

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

Description:

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From: Hudson River Housing, Lindsay Duvall

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

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To Whom it May Concern:

Hudson River Housing wishes to comment on the Federal Reserve Board's (Fed) Advance Notice of Proposed Rulemaking (ANPR) on the Community Reinvestment Act (CRA). We believe the Fed must strengthen CRA exams in order to promote recovery from the COVID-19 pandemic. The Fed has described approaches in its 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.

As a member of the NeighborWorks America network, and a New York State designated Neighborhood Preservation Company, Hudson River Housing has witnessed first-hand the devastating effects that the pandemic has had on communities of color and LMI neighborhoods. We have seen the numbers rise at our overnight emergency shelters, increased numbers of people applying for affordable rental housing, and hundreds of households seeking emergency rental assistance to prevent an eviction. Prior to the pandemic, residents in our service area of Dutchess County, NY were already experiencing economic strain, with a majority of renters paying more than 50% of their income towards housing costs. A 2020 report by the National Low Income Housing Coalition noted that 61% of Hispanic Americans and 44% of Black Americans reported that they, or someone in their household, experienced job or wage loss in April, compared to 38% of White Americans. People of color generally constitute approximately 80% of people facing eviction across the country, and studies show this inequity has remained true during the COVID-19 pandemic.

Making changes to the CRA is an enormous opportunity to address these long-standing inequities and help communities who have been excluded from investment finally start to build and sustain wealth. We applaud some of the proposed changes but know that the Fed can go further to achieve this goal. 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. The National Community Reinvestment Coalition (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 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.

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.

Thank you for considering these comments.

Respectfully,
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