November 16, 2018

Comment regarding “Reforming the Community Reinvestment Act Regulatory Framework”

RE: Docket ID OCC-2018-0008

To Whom It May Concern:

The Missouri Community Action Network appreciates the opportunity to comment on the Office of the Comptroller of the Currency’s (OCC) Advance Notice of Proposed Rulemaking (ANPR) regarding the Community Reinvestment Act (CRA).

The Missouri Community Action Network, or Missouri CAN, is the statewide membership association of Missouri’s 19 Community Action Agencies (CAAs), Allies and Supporters united to end poverty by creating a state where all people and communities thrive. Established in 1971, Missouri CAN – at the time called Missouri Association for Community Action – was developed to serve as the state’s lead organization dedicated to addressing poverty. Forty-seven years later, the association remains a steadfast voice for the state’s Community Action Network and for Missourians struggling with poverty, by providing training and technical assistance to our member agencies and by advocating on behalf of Missouri’s 3,000 Community Action employees, 1,000 individual members, and the nearly 800,000 Missourians currently living in poverty.

With a mission to advocate for low-income Missourians and strengthen the Community Action Network, Missouri CAN is committed to addressing the health and well-being of residents throughout all areas of the state. In fact, the Network’s 19 Community Action Agencies exist in all 114 Missouri counties and the City of St. Louis to help people achieve self-sufficiency and an overall better well-being in five key indicators of need: economic and family security; education; food and nutrition; health; and housing and energy. Missouri CAN considers these indicators to be the Five Elements of Poverty.

As part of our commitment to addressing the interconnected nature of these Five Elements of Poverty, we strongly believe in the power of the Community Reinvestment Act to make a difference in communities around the state of Missouri – both urban and rural. As non-profit organizations dedicated to serving Missourians with low incomes, our Community Action Agencies are engaged with banks daily to provide resources and opportunities for the clients they serve. Many clients of CAAs are either unbanked or underbanked, and with a mission to help people transition out of poverty, our agencies work to ensure that the people they serve are informed and engaged in the areas of banking and financial education. Missouri banks and financial institutions have been instrumental in helping our CAAs through financial contributions and by participating in agency programs and classes, such as financial literacy and home buyer education. The agency’s financial partners also provide technical assistance to CAA staff as needed. Overall, the relationship our agencies have with local banks and financial institutions is an invaluable asset to local communities around the state.

Furthermore, the CRA has leveraged significant amounts of loans and investments for low- and moderate-income communities. Since 1996, banks have issued almost $2 trillion in small business loans and community development loans and investments in low- and moderate-income communities. In Missouri, the CRA has motivated banks to provide loans and investments for affordable housing and economic development. For example, in May of 2017, Enterprise Bank & Trust kicked off its Welcome Home St. Louis mortgage loan. This subsidy program provides up to 3% in down payment assistance, up to $1,500 in closing costs, and payment of the initial mortgage insurance premium for homeowners in areas that are more than 50% African American. In mid-Missouri, Providence Bank uses their portfolio loans to make home loans for customers who don't fit the traditional criteria, and they have been particularly supportive of the Columbia Community Land Trust model (CCLT). The CCLT is only a couple of years old, yet Providence Bank has already made six loans for homeowners in the Land Trust. The bank also offers down payment assistance to help new homebuyers bridge the equity gap. It is a mutually supportive relationship for Providence Bank to manage additional risk, as the CCLT handles the supportive role for these homebuyers.

In order to bolster CRA's effectiveness, reforms are necessary to take into account changes in banking and technology. Yet, as the OCC contemplates reform, it must not rush to propose or implement changes that will make banks less accountable and responsive to community needs, which would be counter to the purpose of the CRA legislation. If the OCC proceeds to significantly diminish the importance of assessment areas on CRA exams, the progress in increasing lending to low- and moderate-income neighborhoods will be halted. The National Community Reinvestment Coalition estimates that low- and moderate-income neighborhoods could lose up to $105 billion in home and small business lending nationally over a five-year time period. In Missouri, the loss could be as great as $1,557,633,200 - $1.5 billion dollars.

The Missouri Community Action Network is concerned that an OCC idea commonly called the "one ratio" would make CRA exams considerably less effective in evaluating how banks are responding to local needs in metropolitan areas and rural counties. The one ratio would consist of the dollar amount of a bank's CRA activities (loans, investments, and services to low- and moderate-income borrowers and communities) divided by the bank's assets. The ratio is supposed to reflect CRA effort compared to a bank's capacity.

The idea behind the one ratio is that it will immediately signal to banks whether they are in compliance with CRA and will pass their next exam. While all stakeholders seek clarity in CRA, the one ratio is a solution in search of a problem. Passing CRA exams is not a problem since 98% of banks have passed their exams over the last several years.

While not necessary to ease banker anxiety about passing CRA exams, the one ratio threatens to render CRA ineffective in making sure banks respond to local needs. The CRA statute requires that banks "have continuing and affirmative obligations to help meet the credit needs of the local communities in which they are chartered." The key word is local. One ratio cannot tell an examiner, a bank, or a member of the public how responsive a bank is to its various service areas. CRA exams currently evaluate and rate bank performance in geographical areas called assessment areas where banks have branches. Examiners are required to solicit and consider comments from community members about performance in assessment areas. This critical part of CRA, considering public comments on local performance, will be significantly undermined if the one ratio replaces assessment areas or significantly diminishes the importance of assessment areas and public input on CRA ratings.

Community input and engagement is vital to the CRA and ensuring that banks are meeting their obligations to serve all parts of the community. Since 2009, Community Action staff has worked collaboratively with the St. Louis Equal Housing and Community Reinvestment Alliance (SLEHCRA). This coalition of community organizations evaluates accessibility of banking services and provides guidance for future bank investments in the St. Louis region. One of the most effective tools used to engage financial institutions in the St. Louis area has been submitting public comment letters about a bank's performance in meeting the needs of the community when a bank is undergoing their CRA exam or during a merger or acquisition. These public comments and negotiations with banks in the St. Louis region have provided grants and universally accessible loan products, and have also opened new branches that provide services to low-income neighborhoods and communities of color. As a result of this collaborative work, some successes in the St. Louis area since 2012 include the following:

- 16 new branches in low- and moderate income communities or communities of color
- Over $3 billion in commitments for community development
- New banking products offered by 34 banks

The OCC's ANPR discusses the need to expand CRA exams to assess bank lending in areas beyond bank branches but does so in a way that further supports the one ratio concept. The ANPR says bank lending and deposit taking in geographical areas beyond bank branches have been increasing and that CRA exams should scrutinize this activity. However, the ANPR then hints that the dollar amount of this activity could be added to the numerator of the one ratio. Instead, the OCC should establish assessment areas for geographical areas where banks do not have branches but engage in a significant amount of business. This would better facilitate accountability to local needs and public input.

The OCC asks whether CRA consideration should be broadened for additional activities and populations. Industry trade associations have been advocating for CRA consideration for projects that have broad benefits such as financing hospitals that are not necessarily located in low- and moderate-income neighborhoods. However, the OCC must be reminded that the original purpose of CRA was to combat redlining in low- and moderate-income neighborhoods. If CRA exams award points for financing or activities that do not address lack of access to banking or community development needs in lower income neighborhoods, then the CRA will be less effective in channeling resources to the communities that were the focus of the 1977 legislation.

In summary, Missouri CAN strongly believes that consistency and transparency in the CRA examination and grading process are critical, both for banks and for members of the community.

In terms of expanding populations served by CRA, CRA exams must explicitly evaluate bank lending and service to people and communities of color. Senator Proxmire and the other members of Congress that drafted CRA and secured its passage were clearly concerned about disparities in lending in minority communities, especially inner-city neighborhoods. Since racial disparities in lending remain stubborn and persistent, CRA must include lending, investing, and service to people and communities of color in its evaluations. This is of grave concern in a state like Missouri, where the two largest cities – St. Louis and Kansas City – are home to a large population of African American residents – 30% in Kansas City and 49% in the City of St. Louis.

Lastly, the OCC asks whether branching in low- and moderate-income communities should continue to be considered on CRA exams. Research has shown that low- and moderate-income people rely on branches for access to loans and banking services. If CRA exams dropped branches from consideration, the amount of lending and bank services in low- and moderate-income neighborhoods would decrease significantly.

Collaborative work with banks in the St. Louis area has led to 16 new bank branches opening in the St. Louis area since 2012. These branches include innovative partnerships with community organizations and area churches. Examples of some of the most innovative branches in St. Louis include the Midwest Bankcentre full service branch housed within the Friendly Temple church, which is located in a low-income community that has not had a bank in many years. Other innovative branches opened include a Reliance Bank loan production center within the Justine Petersen organization, and an Enterprise Bank interactive teller located within the Urban League of Metro St. Louis.

In conclusion, meaningful CRA reform could boost lending and access to banking for underserved communities. CRA ratings must be reformed so the pass rate is no longer 98%. Assessment areas must be added that include areas outside of bank branch networks in which banks make high volumes of loans. Lending and access to banking for people and communities of color must be considered on CRA exams. Mortgage company affiliates of banks must be included on CRA exams.

To ease bank anxiety about unclear aspects of CRA, communications among the federal agencies, banks, and community groups could be improved. However, easing bank anxiety via the one ratio and diminishing the importance of branches, assessment areas, and public input will decrease lending and access to banking in the communities that need it the most. The federal agencies also must not establish easier exams for any category of banks that excuse them from current requirements for community development financing. We urge the OCC to go back to the drawing board and develop reform proposals with the Federal Reserve Board and the FDIC. Thank you for your attention to our comments.

Sincerely,

Dawna Fogarty, Executive Director
Missouri CAN
On behalf of Missouri's Community Action Network:

Central Missouri Community Action (CMCA)
Community Action Agency of Greater Kansas City (CAAGKC)
Community Action Agency of St. Louis County (CAASTLC)
Community Action Partnership of Greater St. Joseph (CAPSTJOE)
Community Action Partnership of North Central Missouri (CAPNCM)
Community Action Partnership of Northeast Missouri (CAPNEMO)
Community Services, Inc. of Northwest Missouri (CSI)
Delta Area Economic Opportunity Corporation (DAEOC)
East Missouri Action Agency (EMAA)
Economic Security Corporation of the Southwest Area (ESC)
Jefferson Franklin Community Action Corporation (JFCAC)
Missouri Ozarks Community Action, Inc. (MOCA)
Missouri Valley Community Action Agency (MVCAA)
North East Community Action Corporation (NECAC)
Ozark Action, Inc. (OAI)
Ozarks Area Community Action Corporation (OACAC)
People's Community Action Corporation (PCAC)
South Central Missouri Community Action Agency (SCMCAA)
West Central Missouri Community Action Agency (WCMCAA)