



January 13, 2020

The Honorable Greg Meeks
Chairman
U.S. House of Representatives
Subcommittee on Consumer Protection &
Financial Institutions
2129 Rayburn House Office Building
Washington, DC 20515

The Honorable Blaine Luetkemeyer
Ranking Member
U.S. House of Representatives
Subcommittee on Consumer Protection &
Financial Institutions
2129 Rayburn House Office Building
Washington, DC 20515

Dear Chairman Meeks and Ranking Member Luetkemeyer,

On behalf of the Consumer Bankers Associations (CBA), I write to share our views on the Community Reinvestment Act (CRA) in advance of the House Subcommittee on Consumer Protection & Financial Institutions hearing entitled “The Community Reinvestment Act: Reviewing Who Wins and Who Loses with Comptroller Otting’s Proposal.” CBA is the voice of the retail banking industry whose products and services provide access to credit for consumers and small businesses. Our members operate in all 50 states, serve more than 150 million Americans, and collectively hold two-thirds of the country’s total depository assets.

CBA believes banks have an affirmative obligation to help meet the credit needs of their communities, including low- and moderate-income (LMI) areas, consistent with safe and sound banking policies. Our member banks support the CRA’s objectives to ensure that LMI communities’ credit needs are served, and we are committed to ensuring appropriate resources are invested through approved CRA activity conducted across the country. Modernizing the CRA to reflect the digital evolution of banking and ensure more certainty and clarity throughout the CRA process is a top priority for CBA’s membership.

The Subcommittee’s hearing examines changes proposed jointly by the Office of the Comptroller of the Currency (OCC) & Federal Deposit Insurance Corporation (FDIC) to modernize the CRA regulations, which have not been substantively updated in almost 25 years. Since the last time these regulations were meaningfully revised in the mid-1990s, much has changed in the way consumers do their banking, marking a rapid transformation that has greatly impacted banking, and CRA should evolve with it.

The OCC led the charge on CRA reform by releasing an advanced notice of proposed rulemaking (ANPR) designed to make “transformational” changes to CRA. CBA commended the OCC during the ANPR stage for working to build a modernized framework for CRA that allows insured financial institutions to more effectively serve the needs of their communities. In addition, CBA noted the crucial need for uniform interpretation and enforcement of the CRA statute by the OCC, FDIC, and Federal Reserve by encouraging all three banking regulators to develop and implement a uniform set of regulations. The CBA is accordingly encouraged that the FDIC joined the OCC in issuing the NPR and that Governor Lael Brainard of the Federal Reserve Board recently described her own proposal.

As banking has evolved, CRA regulations have not. Under the current regime, banks lack certainty about what activity will qualify for CRA consideration, often discouraging new and innovative CRA investments. Further, administration of the current rules has been inconsistent and difficult to predict because the determination of whether activity qualifies for CRA is often made at an examiner's discretion, after the bank engages in the activity. CBA appreciates efforts to clarify what activity qualifies for CRA consideration so banks can better plan and invest in their communities.

CBA welcomes the effort by the OCC and FDIC to establish transparent guidelines for CRA performance that will ensure banks can better understand how the activity they conduct will affect their CRA ratings. We applaud efforts to streamline evaluations, allowing banks to more quickly identify and address community needs. More analysis must be undertaken by stakeholders to better understand the impact the new metrics that will be used to measure CRA activity for individual institutions and the communities they can serve. CBA appreciates the OCC's recent effort to consider the impact of a more quantitative approach through additional data collection, but feels the true costs of reforms must be understood before dramatic changes are made.

CBA appreciates the proposal's desire to reach communities with CRA activity that are currently underrepresented, known as "CRA deserts", while alleviating some of the pressure in over-saturated markets (i.e., CRA "hot spots"). It is crucial that the OCC and FDIC engage with stakeholders to carefully analyze the real impact of the proposed changes on CRA deserts and hot spots, to make sure that sufficient incentives are provided to induce banks to serve the hard-to-reach areas that are most in need of investment. Banks are well tailored to serve their customers' varying needs and require regulations that accommodate the differences between various bank business models so our members can continue to serve LMI communities.

Finally, CBA notes the large amount of regulatory burden banks face across every aspect of their operations, including significant data collection and reporting obligations. Any increase to such obligations should be undertaken with careful consideration of the costs, and a clear, communicated understanding of the benefits of the newly required information to both LMI communities and the goals of increased transparency throughout the process.

CBA applauds the OCC and FDIC as they undertake a generational change to CRA. CBA encourages all the federal regulatory bodies to work towards creating a uniform set of CRA regulations that reflect the changing nature of banking. We appreciate Congress's engagement in this process and look forward to working with the Committee during the rule making process.

Sincerely,

A handwritten signature in cursive script that reads "Richard Hunt".

Richard Hunt
President and CEO
Consumer Bankers Association