

From: Robert E. Rutkowski
Proposal: 1497 Community Reinvestment Act - Revisions - Interagency Questions & Answers
Subject: Community Reinvestment Question and Answers

Comments:

Martin J. Gruenberg, Chairman
Via Robert E. Feldman, Executive Secretary, Attention: Comments
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Janet Yellen
Federal Reserve Chair
Federal Reserve Board
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Legislative and Regulatory Activities Division
Office of the Comptroller of the Currency
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Re: Interagency Questions and Answers Regarding Community Reinvestment (OCC Docket ID OCC-2014-0021, Federal Reserve Docket No. OP-1497)

Dear Chairs:

The Center for American Progress recently submitted comments to three federal banking regulators—the Office of the Comptroller of the Currency, or OCC; the Federal Deposit Insurance Corporation, or FDIC; and the Federal Reserve—in response to their proposed guidance on implementation of the Community Reinvestment Act.

CAP's comments focus on the following four areas of interest:

Balancing shrinking branches and branch alternatives. The guidance recognizes that technology has led to many financial activities taking place outside of bank branches, including the growth of online and mobile banking. As a result, it proposes assessing banks' alternative delivery systems to ensure that they are effective and affordable. This is a valuable effort; in nine states and the District of Columbia, more adults have cell phones than bank accounts. Yet these assessments should equally apply to both branches and branch alternatives to ensure that financial institutions consistently provide high-quality services in and outside of brick-and-mortar locations. Regulators should validate these assessments not just by analyzing financial institutions' internal data—as proposed—but also by considering the experiences and needs of noncustomers in the broader community. Regulators should also reward intermediaries such as community-based organizations that deliver services person-to-person.

Supporting flexible, innovative, small-dollar credit alternatives. The guidance supports the expansion of alternatives to high-cost, predatory payday and auto title loans through the use of flexible and innovative approaches. These approaches include combining lending with financial counseling; tying borrowing to linked savings accounts, in which repayments help build financial stability by creating a financial cushion for future needs; and using alternative credit histories, such as rent and utility

payments, to more accurately measure borrowers' credit risk. While all of these approaches are promising, alternative data should still rely on measurements of borrowers' financial behaviors, not on other potentially discriminatory factors such as social media activity.

Encouraging better jobs and preventing displacement. Given that wages have failed to grow with the economy, CRA community development activities should be measured not only in terms of job creation but also by their creation of quality jobs that give employees the economic mobility to join and remain in the middle class. When measuring the effect of community development activities, regulators should also consider the potential for local residents to fill new jobs, instead of only focusing on job growth that has the potential to displace people from their neighborhoods.

Revisiting the composition of assessment areas. The CRA measures financial institutions' activities based on where they take deposits and where their branches are located. Yet banks are increasingly lending in locations where they do not have branches, and the Internet has made financial services more broadly available; this has led to a potential mismatch between CRA activity and areas of need. While this would have to be a longer-term policy change because it extends beyond the issues raised in the new guidance, reconsidering how financial institutions' assessment areas are defined could help ensure that the needs of all distressed locations are met.

The "Interagency Questions and Answers" proposed by the OCC, the FDIC, and the Federal Reserve are an effort to modernize the Community Reinvestment Act and to make it more effective, and they largely meet this goal. As the financial system continues to evolve, the CRA must continue to evolve as well in order to enable the financial system to work for all Americans.

I hope you will give these comments the weight they deserve.

Yours sincerely,

Robert E. Rutkowski

cc: House Minority Leadership

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Re: CAP comments:

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