

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

Description:

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To Whom it May Concern:

The Federal Reserve Board (Fed) 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, questions remain about whether the Fed's approach will make grading tougher. If nearly every bank continues to pass their 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.

Working In Neighborhoods is a Community Development Corporation. WIN helps build sustainable, thriving communities through homeownership programs, financial literacy training, and community leadership development.

WIN advocates for opportunities for increased homeownership opportunities for low moderate income families, small minority and women owned businesses, projects that promote financial services, investments in low and moderate neighborhoods as well as home mortgages for low and moderate-income and particularly investments in African America people and neighborhoods. Much of our housing counseling has shifted to preventing families from losing their homes and developing a plan to be able to prepare for the time after the moratorium.

NCRC recently released a report finding a strong relationship between redlining and susceptibility to COVID. 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 the redlined communities.

Since the start of the pandemic, about 41% of African American businesses have been 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 were likely to receive

less information than Whites.

During the COVID 19 WIN has need to provide food for our neighbors who lost jobs and had to close their business from lack of PPE and difficult in getting PPP loans. Many of these families depended on micro businesses that could not continue to provide catering out of their homes or cleaning services that lost their customers due to the results of COVID 19 Etc.

CRA must be strengthened in order to combat discrimination. 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 whereas 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 levels of poverty 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.

WIN has seen the dramatic benefits of the CRA in our neighborhoods. In the low moderate income neighborhoods were WIN works WIN has rehabbed and built homes for over 170 families. All of WIN homes were sold to first time homebuyers.

To do this work banks have used CRA to lend WIN over \$14,000,000. The mortgages for these homes are an additional investment of \$14,620,000. Without CRA this never would have happened.

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 particularly underserved ones. CRA exams could include performance measures assessing lending, investing, branching and services to people of color and 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 areas, 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, which are 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.

According to the City of Cincinnati, the CRA has promoted over \$30 billion of investment in our urban core in the last 10 years.

In the last year, three local bank branches have opened in low and moderate-income communities. None of these investments would have been possible without initiatives developed under the auspices of the CRA

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 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 as this will not help our communities devastated by COVID-19.