

March 13th, 2019

Hon. Maxine Waters
Chair, House Financial Services Committee
2221 Rayburn House Office Building
Washington, DC 20515

Dear Chairwoman Waters,

Thank you for your extensive and consistent efforts to defend and advance policies that strengthen the economic mobility of traditionally underserved communities.

The undersigned community development and civil rights organizations, which represent and serve millions of low- and moderate-income (LMI) people and communities of color, urge the Financial Services committee to hold a hearing with the Comptroller of the Currency, Joseph Otting, to focus the public attention on the Comptroller's troubling approach to reforming the Community Reinvestment Act (CRA). Given that the OCC departed from long-established practice and released an Advance Notice of Proposed Rule Making (ANPR) related to the CRA without the participation of the Federal Reserve and the FDIC, it is appropriate to invite Comptroller Otting to testify by himself.

As you know, the CRA has been critical to the economic health of our country by promoting equity of opportunity in low- and moderate-income communities, communities of color and emboldening entrepreneurs, the backbone of our nation's economy. It was a landmark response to red-lining practices that targeted communities of color, practices that continue today. In the wake of the recent tax reform that produced windfall profits for banks, the CRA is needed now more than ever to ensure equitable investment in low- and moderate communities and communities of color to address a widening wealth gap.

The Office of the Comptroller of Currency (OCC) issued an ANPR last summer detailing its approach to reforming the CRA. The OCC's proposal opens the door to numerous troubling attempts to watering down the obligation that banks have under the CRA. Perhaps most concerning is the simplistic "one ratio" approach under which banks would only report the top line amount of CRA investments as a percentage of total assets, eliminating the majority of CRA requirements. This approach is designed to lower the bar for compliance and limit opportunities for community input into the rating process. It would enable banks to seek out the lowest risk, and highest margin investments, thereby undermining the CRA's focus on LMI families and communities of color. The result would be a dramatic reduction in total community reinvestment by the banking industry - a windfall for banks at the expense of the communities they are required to serve under the CRA.

Mr. Otting has given disturbing testimony to Congress in which he questioned the existence of discrimination in the banking industry. He also testified that, as CEO of One West Bank, he found it very difficult to comply with CRA. With more than 96% of banks receiving a satisfactory or

better rating, it does not appear that the rest of the banking industry is having a very difficult time meeting the existing standards.

The evolution of the banking sector, and especially technological change that has transformed the delivery of financial services, has created the opportunity for the CRA to have even greater impact in the communities it was originally intended to serve. There is a need to undertake CRA reform that puts the credit needs of low- and moderate families and communities of color first. Reform must also consider the increased capacity and sophistication of the community development field. In frequent public statements, the comptroller has conflated legitimate interest in CRA reform with support for his agenda. In fact, objections the comptroller's approach to CRA are widespread.

- On May 25, 2018, fifteen US Senators expressed their concern that an advance notice of rulemaking would soon be published regarding the CRA and encouraged you to, “avoid proposals that could undermine the continuing effectiveness of the CRA.”
- A coalition of national and regional organizations representing consumers, communities of color and the community development industry [sent a letter in June](#) to Chairman Powell raising concerns about the Comptroller's intent to undermine the CRA.
- The National Community Reinvestment Coalition authored an [opinion piece](#) in the New York Times that warns against the comptroller's approach to CRA reform.
- The California Reinvestment Coalition released a [statement](#) reflecting the concern of its membership about the OCC's proposal for reform.

The OCC is undermining the CRA by creating uncertainty and inconsistency among the regulators in its approach to CRA. In a time when the President of the United States has called out the Chairman of the Federal Reserve by name to object to the Federal Reserve system's monetary policy stance, it is highly inappropriate for the Comptroller of the Currency to take actions aimed at pressuring colleagues at the Federal Reserve and the FDIC.

The stakes are high. If the one ratio approach is adopted, it will undermine safeguards on the financial services sector and the mission of the CRA, resulting in ripple effects on the funding and financing structures of most of our nation's socially-motivated infrastructure, from affordable housing to education to community health and more.

We urge the Financial Services Committee, by hosting a hearing on this issue, require that the Comptroller publicly explain his proposals for watering down the Community Reinvestment Act, which would lower the bar of accountability for banks and reduce investments in low- and moderate-income communities.

Sincerely,

California Reinvestment Coalition

Center for Responsible Lending

Community Reinvestment Alliance of South Florida

Greenlining Institute

National Alliance of Community Economic Development Associations (NACEDA)

National Association for Latino Community Asset Builders (NALCAB)

National Coalition for Asian Pacific American Community Development (National CAPACD)

Inquilinos Boricuas en Acción (IBA) Boston

Texas Appleseed