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Legislative and Regulatory Activities Division
Office of the Comptroller of the Currency
400 7th Street SW, Suite 3E-218
Washington, DC 20219

RE: Docket ID OCC-2018-0008

To: Office of the Comptroller of Currency

The Massachusetts Association of Community Development Corporations (MACDC) represents all 62 state-certified CDCs in Massachusetts as well as 25 other non-profit organizations that share our mission of expanding economic opportunity across the Commonwealth. In Massachusetts, the Community Reinvestment Act (CRA) has motivated banks to provide loans and investments for affordable housing and economic development. Many CDCs have been able to expand their housing production and community economic development efforts because of CRA.

We would like to express our deep concern for the Office of the Comptroller of the Currency's (OCC) Advance Notice of Proposed Rulemaking (ANPR) regarding the Community Reinvestment Act (CRA), and the seeming rush by OCC to propose or implement changes that will make banks less accountable and responsive to community needs, and for launching an ANPR process and proposal, which runs counter to the remedial purpose and legislative intent of the underlying landmark CRA legislation. CRA has long been understood to improve upon and maximize credit, services, and investments to low- and moderate-income (LMI) individuals, families and businesses; to support the mission-oriented work of community-based organizations that deploy these vital resources to meet locally established and shared objectives; and to address urgent community needs. MACDC believes that OCC's one-ratio process and proposal miss the mark.

We are disappointed that the OCC's ANPR represents a "go-it-alone" approach, which may fundamentally undermine the value and spirit of CRA by not having support from the FDIC and the Federal Reserve Board of Governors. This OCC approach ignores a decade of work around the concept of CRA reform. The Federal Reserve, in collaboration with OCC and FDIC, has been engaged in a multiyear process aimed at improving CRA to effectively meet the credit needs of our nation's diverse communities and to adequately respond to the transformation of our financial services industry. OCC's unilateral approach for issuing this ANPR ignores what has been a long-term collaboration by all three regulators, financial institutions, advocates, and community-based organizations. This single-handed approach risks the undermining of CRA's effectiveness for the 21st century.

MACDC is strongly opposed to performance evaluations based on a single, overly simplistic measure that ignores the relationships, reputations, and responsibilities financial institutions have in and to their communities. For CDCs, the "one ratio" or "one metric" approach to CRA ratings proposed in the ANPR should not be a component feature of any serious package of CRA regulatory reforms. This "one ratio" formulation would allow banks to report only the top-line amount of CRA investments as a percentage of total assets, eliminating the vast majority of CRA requirements. Ostensibly, the rationale behind the one ratio is that it will immediately signal to banks whether they conform to CRA and will

pass their next exam. While all stakeholders seek clarity for the CRA evaluation process, many of us feel that the one ratio formulation is a solution in search of a problem. Passing CRA exams is not a serious problem; 98 percent of banks have passed their exams over the last several years.

While addressing a problem that does not exist, importantly, the ANPR ignores the foundation on which CRA is based. 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,” a mission at risk with this ANPR framework.

In the aftermath of recent natural gas explosions that have displaced thousands of LMI families and businesses in the Merrimack Valley, a \$1 million emergency loan fund for area businesses has been established – the result of a collaborative effort between state and local leaders, 10 local lenders, and Mill Cities Community Investments, a local CDC/CDFI -- to ease the immediate burden to businesses impacted by this local tragedy. For CDCs, the key word here is, local.

A “one ratio” formula, like the example provided in the ANPR, would adversely impact Massachusetts’ communities. This single metric approach would discourage innovation and create a perverse incentive to do the “minimum to pass,” rather than seek to do the best possible job of meeting the credit needs of the local community. We believe that such an approach would inspire a race to mediocrity, rather than a race to the top.

A single metric 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. As part of that process, examiners are required to solicit and consider comments from community members. The critical consideration of public comments on local performance will be significantly undermined if the one ratio replaces assessment areas or significantly reduces public input.

Resource deployment around physical bank branches is at the heart of CRA’s spirit and intent. Investment, lending, and services around physical bank branches are and will remain critical to the health and prosperity of LMI families and communities.

In an historical context, MACDC adheres to the original 1977 CRA’s legislative intent, to apply the law so that all communities have access to capital, investments, loans, and services. This ANPR misses an opportunity to implement that intent in a modern context, and we join with others to recommend that the OCC reconsider its proposal and ask additional questions.

For example, this ANPR does not consider whether additional types of institutions, other than banks, have an obligation to provide loans, investments, and services in the places in which they do business. Advocates, community organizations, regulators, and currently regulated financial institutions have, in the past, questioned whether additional types of institutions, such as mortgage servicing companies, credit unions, and insurance companies, among others, should be subject to CRA-type regulations. An ANPR process that invites such inquiry offers an opportunity to consider whether the Commonwealth is meeting the investments needs of LMI communities.

In Massachusetts, our state-chartered banks and credit unions are examined for compliance with the Massachusetts CRA and select mortgage lenders are examined for compliance with the Mortgage Lender Community Investment (MLCI) regulation – also known as CRA for mortgage lenders. And these laws have been a big success in driving credit unions and mortgage companies to expand their investments in LMI communities.

We believe there could be a more level playing field across the financial services sector regarding CRA and community reinvestment obligations. Non-bank mortgage companies, fintech lenders, and credit unions with assets more than \$2 billion dollars should be subject to CRA obligations and examinations.

At minimum, regulators should communicate with members of Congress to encourage a more level playing field in the financial services industry by expanding the applicability of CRA.

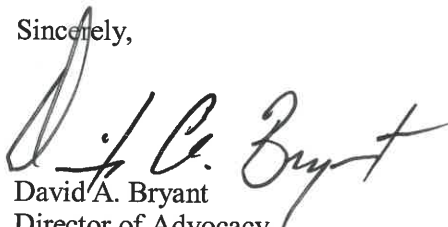
A strong CRA is necessary. MACDC objects to the ANPR's underlying formulation that the existing CRA regulatory framework is in a state of disrepair, or that CRA reform requires a slackening of regulatory and reporting requirements for banks and financial services providers, presumed to be unduly burdened subjects of the current CRA review and examination process.

The Community Reinvestment Act has been an extremely successful law that 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. CRA has promoted partnerships between banks and local community-based organizations and fostered highly successful public-private partnerships.

CRA has been successful, and it should be strengthened and modernized. Unfortunately, the ANPR process and proposal threatens to undermine this record of success and weaken CRA's ability to achieve its statutory purpose. We agree that there are opportunities to modernize CRA regulation to better reflect today's financial services industry. However, the OCC through this ANPR appears to be moving in the wrong direction by diminishing the effective incentive provided by CRA for banks to serve and to invest in local communities, with an intentional focus for meeting the needs of on low- and moderate-income (LMI) individuals, families and businesses. 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.

MACDC believes that this ANPR misses an opportunity to ask critical questions about the future of the Community Reinvestment Act, questions that have been informally proposed for more than a decade. 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. We urge the OCC to pull back from this ANPR proposal and reengage in a collaborative CRA review process to develop reform proposals with the Federal Reserve Board, the FDIC, and community-based stakeholders.

Sincerely,



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