvestment and are less often served by national or large regional banks; thus, these could be designated as "priority" CRA community development activities. An internet bank that lacks a geographic concentration of customers could opt to engage in "priority" activities. Other important initiatives that could be deemed "priority" activities include: investing in CDFIs; assisting in the preservation of Low-Income Housing Tax Credit and USDA Rural Development properties with expiring subsidies, providing support for tribal economic development projects or Native owned banks, investing in Opportunity Zones, or developing innovative strategies for serving LMI people and communities. While adding recognition for CRA activities beyond current bank Assessment Area boundaries, no bank should be given a Satisfactory rating if it does a poor job serving the community(ies) in which it is located.

E. RURAL COMMUNITIES:

Rural communities are underserved by Large Banks' CRA community development activities. The Housing Assistance Council, a rural housing advocacy organization, documented this trend in its 2015 report (<http://www.ruralhome.org/sct-information/mn-hac-research/mn-rrr/1090-rrr-cra-in-rural-america>). For Large Banks, nearly all rural Assessment Areas are considered limited scope and they typically have very few CRA Community Development activities reported in their Performance Evaluations. As the CRA Officer for a Large Bank explained, Large Banks are motivated to conduct CRA community development activities in locations where they will count the most (full scope Assessment Areas). Because most of the Large Banks' branches are clustered in metropolitan areas, those locations get the most attention, generally leaving very little to share with rural (limited scope) Assessment Areas.

Given long-term declining economic trends and retraction of financial services in rural areas, CDBA and NBA recommend that regulators revisit -- and potentially discontinue -- the use of limited scope exams for the largest banks. Allowing the largest banks to satisfy their CRA obligations based solely on activities in metropolitan areas only exacerbates the lack of access to capital and services to rural populations. As an example, big banks have been particularly motivated to invest in Low-Income Housing Tax Credit (LIHTC) projects for CRA credit. In high-demand urban areas, this has created a competitive market with generally high prices for credits. However, LIHTC pricing for developments in underserved, rural areas is often significantly lower, which results in less equity for rural properties. In 2016, a project in Fargo, North Dakota, earned \$1.05 per dollar of credits, while a project on the Turtle Mountain reservation located in rural, north central North Dakota garnered a price of \$0.82 per dollar of credits. This is in contrast to the \$1.20 price that LIHTC credits are able to fetch in cities like San

Francisco and New York. More explicitly encouraging money center banks to support CDFIs serving distressed rural communities can help address this challenge.

Among rural CDFI banks, we are also aware of inconsistent treatment by examiners on when and how infrastructure and broadband investments qualify for CRA. **CDBA and NBA recommend these discrepancies be addressed through enhanced interagency training.**

Finally, within rural communities, there are many census tracts that qualify as “middle distressed” or underserved, but which may have significant low-income populations. Most rural census tracts cover large geographic areas and may include areas of concentrated poverty that can be recognized in census block group level data. **CDBA and NBA recommend that CRA regulation afford banks the ability to get CRA consideration for activities that benefit LMI geographies defined at the block group level when located in middle distressed or underserved tracts.**

IV. EXPANDING ELIGIBLE COMMUNITY DEVELOPMENT ACTIVITIES

CDBA and NBA recommend the following amendments to the current list of eligible Community Development activities under CRA:

A. CDFI INVESTMENTS:

The historic focus of CRA has been, and should continue to be, to ensure financial institutions are providing fair and adequate coverage within the geographies that they are chartered to serve. The financial services industry, however, has radically changed since the last regulatory update 20 years ago. The decline in the number of locally-based banks and the consolidation of banking assets by a small number of \$100-plus billion money center banks has had profound effects on access to capital in LMI communities. As more credit decisions are made by geographically remote corporations and credit scoring models replace relationship banking, the ability of LMI communities and borrowers that “don’t fit the box” to obtain adequate access to loans is compromised. CRA is intended to ensure that LMI communities that are a source of bank deposits have fair access to credit from those institutions.

During the past 20 years, locally-based, mission-focused CDFI and MDI financial institutions have emerged as uniquely positioned to fill the void created by industry consolidation. Our institutions are highly effective in addressing the credit and service needs of LMI communities because they have deep roots in these markets and understand local needs. As such, they are ideal partners to enable Large Banks to reach underserved LMI communities. Historically, however, the money-center banks have provided little or no support to CDFI banks and MDIs, even though doing so would generally be considered a CRA eligible activity. CRA could and should play a valuable role in incenting money-center banks to work with CDFI banks and MDIs.

AFFIRMATIVE OBLIGATION: CDBA and NBA recommend that CRA encourage all traditional banks to support CDFIs and MDIs as a part of their CRA obligations. In the case of banks over \$100 billion in total assets, CDBA recommends that CRA include an affirmative obligation to partner with CDFIs and MDIs as a complement to their local Assessment Area strategies. Providing banks with specific guidance (e.g. dollar amounts, targeting) on appropriate amount and types of CDFI and MDI support activities that will qualify for CRA purposes will help ensure the desired policy outcomes.

A number of NBA member banks have raised concerns about CRA initiatives of Large Banks that have had the effect of undermining the core business of MDIs (e.g. subsidized mortgage programs that directly compete with mortgage products offered by MDIs). Regulators need to provide clear guidance to Large Banks that such an “affirmative obligation” should promote partnerships that both complement the efforts of CDFIs and MDIs and maximize benefit to LMI communities.

CRA SHOULD GIVE CDFIs EQUAL TREATMENT: CDBA and NBA strongly recommend that bank investments in CDFIs receive equal treatment under CRA as investments in Minority Depository Institutions (MDIs) and Low-Income Credit Unions.

Federal policymakers first formally recognized CDFIs 20+ years ago with the creation of the CDFI Fund. For decades, CDFIs have consistently demonstrated strong performance in serving low-income markets. Yet banking regulators do not recognize CDFIs under CRA in the same manner as MDIs and Low-Income Credit Unions. Currently, any bank can get CRA consideration for providing financial or other support to an MDI or Low-Income Credit Union – regardless of whether or not the entity is located within or serves a bank’s Assessment Area. By contrast, a bank providing similar support to a CDFI can only be assured of getting CRA credit if the recipient CDFI is located in or substantially serving the bank’s designated Assessment Area.

Regulators have not historically recognized CDFIs because they were not explicitly cited in the 1977 CRA statute, which predated the 1994 CDFI Fund authorizing statute. We believe that the statute should be reinterpreted to include CDFIs because their work in targeting low-income and underserved markets is substantially the same as the MDIs and Low-Income Credit Unions. In fact, the CDFI standard for targeting service to low-income communities is far more stringent than the requirements for MDIs and Low-Income Credit Unions. For example, there are 156 MDIs – of which only 36 meet the CDFI standard of targeting at least 60% of their lending into low-income communities (at 8/31/2017). In recent years, the National Credit Union Administration (NCUA) has significantly revised and relaxed the requirements for qualification as a Low-Income Credit Union. Twenty years ago, less than 200 credit unions met this standard, however under the new standard fully one-third (2,000+) of all credit unions qualify. By contrast, only 326 credit unions (5.7% of the nation’s 5,696 credit unions) meet the more stringent CDFI requirements.

LONG TERM SUPPORT: CDBA and NBA strongly recommend that CRA encourage banks to provide long-term support to CDFIs. Specifically, all banks should receive CRA consideration for supporting CDFIs regardless of whether such entity is located in and/or serves the bank’s Assessment Area. Regulators should also encourage banks to make long-term investments of

capital, loans, and deposits to support CDFIs and MDIs by giving instruments held in portfolio the same weight as new originations in an exam cycle.

CDBA and NBA recommend that bank investors receive significant and consistent CRA credit throughout the life of the investment. The CRA exam cycle creates barriers for traditional banks to invest in CDFI and MDI banks. Examiners give the most CRA credit to *new* transactions executed during an exam cycle – which are generally three years apart. For example, a bank can get CRA credit every three years for renewing the same loan to a CDFI loan fund that matures during an exam cycle. Yet, if a bank makes an equity investment in a CDFI bank or MDI that are typically held in portfolio over a longer period, they get little CRA credit beyond the original investment. Our banks also report significant inconsistencies in treatment of older investment activities by examiner and across regulatory agencies.

B. SMALL BUSINESS:

CDBA and NBA recommend that CRA should give greater consideration to small business lending. CDBA and NBA also recommend expanding the definition of a CRA eligible small business, while still giving greatest CRA consideration to the smallest business loans.

Currently, the regulators define an eligible CRA small business loan as one that is \$1 million or less to a business with \$1 million or less in income. To ease reporting, we strongly urge the regulatory agencies to use the definitions of the Small Business Administration (SBA). The SBA has a well-developed small business “size standards” definition for qualification under its programs. The SBA’s size standard definition includes industry, number of employees, and average annual income. A large portion of banks engaged in small business lending use SBA programs; thus, making the standards better align will reduce the data collection and reporting burden.

C. FINANCIAL LITERACY & INCLUSION:

CDBA and NBA recommend that CRA help promote financial literacy and inclusion among LMI populations, as well as unbanked, underbanked, and other vulnerable populations. Access to credit and financial services needs are critically important to the economies of physical places. Thus, CRA should continue to ensure LMI places have robust access to such services. Given the rise of payday lenders and other predatory providers who target vulnerable people, CRA needs a complementary prong that focuses on financial literacy and inclusion.

Our nation needs both strong local communities and an inclusive financial service sector that is fair, serves everyone, and provides opportunity. A revised CRA that includes a focus on financial inclusion will need to recognize a broader range of alternative financial services and delivery mechanisms and develop proxies for measuring financial inclusion – particularly among vulnerable populations. This change will likely mean expanding the definition of CRA qualified activities to include an enhanced emphasis on consumer credit, credit building products, and financial literacy. In addition, this shift will necessitate the development of new methods and proxies for measuring service to low-income, unbanked, underbanked, rural communities with limited broadband, and other vulnerable populations. For example, several CDFI and MDI banks have launched technology-driven consumer products (i.e. debit cards, online small dollar loans, etc.) intended to provide unbanked and under-banked customers with access to responsible

products. While the products are accessible and benefit customers that might otherwise not be served -- or fairly served -- if the customer lives outside of the bank's current Assessment Area, they may eventually detract from a bank's CRA performance if demand for the products grows. Regulatory agencies should encourage, not discourage, product innovation that promotes financial inclusion.

CDBA and NBA recommend that financial education delivered to customers that are LMI or reside in LMI census tracts should be CRA eligible. We also believe the depth and frequency of this activity should be factored into a CRA grade. For example, currently a bank holding monthly financial literacy workshops receives the same consideration as a bank holding a single, one-time workshop.

D. CONSUMER LOANS/SMALL DOLLAR LOANS:

CDBA and NBA recommend that consumer and small dollar loans delivered to customers that are LMI or reside in LMI census tracts should be CRA eligible. Given the small size of consumer loans, collecting and reporting data on these loans can be cost prohibitive, this activity should be optional for the bank to report under CRA.

E. ENVIRONMENTAL AND RENEWABLE ENERGY ACTIVITIES:

CDBA and NBA recommend that lending, investment, and service activities that promote environmental justice for the benefit of LMI communities and low-income and minority populations be added to the list of CRA eligible Community Development activities. Over the past two decades, there has been a growing understanding of the role of the environment and health of LMI communities in contributing to underlying causes of poverty and economic inequity within the community development finance field. In addition, Executive Order 12898 (issued February 11, 1994) requires all Federal Agencies to make Environmental Justice a part of their mission. The order states that “[a]gencies are to identify and address disproportionately high and adverse human health or environmental effects of its programs, policies, and activities on minority and low-income populations.” Since this 1994 order and the last significant update to CRA, the Environmental Protection Agency (EPA) has conducted or supported numerous studies and analysis that document that:

“[S]ources of environmental hazards often are located and concentrated in areas having majority populations of people of color, low-income residents, or indigenous peoples”

Community development practitioners directly observe how these hazards negatively impact economic vitality. For example, lack of access to healthy foods, concentration of sites with environmental contamination, and the harmful effect of lead paint on young children disproportionately occur in LMI communities and affect the aforementioned populations. All of these factors influence the economic vitality of communities and should be considered as part of a community development strategy. In many cases, these are projects that may be too large to be financed solely by a smaller institution. This is another area where larger institutions can partner with CDFI and MDI banks and receive CRA credit. The CRA regulations should recognize

the growing understanding of the complex interrelationship between the environment and the economic outcomes of LMI communities.

VOLUNTEER ACTIVITIES: CDBA and NBA recommend affording greater flexibility for volunteer activities reported under CRA. Currently, a bank can only receive CRA credit for volunteer activities in which they are contributing their financial or professional expertise. Eligible volunteer activities that benefit a nonprofit engaged in community development -- or other activities that are targeted for the benefit of LMI people or communities -- should also be CRA eligible. For example, if a group of bank employees helps build a Habitat for Humanity house, the activity should receive some CRA consideration.

WORKFORCE EDUCATION: CDBA and NBA recommend that all services associated with work force education programs be considered CRA eligible as most such programs are focused helping LMI workers build job skills. Our member banks cite inconsistent treatment of workforce education activities by examiners.

LOAN PURCHASES: CDBA and NBA recommend that loan originations receive greater CRA consideration than purchasing CRA qualifying mortgage backed securities. Community development loans purchased from other lenders as part of a loan participation or loans purchases as part of a lending pool or consortia should be treated the same as a loan origination.

FINANCIAL SERVICE INDUSTRY: While outside the scope of the ANPR, CDBA and NBA believe all players within the financial services sector should have an affirmative obligation to serve LMI communities and people. Banks are currently the only subsector of the financial services industry with such a requirement. As the OCC considers creation of a FinTech charter, we strongly urge that such entities have a CRA type obligation. While outside of the scope of the Federal banking regulators jurisdiction, a similar type of requirement should be applicable to credit unions, pension funds, asset managers, insurance companies, and other diverse financial service firms. Decades ago, a larger portion of our nation's wealth was held in banks. As a more diverse set of players has siphoned assets out of banks, it means fewer resources are available for LMI communities. In the long-term interest of promoting economic vitality and income equality across all communities, we need to ensure that all financial service subsectors reinvest in LMI communities.

In conclusion, CRA is critical to the economic lifeblood of LMI communities. Yet dramatic changes in the financial services industry are making current implementation outdated. We believe that CRA can be a powerful tool to support disinvested communities, but we urge the OCC and other bank regulatory agencies to update CRA lest it risk becoming functionally obsolete. In closing, we wish to reiterate the strong support of the members of CDBA and NBA for the purposes and objectives of CRA. A robust and effectively implemented CRA is critically important to the LMI communities that our members serve. We thank you for the opportunity to discuss how CRA can be updated to better serve low-income people and communities.

We welcome the opportunity to continue this dialogue. Thank you for considering these important matters. Please contact Jeannine Jacokes at (202) 689-8935 ext. 222 or jacokesj@pcgloanfund.org or Kim Saunders at (202) 588-5432 or ksaunders@nationalbankers.org.

Sincerely,



Jeannine S. Jacokes
Chief Executive Officer



Kim D. Saunders
President and Chief Executive Officer

On Behalf of the Membership of the Community Development Bankers Association and the National Bankers Association:

BankFirst (MS)	Community Bancshares of Mississippi (MS)
Bank of Anguilla (MS)	Community Bank of the Bay (CA)
Bank of Cherokee County (OK)	Farmers & Merchants Bank (MS)
Bank of Commerce (MS)	FB&T Mortgage Bank (AR)
Bank of Kilmichael (MS)	First Eagle Bank (IL)
Bank of Lake Village (AR)	First Independence Bank (MI)
Bank of St. Francisville (LA)	First National Bank & Trust (AL)
Bank of Vernon (AL)	First Security Bank (MS)
Bank of Winona (MS)	First SouthWest Bank (CO)
BankPlus (MS)	FNBC Bank (AR)
Beneficial State Bank (CA)	GN Bank (IL)
BNA Bank (MS)	Guaranty Bank and Trust Company (MS)
BOM Bank (LA)	Holmes County Bank and Trust Company (MS)
Broadway Federal Bank (CA)	Industrial Bank (DC)
Carver Federal Savings Bank (NY)	International Bank of Chicago (IL)
Carver State Bank (GA)	International Bank of Commerce (TX)
CBW Bank (KS)	Legacy Bank and Trust (MO)
Central Bank of Kansas City (MO)	Liberty Bank and Trust (LA)
Century Bank of the Ozarks (MO)	Mechanics and Farmers Bank (NC)
Citizens National Bank (MS)	Merchants and Planters Bank (MS)
Citizens Bank & Trust (MS)	Metro Bank (KY)
Citizens Savings Bank & Trust (TN)	Mission Valley Bank (CA)
Citizens Trust Bank (GA)	Native American Bank, N.A. (CO)
City First Bank of D.C., N.A. (DC)	Neighborhood National Bank (CA)
City National Bank of New Jersey (NJ)	NOAH Bank (PA)
Commerce Bank (TX)	OneUnited Bank (MA)
Commercial Capital Bank (LA)	

Pan American Bank (IL)
Peoples Bank (MS)
Planters Bank (MS)
PriorityOne Bank (MS)
Royal Business Bank (CA)
Security Federal Bank (SC)
Security State Bank (OK)
Southern Bancorp, Inc. (AR)
South Carolina Community Bank (SC)
Spring Bank (NY)
Start Community Bank (CT)
State Bank & Trust Company (MS)
Sunrise Banks (MN)

Sycamore Bank
The Cleveland State Bank (MS)
The Commercial Bank (MS)
The First, A National Banking Assoc. (MS)
The Jefferson Bank (MS)
The Harbor Bank of Maryland (MD)
Tri-State Bank of Memphis (TN)
United Bank (AL)
United Mississippi Bank (MS)
United Bank of Philadelphia (PA)
Unity National Bank (TX)
Urban Partnership Bank (IL)
Virginia Community Capital (VA)