February 16, 2021

Ann E. Misback, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Ave. NW
Washington, DC 20551
RE: Docket Number R-1723 and RIN Number 7100-AF94

Dear Ms. Misback:

My name is Beverly Brown Ruggia. I am the Financial Justice Program for New Jersey Citizen Action (NJCA), a statewide grassroots membership organization working to ensure social, racial, and economic justice in New Jersey. In addition to policy advocacy work, NJCA provides free direct services to low-and moderate-income individuals across New Jersey, including first time homebuyer counseling, foreclosure prevention counseling and financial coaching services. I am writing on behalf of our thousands of individual members and over 100 affiliate organizations in response to the Federal Reserve Board (Fed or Board)'s advance notice of proposed rulemaking (ANPR) on the Community Reinvestment Act (CRA).

NJCA has worked for more than 35 years to ensure that LMI New Jerseyans and residents in our region of the country are treated fairly and served equitably by the banks and financial institutions that do business in their communities. Whether for home mortgages, small business loans, retail services or community development, we have negotiated billions of dollars of investment through CRA agreements, memos or organizational commitments. Strengthening fair lending responsibilities, community engagement, and reporting data is the best way to ensure that companies succeed in living up to their CRA obligation to end redlining racial discrimination and ensure access to credit for all. Based on our years of experience, we urge your rulemaking to focus on ensuring thar CRA is implemented with a much more holistic and nuanced requirements and with much greater accountability measures.

It is critical that the performance evaluation process be more thorough and that "grade inflation" is ended and nuances in ratings must be maintained to provide more accurate assessments of bank CRA activities and more accurate comparisons with other banks. Too many banks receive "outstanding" or "satisfactory" ratings because data collection is limited and too often is deceptive. LMI households and borrowers of color are not being served as they should be. CRA exams must be strengthened to change that fact and to promote a full recovery from the COVID-19 pandemic.

Banks should not receive satisfactory CRA ratings if they are offering loans with predatory terms, discriminatory pricing, or engaging in abusive debt collection practices. In addition, the CRA qualitative criteria should give lower scores to banks that are charging high fees and rates to underserved populations and should award higher scores for affordable and sustainable products. The FED should not allow rating upgrades for banks with one or two extra credit activities to make up for poor service in certain areas, and only allow extra credit when a bank goes above its existing obligations to serve underserved areas.

Systemic redlining and disinvestment have not been eradicated and race must be included in CRA exams to evaluate whether banks are meeting the credit needs of people and communities of color. There must also be consequences and downgrades when banks discriminate, displace, or harm the communities in which they do business. Discrimination should result in an automatic downgrade in a bank's CRA rating that remains in place until the bank's next CRA evaluation. The bank should remain under scrutiny until there is sufficient evidence that changes have been made to address the problematic practices.

NJCA strongly urges the Fed not to reduce the number of ratings on a state level and on subtests from five to four. It should not eliminate the sub-ratings of "high satisfactory" or "low satisfactory," because these ratings allow the public to distinguish between the many banks that receive a "satisfactory" rating and encourage banks to improve and to strive for more. Fewer ratings would result in fewer distinctions in performance in general and during COVID-19, CRA exams must have these distinctions to motivate banks to be more responsive to economic recovery needs.

We encourage the Fed to do all that it can to consider the overall impact of CRA investment on LMI families and neighborhoods. CRA credit for housing investments must be reserved for developing and maintaining affordable housing for LMI households. CRA credit should not be given for mortgage loans made to middle- or upper-income borrowers in LMI neighborhoods. If an investment increases displacement and gentrification in an LMI neighborhood it should not begiven CRA credit.

NJCA supports the Fed's proposals to collect improved community development and deposit data to evaluate the availability, usage, and impact of bank activity in this area and to evaluate whether a bank's practices are in fact helping or exacerbating community credit needs. NJCA also urges the Fed to expand data collection to include rents and tenant composition to be able to monitor displacement of LMI resident. Public access to enhanced data collection will also enable community members to better inform the regulators and provide more relevant input.

More data is also critical to expand access to credit to businesses owned by people of color, serving neighborhoods of color, or benefitting LMI communities. Section 1071, which modifies the Equal Credit Opportunity Act ("ECOA") to require financial institutions to collect and report race, ethnicity, gender must be implemented. Sections 1071 would also make available neighborhood data about small business credit applicants, details about their businesses, and the action taken by financial institutions on their applications. This is another policy that is desperately needed for a full COVID-19 economic recovery. A National Community

Reinvestment Coalition (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, information that could be identified with the implementation of Section 1071 in place.

NJCA supports the Board's retail services subtest that will evaluate branch-based services and appreciate the consideration of bilingual services and disability accommodation, as well as non-branch delivery channels. An assessment area should capture the geographic locations where a bank's business is concentrated.

NJCA strongly opposes national assessment areas for internet banks. A nationwide assessment area would allow internet banks to cherry pick which areas to focus their retail and community development activities for CRA credit, gravitating towards serving those areas in which it is easiest to conduct CRA activities rather than areas most in need of credit and investment. A nationwide assessment area that is everywhere is meaningless and would undermine the CRA requirement that banks serve the local communities where they do business. Banks should be examined for their presence in the places their business is concentrated, which can be evaluated without the presence of a physical deposit-taking facility.

Finally, NJCA supports the Fed's intention to make community participation central to its CRA rulemaking. Community members provide invaluable knowledge and perspective about their community credit needs. The CRA process should create opportunities for greater community involvement by increasing their role in the examination and bank merger process. Strengthening the role of community contacts, input, comments, and participation and the significance of 'performance context' in the CRA process will help to ensure that bank activity is in fact closely tied to community needs.

We urge the Fed to encourage banks to develop Community Benefits Agreements (CBAs) with community groups. Formalized community benefits agreements provide a framework for collaboration and CRA success. Giving communities of color and LMI communities a role in identifying credit and investment needs that CRA can meet and to increase accountability for financial firms serving these neighborhoods is a very productive model. CBAs should be incorporated into the bank merger process, with agreed upon CBAs written into any merger approvals and included in any future bank CRA reviews and examinations to make sure that access to quality credit and services does not decrease. CRA exams should incorporate more community contacts and review of community group reports and related research in determining community needs, bank performance, and whether products and services are helping or hurting communities. Also, CRA regulators should expand and improve the data they report publicly in uniform formats to allow for ongoing independent analysis. Community input should be part of any investigation and evaluation process.

Rigorous ratings, performance measures, assessment area definitions and data collection are necessary if CRA is to increase meaningful access to credit and capital to communities of color, LMI neighborhoods, Native American reservations and other underserved areas and populations, including older adults and people with disabilities. We commend the Fed for initiating the rulemaking process to improve CRA and its outcomes. NJCA hopes you will take into consideration the above comments in the undertaking.

Please do not hesitate to contract me with any questions you have.

Sincerely,

Beverly Brown Ruggia

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