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(via email to [regs.comments@federalreserve.gov](mailto:regs.comments@federalreserve.gov))  
**Federal Deposit Insurance Corporation**  
([comments@fdic.gov](mailto:comments@fdic.gov))

November 9, 2014

Dear Comptroller Curry, Chair Yellen, and Chairman Gruenberg:

Thank you for the opportunity to comment on the proposed revisions to the Interagency Questions and Answers Regarding Community Reinvestment (CRA Q&A). Your commitment to ensuring that financial institutions meet the financial services needs of all community members, including households with low and moderate incomes (LMI) and people who live in LMI areas, is highly commendable. In addition to examining institutions' compliance with the Community Reinvestment Act (CRA), your agencies have extended this commitment through initiatives such as the FDIC's Model Safe Accounts Template and support for Bank On and the Treasury Department's Financial Empowerment Innovation Fund.

Revising the CRA Q&A represents an opportunity to increase the important, positive effects of CRA on individuals and communities, specifically by seeking out and recognizing financial institutions' efforts to bank the previously unbanked and to partner with local initiatives around financial inclusion. Recent research by the Federal Reserve Bank of Boston, for example, suggests that, by focusing the attention of financial institutions on specific LMI areas, CRA improved financial access and outcomes for individuals in those areas compared to similar individuals in non-CRA target areas.<sup>1</sup>

The Cities for Financial Empowerment (CFE) Coalition is a network of geographically and demographically diverse cities that work together through innovative financial empowerment initiatives to improve the financial stability of our residents. Representing over 19 million people, our members design and implement large-scale programs that expand access to mainstream banking, wealth-building opportunities, and high-quality financial education and counseling for our residents. Expanding the vision of how municipal government can serve its citizens and create pathways for financial stability, CFE Coalition members leverage power and politics in the service of at-risk communities. The Coalition provides a platform for cities to work and learn collectively, forging partnerships with the public, private, and non-profit sectors.

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<sup>1</sup> Muñoz, Ana Patricia and Kristin F. Butcher, "Using Credit Reporting Agency Data to Assess the Link between the Community Reinvestment Act and Consumer Credit Outcomes" Community Development Discussion Paper No. 2013-2 and Muñoz, Ana Patricia and Kristin F. Butcher, "Policy Brief: The Effect of the Community Reinvestment Act on Consumers' Contact with Formal Credit Markets" Community Development Issue Brief 3, 2013

For example, Coalition cities have been at the forefront of Bank On, through which municipal banking access programs have been started or adapted in close to 100 cities since 2005, leading to more than half a million new transactional accounts opened. As a result of CFE Coalition leadership, the CFE Fund was founded in 2013 to spearhead Bank On 2.0, a national effort to build on the successes of local Bank On programs and remove barriers to further innovation that have proven difficult to resolve at the local level. Based on our on-the-ground experience expanding financial access to millions of people, the CFE Coalition offers the following recommendations:

### **CRA-based Incentives to Support Municipal Financial Empowerment Services**

The CFE Coalition strongly believes that the CRA examination process should positively reflect financial institution partnerships and investments in municipal financial empowerment initiatives including but not limited to:

- Safe and Low-Cost Bank Accounts in support of Bank On initiatives
- Children’s Savings Strategies
- Integrated Financial Coaching and Counseling Services

### **Alternative Delivery Systems (Q&A § \_\_.24(d) – 1 and Q&A § \_\_.24(d)(3) – 1)**

While we welcome the continued consideration of alternative delivery systems, an appropriate balance must take into account that many LMI customers rely on the customer support provided at full service branches. Therefore, the availability and effectiveness of alternate systems must be evaluated with regard to the following factors:

*Cost and range of services delivered.* Retail products of quality should not impose barriers to the mainstream banking system, such as punitive fees, prohibitive minimum balances, and narrow risk assessments. In the case of products being offered through local Bank Ons, for example, examiners should evaluate these features relative to the standards being developed through the National Bank On 2.0 Initiative.

*Information about availability and use.* In the past, local Bank On efforts were hindered by a lack of information about uptake and maintenance of safe, affordable accounts. Therefore, the Q&A should go beyond considering “any information an institution maintains and provides to examiners,” and more actively encourage institutions to develop information systems that clearly demonstrate how “alternative delivery systems are available to, and used by, low- or moderate-income individuals.”

*Public awareness and usage.* Simply having alternative delivery systems is not enough. Examiners should consider whether the alternative delivery systems are adequately used. We commend the list of factors contained in the proposed Answer to Q&A § \_\_.24(d)(3) – 1, and further recommend as an additional factor evaluating the specific efforts to make such systems known to LMI customers.

*Quality of customer support.* Alternative delivery systems should provide customer support that is human, accessible, knowledgeable, and culturally competent.

### **Innovative or Flexible Lending Practices Q&A § \_\_.22(b)(5) – 1**

While the new examples recognizing small dollar loans and alternative credit histories are useful, we recommend also including a specific example highlighting credit building products, such as credit builder loans and secured credit cards. Credit building products can help LMI customers repair and build their credit history, thus expanding their access to healthy financial products and greater lifetime savings.

### **Evaluating Retail Banking and Community Development Services Q&A § \_\_.24(a) – 1**

We recommend that the Q&A provide specific examples of how community development services can be distinguished from retail banking services, as the distinction is still unclear. At its best, the evaluation of community development services should motivate financial institutions to partner with communities to go beyond the normal course of business and include more previously unbanked or underbanked individuals in the financial mainstream. Bank On initiatives offer successful examples that should be improved upon and emulated. To make the distinction more clear, we suggest including the following examples of how community development services can be differentiated from retail banking services:

*Targeting outreach to LMI communities.* Examiners should consider whether financial institutions participate in programs like Bank On, in which financial institutions work with community organizations to increase LMI communities' awareness of and access to financial products.

*Improving account screening.* Financial institutions can increase access to retail services by screening applicants and using reports from consumer reporting agencies with greater sensitivity and flexibility. Examiners should consider whether community development services employ more liberal account screening guidelines than retail banking services.

*Facilitating or offering financial coaching and counseling to LMI communities.* Financial coaching and counseling, in which well-trained professionals work one on one with clients to achieve their financial goals, can help make financial services and products more accessible for LMI communities.

*Training employees on financial education and service to LMI customers.* Employees who receive training in financial education are better equipped to provide financial services to LMI customers and connect LMI customers with appropriate products.

*Reducing the proportion of unbanked individuals.* Community development services should be distinguished from retail banking services not only by their availability but also by their impact. While increasing the uptake of safe and affordable products among existing customers might benefit the community, a much greater benefit would accrue if previously unbanked individuals enroll in safe and affordable products resulting in a smaller overall percentage of unbanked community members.

### **Responsiveness Q&A § \_\_.21(a) – 3**

We recommend that the list of sources from which examiners may consider information regarding community needs to inform their evaluation should include municipal Offices of Financial Empowerment and local Bank On Initiatives.

## Assessment Areas

While assessment areas are not addressed in the Q&A, we continue to strongly recommend that assessment areas be revised to include all areas where banks do business, instead of being limited to where banks have a physical presence. As acknowledged in the Q&A, technological advances like online and mobile banking, remote deposit capture, and 24-hour internet banking kiosks are increasingly used and available. In addition, many banks originate loans over the internet or through vast networks of brokers and loan offices, extending their business beyond brick and mortar locations.

In order for CRA to remain relevant and fulfill its intended purpose, the delineation of assessment areas must reflect the realities of banking today. Assessment areas should include any areas where the bank makes a significant number of loans or has a substantial share of customers, regardless of whether or not it has a physical presence in that area. Updating the definition of assessment area will help ensure that LMI communities have rightful access to financial services and products.

Thank you again for the opportunity to comment. The Cities for Financial Empowerment Coalition encourages the Agencies to update the proposed revisions to the Interagency Questions and Answers Regarding Community Reinvestment as specified in this letter, as a means of better serving the goals of Community Reinvestment Act. CFE members have worked closely with financial institutions, community organizations, and government entities to expand financial access to millions of people and realize the goals of the Act. We look forward to continuing to provide our on-the-ground perspective.

Respectfully,



José Cisneros  
Treasurer  
City and County of San Francisco  
Co-Chair, Cities for Financial Empowerment Coalition