

Proposal: 1723 (AF94) Reg BB - Community Reinvestment Act

Description:

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From: Avik Chatterjee

Proposal: 1723 (AF94) Reg BB - Community Reinvestment Act

Subject: R-1723 Community Reinvestment Act

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Comments:

NONCONFIDENTIAL // EXTERNAL

Comment on Docket Number R-1723 and RIN Number 7100-AF94

To Whom it May Concern:

As a physician who works with individuals experiencing homelessness in Boston, I am writing with a comment on the Community Reinvestment Act (CRA). The Federal Reserve Board must strengthen CRA exams in order to promote recovery from the COVID-19 pandemic. The Fed has described approaches in its Advance Notice of Proposed Rulemaking (ANPR) on CRA that will make CRA exams more objective. Yet, it is unclear whether the Fed's approach will make grading tougher. If nearly every bank continues to pass the CRA exams, banks will not engage in serious efforts to help communities of color and low- and moderate-income (LMI) neighborhoods recover from the pandemic. Individuals and families with a history, or those that are trying to avoid homelessness in the wake of COVID-related job loss, particularly need community reinvestment that supports affordable housing.

NCRC recently released a report finding a strong relationship between redlining and COVID susceptibility. Redlined neighborhoods have the highest levels of health conditions such as asthma, diabetes and kidney disease, which make residents more susceptible to COVID-19. Life expectancy is almost four years lower in historically redlined communities.

Since the start of the pandemic, about 41% of African American businesses have closed compared to just 17% of White-owned small businesses.

Discrimination in lending contributes to these differences in survival rates. A NCRC investigation found that African-Americans applying for Paycheck Protection Program (PPP) loans for their small businesses during the pandemic received less information than their White peers.

CRA must be strengthened in order to combat discrimination and racism. The Fed emphasizes improving the performance measures on CRA exams including those used on the lending test that compare a bank's percent of loans to LMI borrowers to other lenders. The Fed does not describe in detail the impact of its reforms on CRA ratings except to hint that banks may continue to receive the same grades.

Moreover, the Fed is proposing to reduce the number of ratings on a state level and on subtests from five to four. This proposal would result in fewer distinctions in performance. In contrast, we feel that new CRA exams must reveal more distinctions in order to motivate banks to be more responsive to COVID-19 recovery needs. Five ratings must be retained on the state level and on subtests.

The Fed asks whether underserved areas should be designated based on high poverty levels, or low levels of retail lending. NCRC advocated an approach based on low levels of lending which would effectively target redlined neighborhoods and communities of color.

We also ask the Fed to consider explicitly including race on CRA exams. The

agencies have hesitated to do so but we believe that the CRA statute allows this since the law emphasizes banks meeting credit needs in all communities, but in particular underserved ones. CRA exams could include performance measures assessing lending, investing, branching and services to people in communities of color. The Fed could also provide CRA consideration for lending and investing in majority minority census tracts outside of assessment areas just as the Fed is considering for Indian reservations and other underserved areas.

In the interest of reaching underserved individuals and neighborhoods, we strongly support the Fed's proposals to improve data collection including community development financing data, which would better enable stakeholders to determine communities most in-need.

We support the Fed's proposals to expand assessment areas--the geographical areas on CRA exams. In addition to areas around branches, assessment areas must also include areas outside of branches with significant amounts of bank lending or deposit taking.

We DO NOT support expanding financial education to any income since LMI consumers and people of color are most likely to be unbanked as revealed by surveys of the Federal Deposit Insurance Corporation (FDIC). Likewise, the Fed should further develop its procedures for awarding CRA credit for financing affordable housing that is unsubsidized so that such financing actually serves LMI residents.

Finally, we applaud the Fed's proposal to eliminate distinctions in the rigor of examination among assessment areas that have resulted in banks neglecting smaller cities, rural counties, and Native American reservations. We appreciate the direction the Fed has embarked upon but caution that it must not end up with proposals that replicate existing CRA ratings inflation because this will not help our communities that have unevenly and inequitably devastated by COVID-19.

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