

May 17, 2013

Legislative and Regulatory Activities Division
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Robert deV. Frierson
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Robert E. Feldman
Executive Secretary
Attention: Comments, Federal Deposit Insurance Corporation
550 17th Street NW
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Re: Proposed Changes to Interagency Q&A
OCC: Docket ID OCC02013-0003
Federal Reserve: Docket No. OP-1456
FDIC: Attention: Comments on CRA Interagency Q&A

To whom it may concern,

I am contacting you on behalf of the Chicago Jobs Council to provide comment on the proposed Interagency Questions and Answers (Q&A) Regarding Community Investment issued March 18, 2013. The revisions to the Q&A make some minor improvements to the implementation of the Community Reinvestment Act (CRA), such as additional ways to determine low- and moderate-income status of community development recipients, recognition of nonprofit board service, and clarifications on qualified investments and community development lending. We are concerned, however, that the proposals miss an opportunity to make necessary reforms to modernize CRA. Specifically:

- The proposed Q&As attempt to clarify the acceptability of community development activities outside of current assessment areas would more effectively promote community investment if assessment areas were redefined as where an institution has significant market share.
- While it is important to uphold the importance community development lending, it should not be done at the expense of retail lending, the largest portion of the lending test. A more effective way of reaffirming community development lending is to create a community development test.
- The proposed Q&As should make the services test more rigorous and meaningful and improve methods of assessing community needs.

CRA regulations have remained nearly unchanged since they were last modernized in 1994. Over the last 16 years, however, the financial landscape has changed significantly, with substantial consolidation of the financial sector, entry of non-bank financial institutions into provision of products and services traditionally offered by banks, and radically different business models for financial services providers. Recognizing the need for CRA modernization, the Federal Deposit Insurance Corporation (FDIC),

Federal Reserve Board, Office of the Comptroller of the Currency (OCC), and Office of Thrift Supervision (OTS) held hearings across the country in the summer of 2010 to collect public comments to inform updated CRA regulations. Dozens of community organizations and interested individuals testified at the hearings with practical recommendations that would bring CRA in line with modern banking practices and improve the ability of the regulators to use CRA to engender meaningful community investment. Disappointingly, little progress has been made in the three years since the hearings and the proposed changes to the Q&As do not address many of the concerns raised in the public testimony.

About the Chicago Jobs Council

CJC is a coalition of community-based training organizations, advocacy groups, businesses and individuals working toward ensuring access to employment and career advancement opportunities for people living in poverty.

Since 1981, CJC's membership has grown to include over 100 organizations and individuals. Through collaboration, advocacy, applied research, and capacity building, we work with our members to influence the development and reform of public policies and programs designed to move people into the workforce.

CJC works with our members to ensure access to employment and career advancement opportunities for people living in poverty.

Elevating community development lending and investments

The Chicago Jobs Council appreciates the desire of the regulators to affirm the importance of community development lending and investments. As stated above, the Chicago Jobs Council agrees that community development must be accorded a high level of importance, but we have concerns that the language in the proposed Q&As could potentially elevate community development lending at the expense of the retail lending test.

The proposed Q&As propose to change how community development lending is weighted on the CRA lending test. The proposed language states that "strong performance in retail lending may compensate for weak performance in community development lending, and conversely, strong community development lending may compensate for weak retail lending performance." This language must be deleted. Retail lending is the predominant part of the lending test, and it is unlikely that strong performance on community development lending can or should compensate for weak performance on retail lending. The proposed language could have the unintended consequence of decreasing the level of bank retail lending.

A more effective method for affirming the importance of community development lending would be to create a separate community development test. The community development test would incorporate community development lending and investments for all activities that primarily benefit low- and moderate-income communities. The important work of community development lending should be evaluated on its own merits, not as a replacement for retail lending.

We also encourage the guidance to promote investments in workforce development as a critical strategy for economic and community development. Investments in programs like Transitional Jobs and bridge programs that provide skill building opportunities and support services have proven success records, resulting in increased wages and vibrant communities. It is important for the guidance to promote workforce development due to decreased federal funding for workforce programs. In addition, the federal funding through the Workforce Investment Act (WIA) has stringent performance outcomes making it difficult to serve low-income individuals with multiple barriers to employment. There is a tremendous

need for flexible funding for workforce development programs. Disadvantaged job seekers such as those with criminal backgrounds, youth, and low-skilled adults can be significant assets to a community if they are trained and properly prepared for work.

Conclusion

Many of the reforms in the proposed Q&A would modestly improve the implementation of CRA, but more comprehensive changes are necessary to community development lending and investments. We urge prompt and comprehensive reform to the CRA regulations.

Sincerely,

Jennifer Keeling
Director of Policy
The Chicago Jobs Council