Green & Healthy Homes Initiative®

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TO: **Federal Reserve Board**

FROM: **Ruth Ann Norton**
President and CEO
Green & Healthy Homes Initiative

DATE: **February 16, 2021**

RE: **Docket Number R-1723 and RIN Number 7100-AF94l**

The Green & Healthy Homes Initiative (GHHI), a 501(c)3 nonprofit organization, appreciates the opportunity to comment on the Board of Governors of the Federal Reserve Board's Advanced Notice of Proposed Rule Making to modernize the Community Reinvestment Act's regulatory and supervisory framework. As a nonprofit organization providing direct health-based housing intervention and support services in Baltimore, MD; Providence, RI; Memphis, TN; and Jackson, MI as well as technical assistance and capacity building services in over 100 jurisdictions throughout the United States, GHHI has seen firsthand the inequities and disparities experienced by families in under-resourced communities, many of which stem from unhealthy housing. Far too many children remain in unsafe and unhealthy homes that pose serious health threats such as neurological impairment from lead poisoning, exacerbations of asthma, injury, and trauma. Lead hazards are present in 23.2 million pre-1978 homes in the US with millions more containing additional health hazards such as radon, mold, carbon monoxide, electrical issues, and trip and fall hazards. With the COVID-19 pandemic forcing tens of millions of families to spend extensive time at home to protect their health, the health of their housing could not be more critical. Nor could there be a more important time to respond to the exacerbations of short- and long-term impacts resulting from sheltering in unhealthy housing.

Redlining not only caused disinvestment in families and businesses in low- and moderate income (LMI) neighborhoods, but in our nation's housing stock as well. As a result of generations of unjust and ill- conceived policies and disinvestment, Black and Brown neighborhoods across the US have and still suffer from disproportionally high rates of childhood lead poisoning, asthma, injuries, and displacement. Poorly weatherized, energy inefficient housing only adds to these health and economic burdens exacerbating respiratory and cardiac health impacts, depleting wealth retention, and adding to destabilization. Any strategy to address racial equity in this country must include health-based housing standards and investments. The CRA can and should be a critical tool to address these issues and reverse the negative impacts caused by decades of lending discrimination by incentivizing investments to homeowners in LMI communities. In fact, directing CRA investments to shore up the health of occupied housing in LMI communities represents a unique opportunity to be transformational yet tangible in improving the social determinants of health, reducing disparities, and advancing opportunities to address racial equity.

Currently, activities to address in-home environmental health issues are included in the CRA. While the legislation does not explicitly state that it may be used for this purpose, the Act has been interpreted by implementing agencies for such use. The Office of the Comptroller of the Currency of the Treasury Department (OCC), the Board of Governors of the Federal Reserve System, and the Federal Deposit Insurance Corporation issued guidance on the interpretation and application of the Community Reinvestment Act regulations that explicitly states that it may be used for remediation of environmental hazards and other similar rehabilitation purposes. The guidance states that "the rehabilitation and construction of affordable housing or community facilities, referred to above, may include the abatement or remediation of, or other actions to correct, environmental hazards, such as lead-based paint, asbestos, mold, or radon that are present in the housing, facilities, or site."[1] This falls under the community development provision of CRA.

While banks may receive CRA credit from lending directly to LMI individuals in specific, limited circumstances, lending directly to consumers is generally not considered "community development" and thus consumer loans to rehabilitate homes are not encouraged by the CRA. Consumer loans issued by small institutions are not considered community development loans unless the small institution is an intermediate small institution.

The CRA can work to reverse the negative impacts that decades of lending discrimination have caused by helping homeowners address health and safety hazards that directly impact social and economic outcomes in their communities by:

1. Allowing for a consumer loan in LMI neighborhoods to be designated as a community development loan so that it qualifies for CRA credit. Large banks cannot designate a loan as a community development loan if it has already been reported or collected as a small business, small farm, consumer, or home mortgage loan except in the case of multifamily dwelling loan. Only multifamily dwelling loans can be designated as both a community development loan and a home mortgage loan by large banks. This change will allow homeowners, especially those in majority black and brown communities, greater access to much needed rehabilitation loans as well as energy efficient technologies.

2. Expanding eligibility for CRA to include connecting LMI households in the assessment area to existing public resources for home rehabilitation and energy efficient upgrades as well as leveraging bank investments with existing public resources. LMI households, by definition, are often unable to afford much needed home repair. While offering loans can help cover high upfront costs, the debt that is accumulated could continue to have a negative impact on LMI households in the long term. Banks should get credit for reducing the amount of loans that LMI households take on by supplementing with existing public programs or grant opportunities. Under this provision, banks should get credit for contributing to public-private funds that serve primarily LMI households. Jurisdictions such as the City of Cleveland and the State of Michigan are establishing Lead Funds to provide loan products to homeowners to address lead-based paint hazards, utilizing a mix of public and private capital from government, philanthropy, and anchor institutions. This change would allow banks to be a partner in these Lead Funds and other similar initiatives.

[1] https://www.fdic.gov/resources/supervision-and-examinations/consumer-compliance-examination-manual/documents/11/xi-12-1.pdf

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3. Allowing CRA credit for banks that invest in healthy housing related workforce development and economic mobility activities. Health and safety home repairs and energy efficiency upgrades are important in helping to promote racial, income, and health equity. However, there is a shortage of energy auditors, environmental assessors, and contractors that identify energy inefficiencies and residential health and safety hazards as well as perform repairs and upgrades. These jobs, particularly in the energy efficiency field, can provide sustainable living wages and enable residents to make an impact on the health and well-being of their communities. Currently there are significant barriers to entry, particularly for LMI residents, including high upfront costs of equipment, insurance, and training and certifications. Bank investments that address these barriers for LMI residents to enter the healthy housing and clean energy workforce should be eligible for CRA credit.

4. Raising awareness of the use of the CRA for healthy housing repair and rehabilitation. The agencies should publish examples and guidelines regarding this use of the CRA, as it does for other activities that qualify as community development. The NCRC recommends that these guides should be enhanced with a list or database of eligible activities.[2] Many hospitals and health systems are looking to invest in improving housing conditions, a key social determinant of health. Greater awareness of the use of CRA for healthy housing repair through community-based training and awareness campaigns will allow more partnerships between anchor institutions and banks to form.

5. Specifying that investments in energy efficient technologies and climate resilience are eligible for CRA credit. LMI households and households of color are disproportionately impacted by climate change through high energy burdens (i.e., the percentage of household income spent on utilities), increased exposure to natural disasters, and poor indoor and outdoor air quality. LMI households and households of color are also the least likely to invest in energy efficient and climate-friendly technologies that reduce energy burden and lower their carbon footprint. With the increased focus among the Federal government and several states including New York, California, Maryland, New Jersey, and Michigan to advance a clean energy economy, it is more important than ever that LMI households and households of color can access clean energy and energy efficiency technologies to avoid being left behind in the transition. The State of New York's Department of Financial Services, the administrator of New York's CRA, recently announced that activities taken to address climate change that benefit LMI communities are eligible for CRA credit under the NYS CRA charter. It is important that the Federal CRA deem these activities to be eligible for CRA credit to support Federal and State climate goals.

6. Encouraging banks to invest in nonprofits implementing evidence-based practices that align with the goals of the CRA. Community-based nonprofits are often trusted members of the community and have extensive knowledge of the people with whom they work. Banks should partner more closely with

[2] https://ncrc.org/analysis-of-public-comments-on-the-community-reinvestment-act/

nonprofits in their communities to ensure the proper systems are in place to allow residents to thrive economically and socially (e.g., workforce development programs).

7. Encouraging banks to align investments, when possible, with investments from anchor institutions such as hospitals to amplify impact. Aligned, coordinated, strategic funding can be transformational, especially when community input on the use of funds is considered.

8. Encouraging performance incentives. The Treasury Department recommends incorporating performance incentives that might result in more efficient lending activities. For example, CRA-qualifying loans may receive credit in the year of origination, but equity investments may receive credit each year that the investment is held. Treasury recommends consistent treatment of loans and investments, which may encourage banks to make more long-term loans (rather than sequences of short-term loans for the sake of being awarded CRA credits at each CRA examination).[3] This change may, in turn, increase total expenditure on housing rehabilitation and energy efficient technologies.

9. Developing stricter criteria that banks must meet to satisfy CRA requirements. The CRA examiner determines if the bank has undertaken a sufficient amount of CRA activities; thus, the rating is not tied to an official quota or benchmark of activities leading to a strategy of pursuing the lowest hanging fruit.[4]. If addressing healthy home repair and rehabilitation and promoting energy efficient technologies is more time intensive for banks than other activities that incur CRA credit, banks do not have an incentive to pursue the former. Moreover, almost all banks receive satisfactory or better performance ratings on their CRA examinations. If nearly every bank continues to pass their CRA exams, banks will not engage in serious efforts to work with communities of color and LMI neighborhoods.

10. Including guidance on ensuring community investments do not amplify gentrification and decrease housing affordability for current residents. A bank's community development investments can increase the value of a community, which can have the unintended consequence of decreasing housing affordability for the current residents of the community. Given the CRA's purpose and intent to benefit LMI households and communities, there should be a requirement for banks to ensure that direct community development investments in subsidized and unsubsidized housing improvements as well as investments in community revitalization in LMI communities result in sustained affordable housing for LMI residents. Bank investments that receive CRA credit should include a stipulation that there remains enough affordable housing to support the LMI population in the assessment area for at least 5 years post investment.

11. 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 with a goal of promoting racial equity through community investments. The Fed could also provide CRA consideration for

[3] https://fas.org/sgp/crs/misc/R43661.pdf at 20
[4] http://www.lisc.org/media/filer_public/4b/04/4b04fb0c-1ed6-45cb-abf9-5a6b9d553db6/052417_report_understanding_the_cra.pdf

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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.

GHHI applauds the Board of Governors of the Federal Reserve Board for its efforts to modernize the CRA while continuing to ensure that it advances racial equity in lending practices. We believe that this proposal serves as an important starting point for an interagency rulemaking that will strengthen CRA and take a critical step towards more financially resilient and equitable communities.

Sincerely,

DocuSigned by:
Ruth Ann Norton
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Ruth Ann Norton

President & CEO
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