National NeighborWorks® Association

16 February, 2021

Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington, DC 20551

RE: Advance Notice of Proposed Rulemaking, Regulation BB: Community Reinvestment Act (Docket No. R-1723, RIN 7100-AF94)

To Whom It May Concern:

National NeighborWorks Association appreciated of the opportunity to submit this letter to provide comments and feedback on the Advance Notice of Proposed Rulemaking (ANPR), published by the Federal Reserve Board of Governors, regarding modernizing the rules and regulatory framework of the Community Reinvestment Act (CRA). National NeighborWorks Association believes that the direction of the Federal Reserve appears to be headed with the questions asked, would be of much more benefit and create much more impact in underserved communities for lending, investment and service, than that which was posited by the Office of the Comptroller of Currency.

With its proposed modernization, the Federal Reserve seeks "to more effectively meet the needs of low- and moderate-income (LMI) communities and address inequities in credit access." Specifically, it seeks to tailor CRA supervision to reflect differences in local markets, needs, and opportunities, including with respect to small banks serving rural markets.

With banks passing their CRA exams at a rate of approximately 98%, there still remains an unmet need that should not allow for such a high passing rate due to racial inequities in lending, investments and service that persist in communities of color, people of color, and businesses owned by people of color.

National NeighborWorks Association has helped develop and has joined onto the extensive comment letter submitted by National

Community Reinvestment Coalition. We affirm our support for NCRC's letter and others is to address our main concern with the modernization of the Community Reinvestment Act is that banks should significantly expand banking activity in low to moderate income communities and communities of color. **In addition to increasing the amount of bank activity, any modernization of the Community Reinvestment Act should ensure that it focuses on correcting the inequities of lending, investment and services in historically overlooked people and communities.**

National NeighborWorks again, supports the National Community Reinvestment Coalition's potential solutions for this, including using racial demographics when rating an institution's CRA performance, affirmatively considering race when delineating assessment areas, or giving special CRA credit consideration for lending activity to minority borrowers and communities and is submitting this letter to provide emphasis on 5 parts of the NCRC submitted letter.

National NeighborWorks Association welcomes a major difference between the Fed's proposal and that of the Office of the Comptroller of Currency is where the OCC proposed moving to a one-size fits all quantitative metric. While the Fed proposal does seek to provide new metrics for quantifiable portions of the test, **National NeighborWorks Association supports the Fed's prioritization of serving local communities, providing various incentives for banks to expanded into underserved areas, and allowing for a qualitative performance context to be considered in the ratings process.**

National NeighborWorks Association **strongly supports a statutory change to the CRA to include race**. The Federal Reserve should work with other regulators, legislators, advocates, and the Biden-Harris administration to help the CRA fulfill its original purpose and drive real change towards racial equity in credit access.

Non-bank lenders and credit unions should be regulated under the CRA. A growing number of borrowers use non-bank lenders and mortgage companies instead of traditional banks for their credit needs. As these lenders do not take deposits, they are not FDIC-insured and therefore do not fall under CRA review. As the landscape of the lending industry changes, the CRA must adapt.

Reselling mortgage-backed securities (MBS) investments more than once should not be eligible for CRA credit, except where banks purchase loans or MBS from certified CDFIs. Under current rules, banks can fulfill their CRA requirements by purchasing loans grouped in

MBS on the secondary market. Banks often buy these MBS for the purposes of CRA credit, then later sell them to another bank for another CRA exam. This shell game does not generate new investments in LMI communities nor add anything to community development. To receive CRA credit, banks should be required to demonstrate retail lending activity to LMI communities, either directly or by purchasing loans originated by certified CDFIs that serve LMI borrowers in their community.

National NeighborWorks Association also supports a tiered approach to allocating CRA credit to lending activities of banks. If a bank provides a loan to an LMI income borrower from a branch located in an LMI geographical area, the bank should receive a multiplier of 2 of the CRA credit normally garnered. If a bank provides a loan to a non-LMI income borrower in an LMI geographical area, the bank should receive a multiplier of 0.5 of the CRA credit normally garnered. If a bank provides a loan to an LMI income borrower in a non-LMI area, the bank should receive a multiplier of 1.5 of the CRA credit normally garnered. If a bank provides a loan to an LMI income borrower from a bank branch that is not located in an LMI geographical area, then the bank should receive no multiplier of advantage or disadvantage or 1.

National NeighborWorks Association believes that if the Federal Reserve takes into account the above comments and suggestions, and those of our colleagues and partners, that the Community Reinvestment Act would be more effective, accountable and impactful.

Thank you for the opportunity to provide comments, if you have any questions, please do not hesitate to contact me at 202.713.8720.

Sincerely,

Lou Tisler
Executive Director