April 14, 2017

United States Senate Banking Committee
Dirksen Senate Office Building
Washington, DC 20510

To Whom It May Concern:

We, the undersigned organizations, are writing this letter in response to the Senate Banking Committee's request for proposals to foster economic growth. Our proposals are as follows:

Protect and Expand the Community Reinvestment Act (CRA). This year is the 40th anniversary of the CRA. The CRA is an important tool used to drive private investment into America's underserved communities. Community bankers and others are urging regulators to raise bank asset thresholds in order to limit the extent and frequency of CRA examinations. But to best promote economic health and access to credit, the law's coverage should be expanded, not narrowed. CRA should cover the entire primary market – bank-holding companies, independent mortgage companies, credit unions, non-bank online lenders, insurance companies, and hedge funds. CRA coverage should depend on the activities, and not on the identity, of the financial institution. CRA should include: more opportunity for public input; clarification and enforcement of the "public benefits" of mergers and acquisitions; updated exam criteria; and, standards to hold banks accountable for meeting community needs. These changes will result in more credit available to small business and job creation, as well as affordable housing and economic development.

Support and increase funding for Community Development Financial Institutions (CDFIs) and the New Markets Tax Credit (NMTC) Program. CDFIs are financial institutions with a mission to serve communities that are traditionally distressed or underserved by mainstream financial institutions. The NMTC Program provides private-sector investors a credit against federal income taxes for investments in Community Development Enterprises (CDEs), corporations with a primary mission to serve or provide investment capital in low-income communities. Both CDFIs and CDEs are important sources of business capital in low-income neighborhoods and communities of color, but they can serve only a small fraction of the need. Community organizations, financial institutions, and policymakers need to support and increase funding for CDFIs and the NMTC Program to enable CDFIs and CDEs to expand the level of investment they bring to their service areas. Significantly, according to the CDFI Coalition, CDFIs generate $12 in capital for every dollar in CDFI grants.

Extend consumer protections to small business loans. Business borrowers, many of whom assume personal liability for repayment of loans to their businesses, should receive the same types of protections for small business loans as they would receive were the loan for personal use. Lenders should be required to disclose the loan terms clearly, in a way that enables the borrower to understand the cost of the loan and repayment terms, to determine the borrower's ability to repay the loan without additional borrowing, and be prohibited from engaging in abusive collection practices. Small business owners are important consumers of credit products and services and are drivers of economic growth. As such, they deserve no less protection against abusive credit practices than non-business consumers.

Support CRA-like obligations for financial technology (fintech) companies. The Office of the Comptroller of the Currency (OCC) intends to offer special purpose charters to fintech companies. Fintechs include small business lenders that are largely unregulated, but some states are attempting to establish a regulatory framework for these companies in light of concerns that fintech companies may be offering high cost products that impede sustained, small business growth. A federal charter would likely preempt state regulations, and we have extreme concerns with it. However, if the OCC proceeds with a non-bank charter, we strongly urge the adoption of a rigorously developed CRA-like obligation and urge that any such obligations be vigorously enforced through examinations as well as at the outset of the approval. The OCC should require a financial inclusion plan as part of the fintech firm's application for a charter. The financial inclusion plan and the entire business plan should be made publicly available for review and comment. The financial inclusion plan should include measurable goals for serving low-income and minority borrowers and communities. The goals would be drawn from the firm's business plans. Benchmarks might include making, equaling, or exceeding the percentage of loans (or other products and services) of their peers and should include a plan on how to reach the stated goals. These measures can go a long way in ensuring that fintech companies are responsible lenders and good corporate citizens that fuel, and not hinder, economic growth.

Support the Department of Labor's (DOL's) Fiduciary Rule for Retirement Investment Advisors
The Fiduciary Rule requires financial advisors to act in consumers' best interests under a fiduciary duty standard. Relying on advice from financial advisers who do not act as a fiduciary can be extremely costly for consumers. According to the White House, advice by advisors who have conflicts of interest costs working and middle class families $17 billion per year. The bulk of the Fiduciary Rule was scheduled to take effect on April 10, 2017, but the DOL delayed implementation of the rule. So long as the rule is delayed, consumers will continue to rely on bad advice from so-called "advisors," many of whom are largely seeking to line their own pockets. As a result, many retirees face the prospect of outliving their retirement savings, assuming they have any. A lack of income poses obvious problems to such retirees. Inadequate retirement savings or depletion of savings through excessive fees and commissions can mean sacrificing or skimping on necessities such as food and health care. Retirees may be pushed into poverty, which not only harms the retiree, but also creates fiscal pressure on publicly financed retirement programs and on other public assistance programs.

Preserve Section 1071 of the Dodd-Frank Act, which will require small business lenders to report loan data to the Consumer Financial Protection Bureau (CFPB). Section 1071 is necessary to enable the CFPB to protect small businesses from predatory lenders. In the rules promulgated pursuant to Section 1071, the CFPB should require small business lenders to report the type of lender, loan amount requested, the type of loan requested (e.g., term loan, credit card, or merchant cash advance), the action taken on the application, the amount loaned, the Annual Percentage Rate on the loan, whether the loan is payable by ACH debit, and the lender's default rates, in addition to any borrower demographics and business attributes necessary for fair lending analysis. If the Office of the Comptroller of the Currency (OCC) grants a special purpose charter to any fintech lender, the OCC should require the lender to report these same data.

Thank you for your consideration of these proposals. If you have any questions or comments, please contact Brent Adams, Woodstock Institute's Senior Vice President of Policy, at 312-368-0310 or badams@woodstockinst.org.

Respectfully submitted,

Accion Chicago
Asian Pacific Islander Small Business Program
Azul Management Systems Institute
Bankers Small Business CDC of CA
California Capital Financial Development Corporation
California Reinvestment Coalition
California Resources and Training
CAMEO - California Association for Micro Enterprise Opportunity
CDC Small Business Finance
Chicago Community Loan Fund
Main Street Alliance
NHS Chicago
People's Action Institute
Vermont Slauson Economic Development Corporation
Women's Business Development Center
Woodstock Institute