



February 12, 2021

Federal Reserve Board

RE: Comments on Federal Reserve CRA ANPR: Docket Number R-1723 and RIN Number 7100-AF94

To Whom It May Concern,

Neighborhood Housing Services of Los Angeles County writes this letter in response to the Federal Reserve Board (Board)'s proposal to reform Community Reinvestment Act (CRA) rules. We appreciate the Board's interest in strengthening the CRA so that banks can better meet the credit needs of low- and moderate-income (LMI) communities and communities of color in our state and throughout the country.

NHS has served LMI families and neighborhoods throughout Los Angeles County for more than 36 years. NHS has served as a catalyst for local residents, business and government representatives to work together to build stronger neighborhoods, improve the quality of life for low to moderate income families and revitalize communities into neighborhoods of choice. Since 1984, NHS has developed and rehabilitated more than 25,600 housing and commercial units, placed 4.7 million families on the road to homeownership, created 250 block clubs, employed over 258 neighborhood youth, and reinvested more than \$7.1 billion back into some of Los Angeles County's most underserved neighborhoods. We know our community because we have taken the time and energy to be available and to serve families everyday during our tenure. Adapting the recommendations will be a critical juncture for those who are often overlooked and underserved throughout Los Angeles County. We urge you to make these changes.

We thank the Board for refusing to join the Office of the Comptroller of the Currency (OCC) which ignored public comments and rushed through a harmful CRA rule which will lead to less reinvestment, and to reinvestment that is less responsive to community need. We commend the Board for initiating a more thoughtful process that relies on data, and that calls out important objectives, such as: more effectively meeting the needs of LMI communities and addressing inequities in credit, promoting community engagement, and recognizing that CRA and fair lending responsibilities are mutually reinforcing. We urge all three bank regulators to join this process and develop a unified CRA approach.

We highlight the following key principles, which should inform any CRA reform efforts:

- **Take race into account.** The CRA should hold banks accountable to meet the credit needs of borrowers and neighborhoods of color so that it achieves its Congressional purpose of addressing redlining.
- **End CRA grade inflation and ensure greater reinvestment.** CRA reform efforts should refine the system so that banks are incentivized to do more to serve communities, not the same, or less.
- **Impose consequences for harm caused.** Banks should suffer downgrades and potentially fail their CRA exams if they discriminate, displace, or exacerbate community credit needs.
- **Consider both quantity and quality of reinvestment** to ensure bank activity adequately serves low- and moderate-income and Black, Indigenous and People of Color (BIPOC) neighborhoods and people and helps meet local community credit needs.
- **Maintain a separate focus on community development (CD) lending and investment.** Community development is critical and deserves its own test. But combining lending and investment could disrupt the affordable housing and economic development ecosystems.
- **Expand scrutiny of financial services such as branches and bank accounts.** The Board does well to highlight the impact that branch and product access can have on bringing people into the financial mainstream and helping them to achieve financial stability and build wealth.
- **Increase community participation.** The Board acknowledges the important role that community input plays in ensuring that banks are serving LMI communities and communities of color.

- **Tie bank obligations to bank presence and activity, while also encouraging reinvestment in poorly served areas like rural communities and Native American lands.**
- **Beware of creating loopholes or alternatives that do not serve the goals of CRA.** Banks will gravitate towards the easiest and cheapest methods of passing their CRA evaluations, so care is needed to prevent allocation of CRA credit for soft but less impactful activities.

The Community Reinvestment Act has done so much for LMI communities, creating trillions of dollars in lending and investment that help families and neighborhoods stabilize and build wealth. But CRA rules have ignored communities of color meant to be served by the nation's anti-redlining law and have set the bar too low for banks by allowing discrimination, redlining, displacement, harm, weak reinvestment, and rejection of community input. CRA rules need to be strengthened to address these concerns.

Thank you for seeking our input and for your efforts to update the CRA to increase responsible lending and investment in LMI communities and communities of color. To discuss this comment letter, further, feel free to contact Lori Gay at (213)381-2862 or lgay@nhslacounty.org.

Sincerely yours,

Lori R. Gay

Lori R. Gay
President & CEO
Neighborhood Housing Services of Los Angeles County