GREATER NEW ORLEANS HOUSING ALLIANCE

November 14, 2018

Legislative and Regulatory Activities Division
Office of the Comptroller of the Currency
400 7th Street SW, Suite 3E-218, Washington, DC 20219

Comment regarding “Reforming the Community Reinvestment Act: Reforming the Community Reinvestment Act Regulatory Framework”

RE: Docket ID OCC-2018-0008

To Whom it May Concern:

The Greater New Orleans Housing Alliance (GNOHA) appreciates the opportunity to comment on the Office of the Comptroller of the Currency’s (OCC) Advance Notice of Proposed Rulemaking (ANPR) regarding the Community Reinvestment Act (CRA). CRA has leveraged significant amounts of loans and investments for low- and moderate-income communities. Since 1996, banks have issued almost $2 trillion in small business loans and community development loans and investments in low- and moderate-income communities.

In New Orleans, where my organization works, the CRA has motivated banks to provide loans and investments for affordable housing and economic development. Banks, analyzed in a report by NCRC, made about $474 million in community development financing available to New Orleans every 2.5 years post-Katrina. CRA-related community development financing is therefore a valuable resource for our city, and efforts should be made to increase this financing as New Orleans is currently in an affordable housing crisis.

In order to bolster CRA’s effectiveness, reforms are necessary to take into account changes in banking and technology. Yet, as the OCC contemplates reform, it must not rush to propose or implement changes that will make banks less accountable and responsive to community needs, which would be counter to the purpose of the CRA legislation. If the OCC proceeds to significantly diminish the importance of assessment areas on CRA exams, the progress in increasing lending to low- and moderate-income neighborhoods will be halted. NCRC estimates that low- and moderate-income neighborhoods could lose up to $105 billion in home and small business lending nationally over a five year time period. In my state, Louisiana, the loss would be up to $1 billion and in my Congressional district, the loss would be $334 million.

We are concerned that an OCC idea commonly called the one ratio would make CRA exams considerably less effective in evaluating how banks are responding to local needs in metropolitan areas and rural counties. The one ratio would consist of the dollar amount of a bank’s CRA activities (loans, investments, and services to low- and moderate-income

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borrowers and communities) divided by the bank's assets. The ratio is supposed to reflect CRA effort compared to a bank's capacity.

The idea behind the one ratio is that it will immediately signal to banks whether they are in compliance with CRA and will pass their next exam. While all stakeholders seek clarity in CRA, the one ratio is a solution in search of a problem. Passing CRA exams is not a problem since 98 percent of banks have passed their exams over the last several years.

While not necessary to ease banker anxiety about passing CRA exams, the one ratio threatens to render CRA ineffective in making sure banks respond to local needs. The CRA statute requires that banks "have continuing and affirmative obligations to help meet the credit needs of the local communities in which they are chartered." The key word is local. One ratio cannot tell an examiner, a bank, or a member of the public how responsive a bank is to its various service areas. CRA exams currently evaluate and rate bank performance in geographical areas called assessment areas where banks have branches. Examiners are required to solicit and consider comments from community members about performance in assessment areas. This critical part of CRA, considering public comments on local performance, will be significantly undermined if the one ratio replaces assessment areas or significantly diminishes the importance of assessment areas and public input on CRA ratings.

GNOHA incubated and facilitated conversations that led to HousingNOLA, the first-ever 10 year plan to ensure affordable housing for all New Orleanians. The plan calls for 33,600 affordable housing opportunities, which will need public and private resources, to end housing insecurity. GNOHA continues to be an active member of the National Community Reinvestment Coalition. As a member of the coalition, we were able to get Iberia Bank, a regional bank headquartered in Lafayette, LA, to announce a $6.72 billion community benefits plan with NCRC and its community-based members and across the southeastern region of the United States. Without assessment areas in the CRA, our city and region could have missed out on this great opportunity. This investment will help New Orleans produce and preserve the affordable housing it so desperately needs and guarantees that our rebuilt communities are strong and equitable.

The OCC's ANPR discusses the need to expand CRA exams to assess bank lending in areas beyond bank branches but does so in a way that further supports the one ratio concept. The ANPR says bank lending and deposit taking in geographical areas beyond bank branches has been increasing and that CRA exams should scrutinize this activity. However, the ANPR then hints that the dollar amount of this activity could be added to the numerator of the one ratio. Instead, the OCC should establish assessment areas for geographical areas where banks do not have branches but engage in a significant amount of business. This would better facilitate accountability to local needs and public input.

The OCC asks whether CRA consideration should be broadened for additional activities and populations. Industry trade associations have been advocating for CRA consideration for projects that have broad benefits such as financing hospitals that are not necessarily located in low- and moderate-income neighborhoods. However, the OCC must be reminded that the original purpose of CRA was to combat redlining in low- and moderate-income neighborhoods. If CRA exams award points for financing or activities that do not address lack of access to banking or community development needs in lower income neighborhoods, then CRA will be less effective in channeling resources to the communities that were the focus of the 1977 legislation.

In terms of expanding populations served by CRA, CRA exams must explicitly evaluate bank lending and service to people and communities of color. Senator Proxmire and the other members of Congress that drafted CRA and secured its passage were clearly concerned about disparities in lending in minority communities, especially inner-city neighborhoods. Since racial disparities in lending remain stubborn and persistent, CRA must include lending, investing, and service to people and communities of color in its evaluations. Significant disparities exist by race in access to prime rate loans in New Orleans. African-Americans were 2.6 times more likely to receive high cost home loans than whites in New Orleans during 2006. Forty-one percent of all home loans received by African-Americans were high cost, compared to just 16 percent of loans received by whites. Also, African-Americans were 2.2 times more likely to be denied loans than whites in the City of New Orleans. The CRA should expand populations served and evaluate bank lending and services to people and communities of color, because the situation is dire and more support is essential to equitable growth. According to a study by Prosperity Now and the Institute for Policy Studies, if trends continue, the median wealth for black Americans will fall to $0 by 2053 and 20 years later, it'll happen for Latino-Americans as well.

Lastly, the OCC asks whether branching in low- and moderate-income communities should continue to be considered on CRA exams. Research has shown that low- and moderate-income people rely on branches for access to loans and banking services. If CRA exams dropped branches from consideration, the amount of lending and bank services in low- and moderate-income neighborhoods would decrease significantly. Despite the great benefits of bank branches, too many minority and working class communities do not have an equitable share of them. According to an analysis of New Orleans Bank Branches in 2003, before Hurricane Katrina 43.5% of branches were in low- to moderate-income neighborhoods despite 51.5% of the city's households resided in such neighborhoods. The mismatch was even worse by race of neighborhood. Just over 50% of bank branches were in substantially minority neighborhoods, but 73% of the city's households lived in said neighborhoods.

In conclusion, meaningful CRA reform could boost lending and access to banking for underserved communities. CRA ratings must be reformed so the pass rate is no longer 98 percent. Assessment areas must be added that include areas outside of bank branch networks in which banks make high volumes of loans. Lending and access to banking for people and communities of color must be considered on CRA exams. Mortgage company affiliates of banks must be included on CRA exams.

To ease bank anxiety about unclear aspects of CRA, communications among the federal agencies, banks, and community groups could be improved. However, easing bank anxiety via the one ratio and diminishing the importance of branches, assessment areas, and public input will decrease lending and access to banking in the communities that need it the most. The federal agencies also must not establish easier exams for any category of banks that excuse them from current requirements for community development financing. We urge the OCC to go back to the drawing board and develop reform proposals with the Federal Reserve Board and the FDIC. Thank you for your attention to our comments.

Sincerely,

Andreanecia M. Morris

Andreanecia Morris,
President/Chair, Greater New Orleans Housing Alliance