



Co-Chairs
San Francisco
Miami

Legislative and Regulatory Activities Division
Office of the Comptroller of the Currency
400 7th Street SW, Suite 3E-218
Washington, DC 20219
regs.comments@occ.treas.gov

November 19, 2018

Member Cities

Boston

Dear Comptroller Otting,

Chicago
County of Hawai'i
Denver
Lansing
Los Angeles
Louisville
Nashville
New York City
Philadelphia

On behalf of its 15 cities representing over 22 million people, the Cities for Financial Empowerment Coalition (CFE Coalition) thanks you for the opportunity to provide comments on the proposed framework to amend the Community Reinvestment Act of 1977 (CRA). The CFE Coalition is supportive of efforts to modernize and enhance the CRA to meet the changing needs of the constituency of member banks. We support the original intent of the law, which provides an antidote for racial discrimination in lending and retail services, and speak from our experience partnering locally with financial institutions seeking to comply with the CRA. We offer our perspective on the importance of a strong inventory and consideration of individual community needs, and note our attendant concern about the impact that a proposed single ratio or metric-based approach to CRA examinations would have on critical partnerships with local municipalities.

San Antonio
Savannah
St. Louis

The CFE Coalition is a 10-year old national network of geographically and demographically diverse municipal administrations that work together through innovative financial empowerment initiatives to improve the financial stability of their residents. Our members design and implement large-scale programs that expand access to mainstream banking, wealth-building opportunities, and high-quality financial education and counseling for residents. The Coalition provides a platform for cities to work and learn collectively, forging partnerships with the public, private, and non-profit sectors.

The Coalition cities are on the frontline of many of the issues the CRA intends to address so it is our hope that proposed reforms will provide a meaningful opportunity to increase the important, positive effects of the CRA on individuals and communities, specifically by seeking out and recognizing financial institutions' efforts to bank the previously unbanked and to partner with local initiatives around financial inclusion. These connections are more than theoretical for us. Recent research by the Federal Reserve Bank of Boston, for example, notes that by focusing the attention of financial institutions on specific low and moderate income (LMI) areas, CRA improved financial access and outcomes for individuals in those areas compared to similar individuals in non-CRA target areas.¹

¹ Muñoz, Ana Patricia and Kristin F. Butcher, "Using Credit Reporting Agency Data to Assess the Link between the Community Reinvestment Act and Consumer Credit Outcomes" Community Development Discussion Paper No. 2013-2 and Muñoz, Ana Patricia and Kristin F. Butcher, "Policy

Coalition cities and our partners at the national Cities for Financial Empowerment Fund (CFE Fund) have been at the forefront of the national Bank On initiative, through which municipal banking access programs have been started or adapted in over 75 cities, counties, and regions over the last decade, contributing to the opening of millions of new transactional accounts for consumers who were previously outside of the financial mainstream. Based on our on-the-ground experience expanding financial access to millions of people, and our understanding of local needs associated with affordable housing and other community investments, the CFE Coalition offers the following recommendations regarding the definition of CRA assessment areas, the eligibility of activities that could receive consideration during the examination process, and maintaining and strengthening the service test.

Assessment Areas and Evaluation Framework

Coalition cities know that local partnerships are key to community success. Particularly in conjunction with financial institutions, these partnerships – and the investments they often spur – are born from local synergy, dictated by shared local priorities. Therefore, we are supportive of expanding CRA assessment areas to include all areas where banks do business, instead of being limited only to where banks have a physical branch presence, with two critical caveats. First, nothing in proposed changes to the CRA or examinations should discourage branch presence. Recent Federal Deposit Insurance Corporation research continues to confirm the criticality of bank branches for the majority of the population²

Second, CRA assessment must continue to reflect local investments, as opposed to an evaluation framework that relies solely on national metrics. We are concerned about the potential for a metric-based evaluation framework that relies on a single fixed target (such as a ratio of fair-lending activity to size, or a dollar-value numerical target for fair lending compliance) to dilute the importance of the assessment area, the role of community input, and the incentive to participate in mutually-valuable local partnerships. While the use of metrics can improve clarity, increase transparency, and simplify reporting burdens, they should not result in reducing the incentive of institutions to meet the unique credit and financial services needs of low and moderate income communities.

With these critical caveats, we support the notion that assessment areas should include any areas where the bank makes a significant number of loans or has a substantial share of customers, regardless of whether or not it has a physical presence in that area. Technological advances like online and mobile banking, remote deposit capture, and 24-hour internet banking kiosks are increasing and critical tools in the consumer banking access field, and should be encouraged in this way. In order for CRA to remain relevant and

Brief: The Effect of the Community Reinvestment Act on Consumers' Contact with Formal Credit Markets" Community Development Issue Brief 3, 2013

² 2017 FDIC National Survey of Unbanked and Underbanked Households. Chapter 11. Implications and Conclusions. Pg 68:

https://economicinclusion.gov/downloads/2017_FDIC_Unbanked_HH_Survey_Report.pdf

fulfill its intended purpose, the delineation of assessment areas should reflect these new and emerging banking realities. We believe that updating the definition of assessment areas will help encourage banks' products and services investments to additional low and middle income (LMI) communities, expanding access for the millions still outside of the mainstream financial system.

Strengthening and Enforcing the CRA Service Test

Access to a bank account is critical to success in the modern American economy. A bank account represents the first step toward financial stability and wealth accumulation, and enables families to conduct the basic financial transactions necessary for daily life. Yet millions of American households lack access to this important pathway to prosperity, and are forced to rely on fringe financial service providers, a costly alternative for families that impedes asset building and leads to cycles of debt.

Enormous progress has been made under the CRA in allowing low- and moderate-income and minority borrowers access to credit, and overall CRA has resulted in important gains for LMI communities. The CRA is a flexible piece of legislation that has the capacity to respond to an ever-changing financial services landscape; continued improvements could only heighten its impact, especially in light of an economy teeming with mergers and rapid technological development.

The service test should include a more rigorous and regular assessment of retail banking products and services, with special consideration given to financial institutions that develop and support safe and affordable accounts that meet the needs of LMI communities. Product design should be consistent with CRA's mandate to act in accordance with "safe and sound" banking practices, and regulatory agencies may look to the criteria developed by Bank On in assessing the fees, costs of use, access and effectiveness of retail products and services.

Examinations should assess transactional banking outcomes, for example the number of safe and affordable accounts opened and closed within LMI communities, and the use of these accounts. The service test should also provide incentives for those banks that make special efforts to be more inclusive of populations that face excessive barriers to financial products, such as youth and immigrants. We also encourage rules that incentivize financial institutions to accept non-U.S. identification (such as consular and municipal identification cards) as primary identification for the purpose of account opening.

Examinations should emphasize retail service performance that responds to and meets market needs, including product offerings and business strategy, rather than emphasizing compliance with administrative procedures. Examinations and ratings should include local branches and subsidiaries, and evaluation should be applied consistently across all financial institutions, without loopholes allowing institutions to opt out of comprehensive evaluations. Collaboration between regulators, municipalities and financial institutions can support an inclusive CRA strategy that includes a strong public awareness component.

With significant segments of the nation unbanked or underbanked³, the OCC's ANPR asks whether branching in LMI areas should be reviewed as banks seek more exemptions from the CRA service test, which reviews bank branching patterns and basic banking services in LMI areas. As another bank regulator noted recently, for many LMI and rural communities bank branches remain critical for the provision of bank loans, investments, and services.⁴ Banking deserts in rural and minority communities have increased since the financial crisis.⁵ While it can be strengthened, the CRA Service test remains an incentive for the nation's largest banks to open bank branches in LMI communities equitably and provide other basic banking services.

Finally, we encourage to the OCC to conduct CRA examinations with a frequency that continues to ensure accountability and incentives for banks to meet the retail service needs of LMI communities.

Activities Eligible for CRA Consideration

At its best, the evaluation of community development services should motivate financial institutions to partner with communities to go beyond the normal course of business and include more previously unbanked or underbanked individuals, as well as underserved communities of color, in the financial mainstream. The CFE Coalition strongly believes that the CRA examination process should positively reflect financial institution partnerships and investments in municipal financial empowerment initiatives including but not limited to:

- Safe and low-cost bank accounts in support of Bank On or similar initiatives⁶
- Youth savings initiatives
- Integrated financial coaching and counseling services

Access to Safe and Low-Cost Bank Accounts. Ensuring that communities have access to safe and low-cost bank accounts is the primary mission of Bank On initiatives around the country. As part of the Bank On national strategy, the CFE Fund worked with all federal banking regulators, as well as financial institutions of all sizes, local government leaders, researchers, and advocates to establish a Bank On National Account Standard to clearly define account parameters broadly considered safe, low cost, functional, and sustainable. The CFE Fund and local Bank On Coalitions have worked to encourage financial institutions across the country to incorporate an account that meets the standards into their product

³ See 2017 FDIC National Survey of Unbanked and Underbanked Households: https://www.fdic.gov/householdsurvey/2017/2017report.pdf?source=govdelivery&utm_medium=email&utm_source=govdelivery

⁴ [Remarks of Lael Brainard](#) (May 18, 2018) and [Community Advisory Council and Board of Governors](#) and FDIC's Jelena McWilliams in the [Wall Street Journal](#)

⁵ Richardson et al, *Bank Branch Closures from 2008-2016: Unequal Impact in America's Heartland*, National Community Reinvestment Coalition, 2017.

⁶ Bank On coalitions are locally-led partnerships between local public officials; city, state, and federal government agencies; financial institutions; and community organizations that work together to help improve the financial stability of unbanked and underbanked individuals and families in their communities. See <http://cfefund.org/project/bank-on/> for more information.

portfolio, and they are already offered by dozens of banks, large and small, and available in over 25,000 branches across all 50 states and the District of Columbia. As such, we urge the OCC and their partner regulators to consider financial institution efforts to open such accounts as specifically eligible for CRA examination credit.

Child Savings Initiatives. Several CFE Coalition member cities are launching large-scale initiatives to encourage child savings to encourage and support higher education. Financial institution partners have played a critical role in providing both infrastructure and philanthropic support to facilitate these initiatives. The Coalition encourages the OCC to consider investments in support of broad-based child savings efforts to be considered as a CRA-eligible activity.

Facilitating or offering financial counseling and coaching to LMI communities. Financial coaching and counseling, in which well-trained professionals work one on one with clients to achieve their financial goals, can help connect LMI clients to and educate them about critical consumer financial services and products. These broadbased efforts, for example those structured as public Financial Empowerment Center initiatives,⁷ have been shown to complement and enhance the goals of larger community development investments in affordable housing, small business development, workforce training, and more.

Thank you again for the opportunity to comment. The Cities for Financial Empowerment Coalition encourages the OCC to use this opportunity strengthen the CRA's ability to have a positive impact on LMI communities. CFE members have worked closely with financial institutions, community organizations, and government entities to expand financial access to millions of people and fulfill the goals of the Act. We look forward to continuing to provide our on-the-ground perspective.

Respectfully,



José Cisneros
Treasurer
City and County of San Francisco
Co-Chair, Cities for Financial Empowerment Coalition

⁷ [Financial Empowerment Centers](http://cfefund.org/project/financial-empowerment-centers/) (FEC) offer professional, one-on-one financial counseling as a free public service to enable residents to address their financial challenges and needs as well as plan for their futures. See <http://cfefund.org/project/financial-empowerment-centers/>.