



April 6, 2020

**Office of the Comptroller of the Currency:** Docket ID OCC-2018-0008

**Federal Deposit Insurance Corporation:** RIN 3064-AF22

**RE: Comment Letter on Proposed Changes to CRA**

To Whom It May Concern:

The Urban Economic Development Association of Wisconsin, Inc. (UEDA) is a 501(c)(3) membership organization dedicated to the professional development of individuals and groups working in economic and community development in Wisconsin. Incorporated in 1997, we focus on and advocate for sustainable homeownership and housing, financial empowerment and economic mobility, small business growth, community investment, and regional workforce and transportation.

UEDA is also an active member of the National Community Reinvestment Coalition (NCRC) and National Low Income Housing Coalition (NLIHC). On behalf of our members, we work in collaboration across sectors, and at local, regional and national levels to advocate for continued investment in individual and business lending services in the communities we serve.

**We are writing to strongly oppose the Notice of Proposed Rulemaking (NPRM) regarding the Community Reinvestment Act (CRA),** a proposal issued by the Office of the Comptroller of the Currency (OCC) and the Federal Deposit Insurance Corporation's (FDIC).

CRA requires that deposit-taking institutions meet the convenience and needs of the low- and moderate-income communities (LMI) in which they operate. But the NPRM proposal dramatically reduces incentives for banks to serve the needs of LMI people, diluting the focus of CRA. And it would reduce the importance of seeking input from the LMI people and communities in the banks' service areas. This contradicts the purpose of the law to overcome the historical facts of redlining.

**Qualifying Activities**

The strength of CRA is in the feedback loop it creates between communities, banks, and regulators. The needs of communities are distinct and diverse, and current regulations emphasize the need for banks to collaborate with community-based organizations to develop innovative products, services, loans and investments that meet the community's credit needs.

UEDA leads and supports two coalitions that have active participation from financial institutions, community-based organizations, and public entities: **Take Root Milwaukee** (sustainable homeownership & neighborhoods), and **Bank On Greater Milwaukee** (banking access & financial education).

For example, over the last nine years UEDA has worked with Take Root Milwaukee (TRM) members on an annual analysis of Home Mortgage Disclosure Act (HMDA) data. The bank members of TRM continue to provide a growing number, and a greater percentage of home loans to LMI borrowers and people of color than their peers in the city. Feeding that growth has been the focus of our coalition, whose members have together provided education and foreclosure prevention counseling to an average of 1778 homeowners each year, assisted an annual average of 3863 potential borrowers seeking home purchase education.

Bank On Greater Milwaukee launched in 2019, joining over 80 coalitions across the country to promote safe, affordable accounts and trustworthy financial education to consumers. We work with 25+ members that include eight financial institutions who offer accounts meeting the Bank On National Account Standards, and are currently assisting banks to partner with workforce service providers to connect clients to safe and affordable accounts.

These two programs exemplify how community groups and banks can work together to have long-range impact by investing in underserved communities. The proposal for creation of a specified list of qualifying activities threatens this kind of partnership.

**The OCC and FDIC's proposed regulations would undermine collaboration between banks and community groups by creating a list of qualified activities rather than holding banks accountable to meet the needs identified by community members and community organizations.**

Instead, we suggest the OCC and FDIC develop an illustrative but not definitive list of principles defining CRA-qualified activities. And banks should be held accountable to CRA's original imperative to seek out input on, and meet the lending, investment and financial services needs of LMI communities.

### **Measuring CRA Activities on a Bank's CRA Performance Evaluation**

We are very concerned about the major changes to the way that federal regulators would measure a bank's CRA activities.

We are opposed to the "one ratio" measure that consists of the dollar amount of CRA activities, divided by dollar amount of the bank's deposits. This one ratio measure would encourage banks to find the largest and easiest deals anywhere in the country, instead of collaborating with communities and responding to local needs. If banks could get CRA credit for financing public infrastructure or sports stadiums, as the NPRM proposal suggests, those large dollar amounts included in the CRA-eligible activities would reduce the amount of home loans or small business loans in LMI neighborhoods that a bank would need, in order to pass their CRA evaluations.

We are alarmed that the CRA performance test measuring banks' home mortgage, small business and consumer lending (the "retail lending test") would be supplemental, and would count for less. And we are gravely concerned that home mortgage lending in LMI communities would be eliminated as an exam criterion. If banks are not held accountable for making mortgages to credit-worthy borrowers in LMI communities, we will likely see a return to the levels of redlining that CRA was originally established to eliminate!

### **These kinds of changes would have a real, and detrimental impact on the communities we serve.**

CRA has benefited Milwaukee in many ways:

- Mortgage loan programs and downpayment assistance for first time homebuyers;
- Investments in home repair grant and loans for homeowners;
- Loans or investments in affordable housing or mixed use developments, like the Griot Apartments (mixed-income housing located above America's Black Holocaust Museum); the United Community Center's Olga Village (senior housing); and Layton Boulevard West Neighbor's Turnkey Renovation Homes;
- Financial support for nonprofit homebuyer counseling agencies in our community;
- Bank staff who volunteer with community organizations to provide financial and technical expertise;
- Financial support and technical assistance to minority business development organizations, workforce development programs, and nonprofit organizations that help with employment readiness; and
- Participation in coalitions like Take Root Milwaukee and Bank On Greater Milwaukee, which promote public-private partnerships and collaboration to address disparities in our community.

### **Affordable Housing Needs**

UEDA is a technical assistance provider specializing in affordable housing, access to financial services, and small business resources. We are currently working with the City of Milwaukee to put together their 2020-2024 HUD Consolidated Plan, which entails an involved community input process and review of housing and economic data.

There is a great need for more affordable housing units in our community, particularly for those that are paying more than 30-50% of their income towards housing. Cost burden disproportionately affects communities of color and people with disabilities in the City. In recent years there has been an increasing understanding of the direct links between safe, quality housing and people's physical health. Over 42% of the housing in Milwaukee was built before 1940 and is located in the central city. Much of this housing stock is in need of repair, particularly in neighborhoods with high percentages of low-income households.

The NPRM could allow banks to get credit for developments that house all upper-income families, paying very low rent. With poverty and unemployment rates significantly higher in the City of Milwaukee than in the metro area, lower-income residents often have significant financial hurdles. This will be yet another barrier for them as they compete with high-income tenants.

All of these are important areas where financial institutions can serve the needs of LMI communities. As we review this data and think about what we heard from community members, the importance of CRA cannot be overstated. **Affordable housing for LMI people is a critical need in our community. The OCC and FDIC should not loosen the standard for verifying that housing is being used by LMI tenants.**

### **Small Businesses**

In the NPRM, the OCC and FDIC propose changing the definition of a small business from one that takes in \$1 million in annual revenue, to a business that receives up to \$2 million in annual revenue. The Consumer Financial Protection Bureau (CFPB) estimates that 95% of small businesses have revenues of \$1 million or less.

UEDA's network includes a number of CDFIs and chambers of commerce that work with small businesses and micro-enterprises in southeast Wisconsin. As a co-convenor of the Small Business Affinity Group, we continually hear from groups like the Latino Chamber of Commerce and African American Chamber of Commerce that access to fairly-priced capital for small, minority-owned businesses is a huge challenge. By redefining the small business to include businesses with \$2 million in annual revenue, the OCC and FDIC will divert lending from the smallest businesses who otherwise struggle to access affordable capital.

### **Bank Branches**

The NPRM would significantly reduce the importance of bank branches in CRA performance evaluations. This would likely lead to the closure of branches serving LMI neighborhoods. Through our work in Bank On Greater Milwaukee, we know that over 20% of the households in our community are unbanked or underbanked. Branches are an essential component to connecting people to financial services they can trust.

Bank branches are also essential to the economic vitality of neighborhoods, and CRA regulations should emphasize the importance of physical branches in LMI neighborhoods. The proposed regulations would encourage the export of capital from communities, in direct contradiction of the statutory goal of the CRA.

### **Summary**

Milwaukee's continued standing as one of the most segregated cities and metro areas in the country is a result of a legacy of past redlining practices and institutionalized racism that continues to manifest in deep racial and economic inequalities in the region, including a persistent and startling racial wealth gap. Working to reverse the impact of these historical disparities requires consistency and intention, with contributions from the private, public and nonprofit sectors.

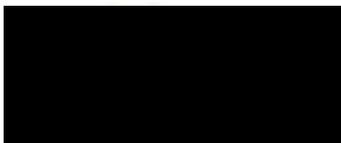
CRA is one institution that encourages investment in communities – particularly LMI communities and communities of color. UEDA works with a diverse cross-section of members and other partners that include nonprofits, financial institutions, CDFIs, government agencies, small businesses, neighborhood associations, funders and individuals concerned with these issues. This was true before our current public health crisis due to COVID-19, and will be even more true afterwards.

We urge the OCC and FDIC to discard the NPRM and instead work with the Federal Reserve Board to propose an interagency rule that will modernize CRA in a way that will increase reinvestment in LMI communities. Now, more than ever, we are going to need banks to be our partners.

Should you have any further questions about our comments, please contact me at (414) 562-9904 or [Kristi@uedawi.org](mailto:Kristi@uedawi.org).

Thank you for your consideration.

Sincerely,



Kristi Luzar  
Executive Director  
Urban Economic Development Association of Wisconsin, Inc. (UEDA)

### **ABOUT UEDA**

The Urban Economic Development Association of Wisconsin (UEDA) is a 501(c)(3) membership association dedicated to facilitating effective, cross-sector collaboration, meaningful connections, and strengthening individual and organizational capacity in Wisconsin's community and economic development sector. Our vision is that the members and communities we serve are inspired and thriving, with equitable access to investment and opportunity. Learn more at [www.uedawi.org](http://www.uedawi.org).