



VIA ELECTRONIC SUBMISSION

February 16, 2021

Mr. Jerome H. Powell
Chair
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue N.W.
Washington, DC 20551

Docket Number R-1723 and RIN Number 7100-AF94
Regulation BB: Community Reinvestment Act [R-1723]

Dear Mr. Powell,

I am writing on behalf of Wildfire: Igniting Community Action to End Poverty in Arizona. This letter is in response to an Advanced Notice of Proposed Rulemaking (ANPR) on the Community Reinvestment Act (CRA). We appreciate the opportunity to provide comment on the proposed rule change.

Wildfire respectfully requests that the Federal Reserve Board (Fed) strengthen the rigor of CRA exams to promote recovery from the COVID-19 pandemic. The Fed has described approaches in its Advance Notice of Proposed Rulemaking (ANPR) that will make CRA exams more objective and transparent. Yet, questions remain about whether the Fed's approach will reduce the high rate of CRA inflation. If nearly every bank continues to pass their CRA exams, banks will not engage in strenuous efforts to help communities of color and low- and moderate-income (LMI) neighborhoods recover from the pandemic's devastation.

Wildfire is a statewide anti-poverty organization and Arizona's State Association for Community Action Agencies. For over half a century, Wildfire has worked to alleviate the impact of poverty in Arizona. We advocate for fair practices, collaborate on policy issues, and support community action programs and agencies. Beyond easing the effects of poverty, we hope to ignite lasting change, to "stop poverty before it starts."

Wildfire is committed to creating an Arizona where all may thrive. We do this by addressing wealth inequality and working to ensure tools are available to build wealth regardless of race, gender, or economic background. The many uncertainties of 2020 forced some families to seek financial assistance for the first time. While persistent inequities were only exacerbated by COVID-19, Community Action Agencies in Arizona and across the country worked tirelessly to bring stability and security to households in the midst of the COVID-19 pandemic.

Wildfire was pleased to read the National Community Reinvestment Coalition (NCRC) recently released report that found significant correlations between redlining and susceptibility to COVID. In the 1930s, the Home Owners' Loan Corporation (HOLC) commissioned the production of maps that rated neighborhoods based on the risk of lending in them. Working class and minority neighborhoods usually received the riskiest designation of hazardous. The designations subsequently facilitated redlining against these neighborhoods. Decades of racist policies have starved the same neighborhoods of credit which are predominantly lower-income and minority. This remains true in Arizona.

Poor health outcomes are directly connected to decades of disinvestment. Neighborhoods most impacted by racist policies also have the highest incidence of health conditions such as asthma, diabetes, kidney disease and stroke, which make residents more susceptible to COVID-19. Unsurprisingly when focusing on Arizona-specific data available by county and zip code, COVID-19 infection and mortality rates follow a similar pattern. Maricopa County has the highest number of COVID-19 cases in Arizona. Drilling down further by zip code within the county, many of the Phoenix neighborhoods historically impacted by redlining have higher rates of infection. Overall, Latinos and African Americans living in Arizona are more likely than their white counterparts to have contracted COVID-19. Although, it is important to note that American Indians have the highest overall rate of infection and mortality in Arizona. We cannot allow policymakers to forget decades of racist policies only made the impact of COVID-19 even more devastating. The COVID-19 recovery must focus on communities of color and LMI neighborhoods.

The Federal Reserve proposal should be strengthened to increase lending to people of color. The Fed recognizes the importance of addressing racial inequities. It asks the public whether underserved areas should be designated based on high levels of poverty or low levels of retail lending. Wildfire supports NCRC's designation of underserved census tracts based on low levels of lending which would effectively target neighborhoods redlined because of the HOLC classifications.

Wildfire also asks 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. In addition, CRA exams can include racial and ethnic demographic data in performance context analysis and require banks to affirmatively include communities of color in their assessment areas (geographical areas on CRA exams). 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 tribal communities and other unserved areas.

Assessment areas must support and reflect a commitment to local lending, investments, and services. Wildfire supports the Fed's proposals to expand assessment 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 the idea of a national assessment area for internet banks that the Fed discusses. Instead, we believe that data analysis can designate areas where high numbers of retail loans or deposits are located.

Wildfire applauds the Fed proposal to eliminate distinctions between full-scope and limited-scope assessment areas. Full-scope assessment areas, which are usually the largest cities, count more on current CRA exams than limited-scope areas that generally are smaller cities and rural counties. Often, communities of color, tribal communities and other unserved communities continue to receive less CRA-related loans and investments because they are in limited-scope areas.

CRA modernization must maintain its focus on lower-income communities and communities of color. The Fed should further develop its procedures for awarding CRA credit for financing affordable housing that is not subsidized so that such financing actually serves LMI tenants.

Finally, the Fed should pursue its proposals to collect improved community development and deposit data. Community development and deposit data should be collected on a census tract level or at least on a county level so that CRA exams can better target community development financing to areas of need.

Wildfire appreciates the direction the Fed has embarked in its ANPR. However, we caution that it must not end up with a set of proposals that replicate existing CRA ratings inflation as this will not help communities in Arizona and across the country devastated by COVID-19. 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 communities and an equitable recovery.

Sincerely,

A handwritten signature in black ink, appearing to read 'Cynthia Zwick', with a stylized flourish at the end.

Cynthia Zwick
Executive Director

c: Board of Directors