

Proposal: 1723 (AF94) Reg BB - Community Reinvestment Act

Description:

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From: Cincinnati Development Fund, Jeanne Gollhofer

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Subject: R-1723 Community Reinvestment Act

Comments:

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Your comment: As a Certified Community Development Financial Institution (CDFI), Cincinnati Development Fund relies on investors motivated by the Community Reinvestment Act for low-cost capital to lend in low- and moderate-income (LMI) communities.

We strongly support an effective, well-enforced Community Reinvestment Act that keeps pace with the changing financial services industry.

Since our founding in 1988, we have worked with our bank partners to lend more than \$400 million in LMI neighborhoods. These loans have supported the renovation and creation of community facilities providing education, arts, healthcare and childcare services. They have created thousands of quality housing units- both market rate and affordable- bringing new residents to struggling communities. They have created manufacturing, office, and retail space that offered jobs and provided important goods to residents of LMI neighborhoods. The Community Reinvestment Act has played an important role in this effective collaboration.

Below are our responses to some important questions about the proposed reforms.

Q1: WE BELIEVE INCREASING LENDING, INVESTING AND SERVICES IN COMMUNITIES OF COLOR AND LMI COMMUNITIES SHOULD BE LISTED AS AN EXPLICIT OBJECTIVE OF THE REFORM EFFORT. One of the most important ways to determine the success of the efforts should be meaningful increases in bank lending, investing and services in LMI communities and communities of color.

Q2: WE BELIEVE IT IS IMPORTANT THAT THE BOARD'S PROPOSAL FOCUS ON INCREASING LENDING AND INVESTMENT IN COMMUNITIES OF COLOR. To ensure capital is flowing to communities of color, at a minimum, lending to people and communities of color should be included in the quantitative evaluation for both the retail and community development financing subtests.

Q5: WE DO NOT SUPPORT ALLOWING SMALL BANKS TO EXCLUDE PARTS OF COUNTIES WHERE THEY DO NOT HAVE A PHYSICAL PRESENCE AND WHERE THEY HAVE DE MINIMUS LENDING OR THERE IS SUBSTANTIAL COMPETITION. Banks with significant market share that are taking deposits or making loans throughout a county should have CRA obligations throughout that county.

Q13: WE DO NOT SUPPORT INCREASING THE THRESHOLD FOR SMALL BANKS FROM THOSE UNDER \$326 MILLION IN ASSETS TO EITHER \$750 MILLION OR \$1 BILLION. This change could exempt many more banks from a community development test, which could impact community development investment in CDFIs.

Q42: WE SUPPORT EVALUATING ALL COMMUNITY DEVELOPMENT FINANCING UNDER ONE TEST. However, it is critical banks report and be evaluated on community development lending and investment activities separately to avoid banks shifting more activity into lending at the expense of critical community development investments that support activities like Low Income Housing Tax Credit and New Markets Tax Credits projects.

Q56: WE BELIEVE A GEOGRAPHICAL PROXY (SUCH AS WHETHER THE FACILITY OR ACTIVITY IS IN AN LMI CENSUS TRACT) IS APPROPRIATE FOR DETERMINING WHETHER A COMMUNITY FACILITY (SUCH AS A HOMELESS SHELTER OR A HEALTHCARE CENTER) SUPPORTS LMI COMMUNITIES. In addition, the current guidelines stipulating that 50% or more of the recipients of a federal or non-federal government program are LMI individuals is appropriate to determine if the community service benefits LMI people.

Q57: WE AGREE THAT COMMUNITY DEVELOPMENT ACTIVITIES THAT SUPPORT MINORITY-OWNED, WOMEN-OWNED AND OTHER SMALL BUSINESSES (REVENUES LESS THAN \$1 MILLION) SHOULD RECEIVE CRA CREDIT. To encourage additional activity with the smallest businesses, the Board should remove requirements that the businesses create jobs for LMI people. Sole proprietorships make up more than three quarters of all small businesses, and businesses owned by people of color are more likely to be sole proprietors.

Q67: WE STRONGLY SUPPORT THE PROPOSAL TO ALLOW AUTOMATIC CRA CREDIT FOR QUALIFIED ACTIVITIES IN CONJUNCTION WITH CERTIFIED CDFIS LOCATED ANYWHERE IN THE COUNTRY, EVEN OUTSIDE OF THE BANK'S ASSESSMENT AREA. Activities undertaken in conjunction with a CDFI should count as part of the Community Development Test- not just receive qualitative consideration for moving from satisfactory presumption to outstanding rating.

Q95: WE SUPPORT THE RECOMMENDATION THAT COMMUNITY DEVELOPMENT LENDING AND INVESTMENT DATA BE SUBMITTED ANNUALLY BY BANKS ON A CENSUS TRACT, COUNTY LEVEL, AND ASSESSMENT AREAS LEVEL. Banks should also have to provide more granular data on their community development activities. For example, banks are currently not required to report on the community development lending or investments undertaken in concert with a CDFI. This makes it difficult to track, measure and assess this activity. The community development data should also be reported separately for the major categories of community development including affordable housing, small business, community facilities, etc.