



**GREATER ROCHESTER  
COMMUNITY REINVESTMENT COALITION  
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ROCHESTER, NEW YORK 14614**

August 27, 2010

Office of the Comptroller of the Currency  
250 E Street, SW  
Mail Stop 2-3  
Washington, DC 20219  
Docket ID OCC-2010-0011  
Via email: [regs.comments@occ.treas.gov](mailto:regs.comments@occ.treas.gov)

Jennifer J. Johnson, Secretary  
Board of Governors of the Federal Reserve  
System  
20<sup>th</sup> Street and Constitution Avenue, NW  
Washington, DC 20551  
FRB Docket No. R-1386  
Via email:  
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Robert E. Feldman, Executive Secretary  
Attention: Comments, Federal Deposit  
Insurance Corporation  
550 17<sup>th</sup> Street, NW  
Washington, DC 20429  
RIN 3064-AD60  
Via email: [comments@fdic.gov](mailto:comments@fdic.gov)

Regulation Comments  
Chief Counsel's Office  
Office of Thrift Supervision  
1700 G Street, NW  
Washington, DC 20552  
OTS-2010-0019  
Via email: [regs.comments@ots.treas.gov](mailto:regs.comments@ots.treas.gov)

**RE: Community Reinvestment Act (CRA) Regulation Hearings**

To Whom It May Concern:

We are writing on behalf of the Greater Rochester Community Reinvestment Coalition (GRCRC) to the federal regulators about the joint public hearings and request for comments on regulations governing the Community Reinvestment Act (CRA). We appreciate the opportunity to provide suggestions on how to revise the regulations around CRA to better serve the goals of the Act. Our comments include both regulatory improvements as well as legislative changes to CRA. While we understand that the agencies can only make changes to the regulations and not to the law, we urge the agencies to use their powers to strengthen the CRA regulations as much as possible and to educate Congress about needed legislative improvements.

GRCRC and its conveners Empire Justice Center and its predecessor, the Public Interest Law Office of Rochester (PILOR), have extensive experience with CRA, its regulations and examinations of banks' compliance with CRA. GRCRC was first convened in 1993 to generate and continue discussions about lending patterns and community reinvestment in Rochester, NY

and the surrounding community. GRCRC has a membership of over 30 locally based not-for-profits and individuals (see attached list of organizational members at the end of this letter). The coalition and its conveners monitor the community reinvestment obligations of the Rochester NY MSA's largest depositories--Bank of America, Canandaigua National Bank, RBS Citizens Bank, HSBC, JPMorgan Chase, KeyBank and M&T Bank.

Over the past 17 years, GRCRC, Empire Justice Center and PILOR have released 12 analyses of home mortgage, small business and subprime lending data, using these analyses to identify strengths and weaknesses in lending patterns and to generate ongoing discussion with the banks in question.<sup>1</sup> We also have submitted numerous comments during CRA exams and mergers, based on the data, to the appropriate state and federal regulators.<sup>2</sup>

CRA promotes care and sustainability in lending. The law requires safe and sound lending, and would have been a preventative cure to the foreclosure crisis had it covered a broader range of institutions. Research conducted by Federal Reserve economists documents that home loans made by banks in their CRA assessment areas are about half as likely to end up in foreclosure as loans issued by independent mortgage companies.<sup>3</sup> In addition, CRA small business and community development lending exceeded \$1 trillion for America's neighborhoods from 1996 through 2008. In the rural areas of New York State, banks issued 2,380 prime home loans in 2008 worth about \$179 million to low- and moderate-income borrowers. In the Rochester MSA in 2008, banks made 3,244 prime loans to low-moderate income borrowers totaling over \$281 million.<sup>4</sup>

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<sup>1</sup> Our most recent analyses compare differences in mortgage lending between 2006 and 2008. A collaborative multi-state report "Paying More for the American Dream IV" can be found at: <http://www.empirejustice.org/publications/reports/paying-more-for-the-american-3.html> and the Empire Justice Center report "The River Runs Dry" can be found at: <http://www.empirejustice.org/about-us/press/press-releases/the-river-runs-dry-decreased.html>.

<sup>2</sup> Our most recent CRA exam comment letters can be found at: <http://www.empirejustice.org/issue-areas/consumer-community-development/community-reinvestment/grcrc-comments-on-mt-banks.html> and at: <http://www.empirejustice.org/issue-areas/consumer-community-development/community-reinvestment/grcrc-comments-on-rbs.html>.

<sup>3</sup> Elizabeth Laderman and Carolina Reid, Federal Reserve Bank of San Francisco, "CRA Lending during the Subprime Meltdown in Revisiting the CRA: Perspectives on the Future of the Community Reinvestment Act," a Joint Publication of the Federal Reserve Banks of Boston and San Francisco, February 2009, [http://www.frbsf.org/publications/community/cra/cra\\_lending\\_during\\_subprime\\_meltdown.pdf](http://www.frbsf.org/publications/community/cra/cra_lending_during_subprime_meltdown.pdf).

<sup>4</sup> Figures calculated by the National Community Reinvestment Coalition (NCRC) from data available on <http://www.ffiec.gov>.

Although CRA has been instrumental in boosting lending and investing, the neglect of certain parts of the regulation has meant that CRA has not realized its full potential. If CRA had been updated, the level of CRA-lending and investing would have been substantially higher.

### **The Changed Financial Services Environment**

Since GRCRC began its work in 1993, the scale and scope of the financial services industry has changed dramatically. Our key concerns in the early-mid 1990s were around the lack of mortgage and small business lending and bank investment in the city of Rochester. So, this is what we focused on in our CRA exam meetings and comment letters.

As noted by Sarah Ludwig in her July 19<sup>th</sup> testimony, it was not long before the dramatic changes taking place in the financial services industry – new electronic banking technologies; the suddenly regional, national and global scale of banks; the explosion in subprime securitization and lending; and the disastrous proliferation of high cost, abusive financial products and services; to name just a few – led to an increasingly separate and unequal banking system in which lower income communities and neighborhoods of color became flooded with high cost credit and financial services. These financial products and services were destructive enough that we have seen it played out to its natural conclusion over the past few years—foreclosures and a recession that were particularly devastating to the very communities targeted.

This two-tiered credit system that has emerged over the past ten to fifteen years has people living in lower income communities and neighborhoods of color targeted for higher cost, often abusive, under- and unregulated financial services more often than people who live in whiter, more affluent communities. This segmented financial services system has harmed families and neighborhoods, and has served to perpetuate inequality and segregation. Although reverse redlining runs counter to the spirit and intent of CRA, its regulations have yet to address these inequities adequately.<sup>5</sup>

Meaningful reforms to CRA will ensure economic recovery that promotes sustainable lending to small businesses for job creation and responsible home lending. While we applaud the regulators' intentions to improve CRA, regulatory action alone is not sufficient. Congress needs to apply CRA broadly throughout the financial industry in order to maximize safe and sound lending and investment in communities.

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<sup>5</sup> Testimony of Sarah Ludwig on behalf of the Neighborhood Economic Development Advocacy Project Before the Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, Comptroller of the Currency, and the Office of Thrift Supervision. Public Hearing on Community Reinvestment Act Regulations. July 19, 2010, as found at: <http://www.fdic.gov/regulations/laws/federal/2010/10c30AD60.PDF>. Some other recommendations in this letter also come from Ms. Ludwig's testimony.

## **Recommendations to Strengthen CRA**

GRCRC has used the agency hearings as an opportunity to hold a coalition meeting to discuss how CRA and its regulations could be strengthened to respond to this two-tiered financial system so that the credit needs of all communities are met, consistent with safety and soundness. In particular, GRCRC believes that CRA should be strengthened in the following areas:

### **1. Extend CRA Exams to Specifically Identify Disparities in Lending Patterns Related to Minorities and Communities of Color**

Given the well established evidence of lending disparities by race, it is critical that CRA exams explicitly look for and measure disparities in lending and services to minority borrowers and communities. A large body of research shows that minorities received larger percentages of subprime loans than whites, even after controlling for borrower creditworthiness and other characteristics.<sup>6</sup> Before the 1995 amendments to the CRA regulations were implemented, CRA exams specifically evaluated lending to minorities as an assessment factor. In addition, the public performance evaluations described how the banks were evaluated and the results of those assessments.<sup>7</sup> However, a review of recent CRA performance evaluations of several Rochester area banks indicates that fair lending reviews in CRA exams are now summarized by a single sentence, “We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.”

Providing the information necessary for regulatory agencies to objectively and accurately evaluate lending practices by race of the borrower on CRA exams would provide one of the essential tools needed to address this failure to fulfill one of the three enumerated purposes of the CRA, namely assuring that the credit needs of minority communities are met. Our failure to consistently advance that goal over the past three decades justifies our returning to review the intent of the statute itself, including the original finding of Congress, at 12 USC 2901(a)(3), that the “regulated financial institutions have continuing and *affirmative* obligation to help meet the credit needs of the local community in which they are chartered” (emphasis added). Whatever

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<sup>6</sup> NCRC, *Foreclosure in the Nation's Capital: How Unfair and Reckless Lending Undermines Homeownership*. Paul S. Calem, Kevin Gillen, and Susan Wachter, *The Neighborhood Distribution of Subprime Mortgage Lending*, October 30, 2002. Available via [pcalem@frb.gov](mailto:pcalem@frb.gov). Also Paul S. Calem, Jonathan E. Hershaff, and Susan M. Wachter, *Neighborhood Patterns of Subprime Lending: Evidence from Disparate Cities*, in Fannie Mae Foundation's Housing Policy Debate, Volume 15, Issue 3, 2004 pp. 603-622

<sup>7</sup> Assessment Factors D & F. See Federal Reserve Bank of Richmond, Community Reinvestment Act Performance Evaluation of Signet Bank (Jan. 15, 1996), available at <http://www.federalreserve.gov/dcca/cra/1996/460024.pdf>.

else that “affirmative” obligation may entail, at a minimum Congress clearly expected and envisioned that the regulatory agencies should be positioned not only to monitor for intentionally discriminatory practices, but to monitor as well for racially or ethnically disparate outcomes resulting from a particular institution’s practices and policies. The CRA in that regard encompasses more than a review to simply determine whether lending policies constitute violations of the Fair Housing Act or the Equal Credit Opportunity Act, and to be meaningfully enforced racial, ethnic, and gender reporting measures need to be established.

Certainly no bank should receive a “satisfactory” or better rating if it were shown that its lending practices were not serving equally minority communities or other protected classes under the Fair Housing Act or the Equal Credit Opportunity Act. The inability to be able to directly measure whether that is the case means that an agency attempting to review the sufficiency of the lender’s activities must rely upon correlations based upon neighborhood demographics or other surrogate measures. Having to rely on such surrogate indicators 1) undermines the ability to substantiate any findings that lending practices are having a disparate impact, 2) reduces the credibility of such a finding, and 3) inhibits the ability to identify corrective actions that should be undertaken.

Supervising agencies must boost the rigor of fair lending reviews to more precisely determine whether there is direct or indirect evidence of lending practices that are either illegal or are having a disparate impact. Fair lending reports in CRA performance evaluations must be detailed explanations of the fair lending tests used. In addition, the concept of illegal and discriminatory lending must be expanded to include unsafe and unsound lending. Banks have failed CRA exams because they made or financed unsafe loans; the fair lending review must routinely indicate whether the review found evidence of unsafe and unsound loans.<sup>8</sup>

## **2. Consider Banks in Their Totality on CRA Exams**

Under current CRA regulations, banks can receive favorable CRA ratings based on the performance of their insured depository, even though their affiliates are directly engaged in and responsible for practices that harm communities and serve them inequitably – such as through discriminatory and abusive credit card and debt collection practices. This is because banks currently have the option to include affiliates on CRA exams if the affiliates perform admirably, but can opt against inclusion if the affiliates are engaged in risky lending or discriminatory policies.

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<sup>8</sup> See FDIC CRA exam of CIT Bank of May 2008. The bank failed because it purchased high levels of problematic subprime and non-traditional loans. [http://www2.fdic.gov/crapes/2008/35575\\_080512.PDF](http://www2.fdic.gov/crapes/2008/35575_080512.PDF).

Regulators should consider all of banks' mortgage lending affiliates – originators as well as servicers – in CRA exams. Regulators should also consider activities of banks' consumer financial services providers, such as credit card issuers. The lessons we have learned from not regulating banks' subprime and fringe lending activities, for example, make it unacceptable to continue allowing banks to have the discretion about including affiliates in CRA exams. GRCRC believes the agencies have the authority to require that banks include all non-depository affiliate lending on CRA exams. This will ensure that all bank lending affirmatively responds to credit needs in a safe and sound manner.

Similarly, CRA exams should identify not only banks' affirmative activities but also harmful practices by the banks themselves. For example, banks' abusive overdraft practices, which have sapped billions of dollars from the very communities that CRA is intended to address, seem to have virtually no negative impact on their CRA ratings. GRCRC urges the regulators to examine abusive and discriminatory practices during CRA exams and to have such practices negatively impact CRA ratings. And if not already done so, the negative effect of the purchase of securities backed by abusive subprime or discriminatory loans,<sup>9</sup> as well as the other practices having a negative impact on CRA ratings, should be codified in the regulations. Banks should not be able to get an Outstanding on their CRA exams if they fund predatory mortgage loans, check cashers, payday lenders, and refund anticipation loans that strip assets.

Banks continue to securitize refund anticipation loans (RALs) despite that fact that the OCC expects that with regard to RALs banks will put into place risk management practices that ensure consumer protection.<sup>10</sup>

### **3. Modernize Assessment Areas**

As currently defined by the CRA regulation, assessment areas, the geographical locations covered by CRA exams, generally consist of metropolitan areas or counties that contain bank branches. However, today's financial services environment make this "brick and mortar" definition much less applicable. While some banks still issue loans predominantly through branches, others make the majority of their loans through brokers and other non-branch means.

As a result of the current definition of assessment areas, the share of all home purchase loans made by banks operating in their CRA assessment areas has dropped to about 25 percent.<sup>11</sup>

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<sup>9</sup> Ibid.

<sup>10</sup> "OCC Policy Statement on Tax Refund-Related Products," as found at: <http://occ.treas.gov/ftp/bulletin/2010-7a.pdf>.

<sup>11</sup> Ren Essene of the Federal Reserve Bank of Boston and William C. Apgar of the Joint Center for Housing Studies, Harvard University, *The 30<sup>th</sup> Anniversary of the CRA: Restructuring the CRA to Address the Mortgage Finance*

Narrow assessment areas facilitate problematic lending practices that are not scrutinized on CRA exams. Research, including a collaborative study done by Empire Justice Center, demonstrates that lending by institutions not covered by CRA or by banks outside of their assessment areas are more likely to be higher cost.<sup>12</sup>

Moreover, it has been the experience of GRCRC members that, because Rochester is a mid-size city, banks with competing assessment areas often neglect their smaller assessment areas (i.e. Rochester) in favor of their larger ones, or banks that do not have a branch presence in the Rochester area focus investments in their assessment area communities. This results in fewer banks participating in quality investment opportunities in the Rochester area and its surrounding rural communities. In order to increase CRA-related lending, services and investments by banks that do not have a branch presence and to encourage more banks to make community development loans and investments in areas like Rochester, GRCRC has two recommendations:

- Expand assessment areas to cover more than where banks have brick and mortar branches; assessment areas should also include those areas (i.e. metropolitan areas or non-MSA counties) where a covered institution has a marketshare (mortgage lending, consumer lending and/or small business lending).
- Allow CRA-covered institutions to get CRA credit for community development (CD) loans and investments in non-assessment areas, as long as the CD loans and investments address demonstrated needs in those areas.

#### **4. Expand the Types of Institutions Covered by CRA**

Our modern, often two-tiered financial services system includes more than insured depository institutions (“banks”) and their affiliates, and they often do not serve the needs of their communities. For example, independent mortgage companies make higher cost loans more often than CRA-covered institutions.<sup>13</sup> And settlements by insurance companies indicate that insurance redlining is also occurring.<sup>14</sup> Therefore, we need to expand CRA to cover other financial services

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*Revolution*, in *Revisiting the CRA: Perspectives on the Future of the CRA*, eds. Prabal Chakrabarti et al., A Joint Publication of the Federal Reserve Banks of Boston and San Francisco, 2009.

<sup>12</sup> See “Paying More for the American Dream III,” March 2009 at: <http://www.empirejustice.org/publications/reports/paying-more-for-the-american.html> and Robert B. Avery, Kenneth P. Brevoort, and Glenn B. Canner, Higher-Priced Home Lending and the 2005 HMDA Data, Federal Reserve Bulletin, Fall 2006, see page A154.

<sup>13</sup> *Ibid.*

<sup>14</sup> Tim Knauss. “Erie Insurance agrees to settlement in U.S.lawsuit that alleges discrimination against Syracuse black people.” *The Post-Standard.*, April 10, 2009.

providers, including industrial loan companies, independent mortgage companies, mainstream credit unions with a minimum asset size and insurance companies.

#### **5. Give Less Weight to Banks' Philanthropy than to Affirmative Community Reinvestment**

GRCRC would never discourage banks from engaging in charitable giving. The CRA regulations should make clear, however, that philanthropic giving is not a proxy for meeting community credit needs. Before the market crash, for example, as GRCRC and community groups across the country sounded the alarm on abusive lending practices devastating traditionally underserved neighborhoods, banks were touting their support for financial literacy programs—which did little to protect consumers against predatory lending practices. Giving grants is easier for banks than finding ways to meet community credit needs through direct lending, services, and investment. GRCRC urges the regulators to give less credit for philanthropic activity on CRA exams than for affirmative lending, investments and services.

#### **6. Create a Community Development Test**

At our coalition meeting, GRCRC members discussed a recommendation being made by many not-for-profit affordable housing developers and lenders to create a Community Development (CD) Test. Right now, community development lending, investments and activities are not considered as a whole, but scattered among the Lending, Service and Investment Tests. This makes it more difficult to evaluate how a bank's CD-related activities work as a whole to serve communities. Therefore, we recommend changing the Investment Test to a Community Development Test and moving community development lending and services/activities from Lending and Services to Community Development. Purchases of loans and mortgage-backed securities should be put under the new Community Development Test, not under Lending. A mortgage-backed security is clearly an investment, while the purchase of loans is related more to community development than lending, as the purchase gives the originating lender additional capital, which that originating lender may use in whatever way it wishes.

#### **7. Strengthen CRA Evaluations for Smaller Banks**

GRCRC members that work in rural areas indicate that smaller community banks, especially in rural areas, have little or no incentive to perform well on CRA exams. Mergers have traditionally been a major means of CRA enforcement, meaning that banks with poor CRA ratings will find it much harder to acquire other banks. Since these smaller banks are usually the acquisition targets, rather than the acquiring firm, they have little reason to strive for excellence in CRA. GRCRC understands that this issue is complex and difficult to address via any one strategy. Therefore, to encourage smaller community banks to better serve their communities, we urge the agencies to consider a combination of the following:



- As recommended by the New York State Banking Department, include a retail services test as part of the CRA exams for small and intermediate banks.<sup>15</sup> Smaller institutions need to be assessed on the affordability and safety of their transactional and savings products and how well these products serve the un- and under-banked in their communities.
- Increase the number of assessment areas that undergo full scope reviews.
- Require a strategic plan for each of the tests (i.e. Lending and Community Development, and the suggested Services, for intermediate small banks) where an institution receives less than a Satisfactory rating.

#### **8. Mandate CRA Small Business Lending Data Reporting for All Institutions**

Moreover, in small business lending, the part of the economy where smaller community banks play an outsized role, banks under \$1 billion in size are currently able to avoid reporting on their small business lending. This makes it much harder for community groups to assess how well smaller community banks are serving their communities. In fact, after this revision went into effect, Canandaigua National Bank and Trust, the Rochester MSA's 5<sup>th</sup> largest bank at the time, opted not to report its small business lending data for two years—in 2005 and 2006 (while still under the asset threshold), despite having over 8 percent of the dollar volume small business market in Monroe County in 2004. Therefore, GRCRC urges the federal agencies to mandate the collection and public reporting of small business lending data (as expanded by Dodd-Frank, see recommendation 10) for all financial institutions making these loans, no matter what the asset size.

#### **9. Include Small Dollar Consumer Loans in CRA Evaluations**

A study released by The Brookings Institute in January of 2008 found that consumers pay \$8.5 billion in fees for basic high cost financial services such as check cashing and payday loans.<sup>16</sup> These consumers access \$100 billion in financial services from alternative providers. The report also finds that 90 percent of these alternative providers are within one mile of a bank or credit union.

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<sup>15</sup> The NYS Banking Department comment letter can be found at:  
<http://www.fdic.gov/regulations/laws/federal/2010/10c40AD60.PDF>.

<sup>16</sup> Matt Fellowes and Mia Mabanta. "Banking on Wealth: America's New Retail Banking Infrastructure and Its Wealth-Building Potential," January 2008, as found at:  
[http://www.brookings.edu/reports/2008/01\\_banking\\_fellowes.aspx](http://www.brookings.edu/reports/2008/01_banking_fellowes.aspx).

The report discusses a number of hypothetical scenarios of various consumers and demonstrates how, assuming a variety of circumstances, a consumer who was able to transfer these fees into assets could have wealth building potential of hundreds of thousands of dollars. One hypothetical demonstrates how \$40,000 in fees over the life of the consumer can be converted into \$90,000 in assets or even \$360,000 depending on what investment vehicle was used.<sup>17</sup>

The lack of fairly priced small dollar loans means that RALs and rent-to-own stores cost low and moderate income consumers millions of dollars in junk fees. This results in a transfer of assets from some of our most vulnerable working families to large financial entities that are the face of these products, as well as the banks and other institutions that provide the capital for these products. The transfer occurs because these consumers pay more than they should with respect to the actual cost of credit.

The reasons consumers pay more for less are varied and complex. One appears to be a distrust of banks. While lack of financial literacy plays a role, banks do not in fact provide small dollar loans to consumers with impaired credit when they need a small loan to pay for an emergency. It is imperative that banks develop and provide these services directly and, as appropriate, in partnership with community development financial institutions (CDFIs) and other not for profits to expand the delivery of these products to drive the bottom feeders out of the market.

CDFIs are making progress in serving the needs of low and moderate income consumers. There are alternative payday loan models and small risk based loans. Banks should be required to develop their own product or partner with a CDFI to develop affordable small dollar loan products.

The Brookings study shows that alternative lenders are present right next to bank branches. Regulators who examine these banks should ascertain why there are dozens of high cost/high fee lenders within blocks of bank branches. We need to be able to measure the penetration of banks in providing basic transactional services in their communities and include that in banks' CRA exams.

#### **10. Increase Transparency of Publicly Available Data**

GRCRC has experienced firsthand the power of publicly available data, particularly the data available under the Home Mortgage Disclosure Act, to hold lenders accountable. Coupled with CRA, HMDA has been vital for increasing responsible lending to traditionally underserved borrowers and communities.

Applying a similar rationale, GRCRC is very pleased with the enhancements in the CRA small business data included in HR.4173, the Dodd-Frank bill signed by President Obama last month.

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<sup>17</sup> Ibid.

Enhancements include, for every small business loan application, the race and gender of the small business borrower, the census tract and the gross annual revenue of the business, and amount applied for and approved and the action take on the application. We urge the Consumer Financial Protection Bureau and/or relevant federal regulators to implement these data enhancements as transparently and as soon as possible. This includes making the data available to the public at the individual application level, just as the HMDA Loan Application Record (LAR) is currently available, as well as at the census tract level for each lender. Such transparent data will help us identify where, and by whom, small business lending is and is not happening in the Rochester NY community.

In addition, to promote access to basic banking services, GRCRC asks that the agencies require disclosure of enhanced data that shows types of deposit account (such as basic lifeline) by census tract location of the residence of bank customers. Likewise, data on the type consumer lending by borrower demographics and census tracts can promote access to affordable consumer loans and alternatives to abusive payday loans. Improvements in data disclosure will enhance the ability of CRA examiners to assess if banks are responsive to the full range of credit needs of communities.

#### **11. Increase Transparency on Community Development Activities**

To make it easier for community advocates to provide meaningful comments on a bank's CRA performance, GRCRC urges the federal regulators to require that, once a CRA exam starts, a bank provide upon request detailed data on its community development lending, investments and services for requested assessment areas. While we understand the concerns about proprietary information, many banks we work with have provided information in the past about their community development lending, investments and services during their CRA exams. Details, for example, might include:

- For housing-related community development investments: by geographic area (assessment area, county, and city) provide the aggregate dollar amount and number of investments/projects, the number of units of housing and affordable housing, the type of housing (family, senior, people with disabilities).
- For economic development-related community development investments: by geographic area (assessment area, county, and city) provide the aggregate dollar amount and number of investments/projects, the number of jobs created.
- CRA-eligible grants/donations: by geographic area (assessment area, county, and city) provide the aggregate dollar amount and number of grants/donations.
- Community development lending could be broken out similar to community development investments.

## **12. Improve CRA Enforcement**

Mergers have traditionally been a major means of CRA enforcement but the frequency of mergers is likely to continue declining over the next several years. Consequently, additional enforcement mechanisms are needed. For instance, banks could be required to submit CRA improvement plans, subject to public comment, when they receive a low rating—overall or in any assessment area. CRA exams and merger approval orders could include an “expectations section” that either mandates or recommends (depending on the extent of the deficiency) improvements to specific aspects of CRA performance such as a particular type of lending or investment.

Some commentators will favor “incentives” to coax institutions into improved CRA performance. We would be supportive of exploring programmatic methods to increase tax credits under the Low Income Housing Tax Credits or New Markets Tax Credit for institutions receiving Outstanding ratings. But we are opposed to exemptions from CRA review on merger applications or decreasing the frequency of CRA exams for institutions with Outstanding ratings. CRA performance is likely to decline when institutions receive less frequent exams and public scrutiny.

## **13. Improve CRA Exam Ratings and Weights**

The scale of four possible ratings (Outstanding, Satisfactory, Needs to Improve, Substantial Noncompliance) does not provide meaningful distinctions in performance and has resulted in 98 to 99 percent of banks receiving Outstanding or Satisfactory over the last several years. GRCRC urges the agencies to replace Satisfactory with Low and High Satisfactory in addition to the three other existing ratings. In addition, as mentioned earlier, we urge the agencies to develop more refined weighting systems that take into account the level of innovation or work in an investment. Routine investments like purchasing loans on the secondary market should not receive as much weight as more difficult investments such as equity investments in small businesses.

We do not believe that major changes in CRA examinations are desirable. Some will argue that more banks should be eligible for streamlined exams; we believe that the recent changes went too far in making exams too easy for mid-size banks. Rigorous exams require more safe and sound lending from institutions.

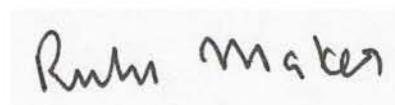
## **Conclusion**

The severity of the foreclosure crisis would have been substantially lessened if the entire financial services industry had an obligation to serve all communities consistent with safety and soundness. We believe that the regulatory agencies can contribute significantly to ensuring

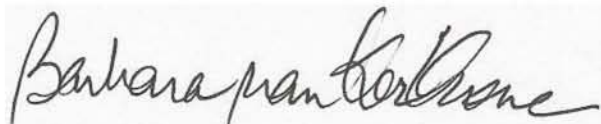
sustainable economic recovery by updating the regulation governing CRA to fit the new financial services environment. In addition, we urge the regulators to work with Congress to improve the CRA to cover other financial services providers and specifically cover people and communities of color.

Thank you for this opportunity to comment on this important matter. If you have any questions, please contact us at 585-454-4060 or via email: Ruhi Maker at [rmaker@empirejustice.org](mailto:rmaker@empirejustice.org) or Barbara van Kerkhove at [bvankerkhove@empirejustice.org](mailto:bvankerkhove@empirejustice.org).

Sincerely,



Ruhi Maker, Esq.  
Senior Attorney



Barbara van Kerkhove, Ph.D.  
Researcher/Policy Analyst



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**GRCRC Organizational Members**

As of July 20, 2010

- Action for a Better Community, Inc.
- Coalition of the NorthEast Area (CONEA)
- Credit Education Bureau
- Empire Justice Center
- Empire State Housing Alliance
- Enterprise Community Partners
- Genesee Coop FCU
- Greater Rochester Community of Churches
- Greater Rochester Housing Partnership
- Group 14621 Community Association
- The Housing Council
- Ibero-American Development Corporation
- Interfaith Action
- Legal Aid Society
- Legal Assistance of Western New York
- Marketview Heights Association, Inc.
- NCS Community Development Corporation
- NeighborWorks Rochester
- NorthEast Neighborhood Alliance (NENA)
- Northside Church Housing Development Fund Corp.
- PathStone
- Regional Center for Independent Living
- Sector 4 CDC
- Sisters of St. Joseph
- Sojourner House
- South East Area Coalition
- South Wedge Planning Committee
- Spanish Action Coalition
- Urban League Home Store
- Volunteer Legal Services Project, Inc.
- Wilson Commencement Park
- YWCA of Rochester & Monroe County