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September 25, 2019

The Honorable Joseph Otting  
Comptroller  
Office of the Comptroller of the Currency  
400 7th Street, SW  
Washington, DC 20219

**Re: Community Reinvestment Act – Opportunity for Modernization**

Dear Comptroller Otting:

The Independent Community Bankers of America (ICBA)<sup>1</sup> thanks you for the opportunity to share community bank perspectives on the Community Reinvestment Act (“CRA”) with you and your colleagues, and commends you for your initiative to transform and modernize the outdated and overly burdensome CRA regulations and examination process. Community banks support the community development goals of CRA and strive every day to meet the credit needs of their entire communities, including low- and moderate- income areas. As a follow up, we would like to highlight some issues that were raised in our meeting.

**Continued Support for Joint Rulemaking**

ICBA appreciates the willingness of the OCC to take a leadership role on this important issue. However, we once again strongly urge the OCC to work with the Federal Reserve Board and the Federal Deposit Insurance Corporation as modernization efforts move forward.

While CRA does not require the agencies to issue joint rulemakings, joint rules provide community banks the benefits of reducing compliance burden and increasing regulatory certainty and industry-wide consistency, no matter which agency is their primary regulator. A

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<sup>1</sup>*The Independent Community Bankers of America® creates and promotes an environment where community banks flourish. With more than 50,000 locations nationwide, community banks constitute 99 percent of all banks, employ nearly 750,000 Americans and are the only physical banking presence in one in five U.S. counties. Holding more than \$5 trillion in assets, nearly \$4 trillion in deposits, and more than \$3.4 trillion in loans to consumers, small businesses and the agricultural community, community banks channel local deposits into the Main Streets and neighborhoods they serve, spurring job creation, fostering innovation and fueling their customers’ dreams in communities throughout America. For more information, visit ICBA’s website at [www.icba.org](http://www.icba.org).*

failure to adopt a joint rule to modify CRA requirements, particularly at a time when there is interagency agreement that modernization is appropriate, may deprive some banks of much-needed regulatory relief and promote regulatory arbitrage that unfairly advantages the largest institutions.

### **CRA Credit Multiplier**

Community banks emphasize relationship-based banking and have a personal knowledge of the communities they serve. This makes them uniquely well-situated to further the goals of the CRA. Because community bankers live and work in the communities they serve, they are best able to identify the loans and investments that will help combat blight, improve the quality of community services available to people with low and moderate incomes, and stimulate further economic development in low- and moderate- income (LMI) areas. The knowledge of community bankers is an underutilized resource in community development.

Due to their smaller size, it is difficult for community banks to participate in the largest and most impactful community development projects in a manner that is consistent with safe and sound banking. Incentivizing cooperation between large and small financial institutions will benefit community banks by enabling them to participate in community development projects that positively impact their communities. Community banks are best positioned to identify the borrowers and community development projects that are likely to have a meaningful impact in LMI areas but may need the additional participation of large banks to successfully implement such projects.

ICBA, therefore, urges the OCC to offer a “CRA Credit Multiplier” when large banks offer loan and investment participations to community banks in their community development projects. These partnerships would support meaningful growth of CRA projects in LMI communities, provide large banks with the benefit of community banks’ specialized local knowledge and relationships, and allow community bankers to participate in community development projects that may be too large for their institutions to undertake alone.

### **Credit for Holding CRA Loans to Maturity**

An important goal of the CRA is to encourage the origination of new CRA loans, which can help spur economic development in LMI communities. However, regulations should not prioritize generating new originations at the expense of holding CRA loans to maturity and building quality relationships with borrowers. Community banks spend quality time educating consumers, originating, and servicing loans for their entire communities. Receiving CRA credit for the duration of the loan, rather than just in the year a loan is originated, ensures that members of the community are given quality financial service throughout the term of their loan.

Furthermore, community banks spend considerable resources to find and lend for CRA-eligible projects within their communities, yet only receive credit for the year in which the loan was originated. In contrast, a bank that makes an investment in the same project will receive credit for each year in which the bank holds the investment in its portfolio. As a Treasury report notes, the differing treatment between debt and equity discourages banks from making loans in their communities, even though loans would provide more benefit to the community.<sup>2</sup> ICBA recommends that the agencies remedy this discrepancy and provide loans with the same annual consideration as equity investments.

### **Minority- and Women-Owned Financial Institutions**

CRA regulations should exempt minority- and women-owned financial institutions from documentation and full-scope examinations. The statute specifically recognizes the importance of encouraging the growth and strengthening of minority- and women-owned financial institutions and includes specific statutory bases for consideration of activities designed to accomplish those aims. If majority banks receive credit for investing or lending to minority- and women-owned financial institutions, then requiring minority- and women-owned financial institutions to document compliance with CRA regulations is redundant and excessive.

Thank you for your initiative to modernize CRA and to reduce regulatory burden on community banks. Please contact me or Lilly Thomas at [Lilly.Thomas@icba.org](mailto:Lilly.Thomas@icba.org) if you have any questions or comments.

Sincerely,

/s/

Rebeca Romero Rainey  
President and CEO

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<sup>2</sup> Memorandum from the U.S. Department of the Treasury to the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, and the Federal Deposit Insurance Corporation (April 3, 2018) (available at: <https://home.treasury.gov/sites/default/files/2018-04/4-3-18%20CRA%20memo.pdf>), at 23.