



OFFICE OF THE ILLINOIS STATE TREASURER
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19 November 2018

Joseph M. Otting
Comptroller of the Currency
Stuart Feldstein
Director, Legislative and Regulatory Activities Division
Office of the Comptroller of the Currency
400 7th Street SW, Suite 3E-218
Washington, DC 20219

RE: Reforming the Community Reinvestment Act Regulatory Framework, Docket ID OCC-2018-0008

Dear Messrs. Otting and Feldstein:

As the Illinois State Treasurer, I appreciate the opportunity to comment to the OCC in support of modernizing and strengthening the Community Reinvestment Act (CRA).

The CRA has been essential in motivating financial institutions to provide loans and investments for affordable housing and economic development in communities across Illinois. Too many people in too many communities struggle to access capital, whether to purchase a home, start a business, or keep the family farm running. While the CRA has helped many residents of Illinois access the financial tools they need to thrive, it can and should be improved.

Metric-based Framework

A metric-based framework would increase transparency and consistency in evaluations, but the details of those metrics are critical. Any new framework should maintain, at its core, the intention of the CRA to both ensure all communities have access to financial tools and require lending and investment benefitting marginalized populations.

When banks are encouraged to serve their entire communities, this is meant to focus attention on those who have historically not been served. CRA evaluation metrics must do the same. Regardless of business model, CRA exams should measure the extent to which a bank's customers reflect the diversity of the community within which it operates, and whether lending is done equitably, inclusively, and without discrimination.

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Public comment is essential to understanding a bank's business practices within its community, and whether it is living up to the requirements and spirit of the CRA. While metrics that are specific, measurable, and comparable are indeed important, understanding the local context, the opinions and impressions of community members, and including more qualitative assessments available from customers and neighbors is also essential to understanding whether a financial institution is meeting its obligations. Public comment must continue to be a factor in CRA exams.

Redefining Communities and Assessment Areas

Assessment areas in CRA exams shape where financial institutions make loans and provide services. The CRA was created to address discrimination in lending and ensure that historically marginalized communities have access to financial products and services.

Assessment areas should reflect clear, locally defined, and acknowledged communities in such a way as to continue to fulfill the mission of CRA. Assessment areas should reflect (1) the communities where branches are located, (2) the areas in which banks make a significant volume of loans outside of branch networks, and (3) where affiliated mortgage companies operate. Because racial disparities in lending remain stubborn and persistent, these definitions of assessment areas must consider lending, investing, and service to people and communities of color.

Diminishing the importance of assessment areas, or broadening them such that the focus on providing services to specific communities is diluted or lost, threatens to reduce access to financial tools for low- and moderate-income communities and communities of color.

The Illinois State Treasurer's Office relies on CRA ratings and community-based assessments when deciding whether to invest or deposit State monies in financial institutions. If the definitions of assessment areas are improperly broadened and diluted, failing to account for communities' racial and income characteristics, then not only would the underlying intent of the CRA be jeopardized, but the ability of the Illinois State Treasurer's Office to target monies to exemplary institutions and underserved communities would be diminished.

Expanding CRA-Qualifying Activities

CRA-qualifying activities must continue to focus on providing financial tools and services to historically marginalized and under-capitalized communities. State, local, and tribal governments best understand the needs and concerns of their local communities. Thus, the CRA should utilize definitions from state, local, or tribal governments when determining qualifying community and economic development activities. The communities that qualify should be proactively identified by federal, state, local, or tribal governments. Furthermore, the impact and benefits to those communities should be identified and delineated in CRA exams.

Because financial literacy is a significant hurdle to accessing financial tools or securing a loan, high quality financial education that does not promote, encourage the use of, or require a

specific product or service should be considered a qualifying activity. An example would be funding an unbranded, educator-designed financial literacy curriculum for K-12 students.

The CRA is specifically intended to break down barriers in lending and to improve access to financial tools for low- and moderate-income communities and communities of color. Expanding eligibility for exam points beyond these functions will make the CRA ineffective.

Recordkeeping and Reporting

Records and reports related to the CRA should be publicly accessible for tracking, monitoring, and comparing financial institutions' performance. Gathering data and reporting on a more frequent and regular basis would be an improvement. The Illinois State Treasurer's Office recommends collecting and publishing data not less than annually.

Meaningful CRA reform could boost lending and increase access to banking services for underserved communities. However, this will not happen if the CRA pass rate continues to be 98 percent in spite of continued disparities in lending. The modernization of the CRA framework should focus on how to better achieve its original intent.

Strengthening the CRA will strengthen our communities and, by extension, our economy. I look forward to the OCC's continued work to improve, modernize, and make more effective the Community Reinvestment Act.

Sincerely,



Michael W. Frerichs
Illinois State Treasurer