St. Louis Equal Housing & Community Reinvestment Alliance

c/o EHOC · 1027 S. Vandeventer Avenue, 6th FL
St. Louis, MO · 63110 · www.slehcra.org

February 16, 2021

Board of Governors of the Federal Reserve System
Submitted via *regs.comments@federalreserve.gov*

Re: Docket Number R-1723 and RIN Number 7100-AF94

To Whom it May Concern:

The Federal Reserve Board (Fed) has requested comments on their recently proposed changes to implementation of the Community Reinvestment Act (CRA). The many member organizations of the St. Louis Equal Housing and Community Reinvestment Alliance (SLEHCRA) have reviewed the proposed changes, and we offer the following comments and recommendations regarding the proposed changes. With the well-known unevenness of the economy's recovery largely breaking down along familiar, racialized lines, it is imperative that modernized CRA policy center the need for an equitable recovery. If we are to truly "build back better," reinvigorated CRA enforcement is a necessary tool in the federal government's policy toolbox. Our member organizations have been on the frontline of the pandemic, offering support and aid in many forms. From distributing PPE to helping tenants facing potential mid-pandemic evictions and homelessness, our member organizations have many connections to the communities who have been hardest hit. These same communities stand to benefit most from an effective CRA.

St. Louis was one of the cities highlighted in the National Community Reinvestment Coalition (NCRC)'s look at how the legacy of federal "redlining" policies correlates with increased risk factors for poor COVID-19 health outcomes.[i] In response, we examined St. Louis findings and pointed out that beyond historic redlining, our current place-based issues of capital access correlate tightly with these risk factors.[ii] This is important, as it shows that the issues of healthy mortgage markets and social determinants of health are tied in ways that go beyond historical wrongs. The issues that the CRA was intended to help remedy have moved to areas that were given green or blue grades/coloring on Home Ownership Loan Corporation (HOLC) maps, but now face the same kinds of lack of access to lending after neighborhood-level demographic changes in the metropolitan area. It is clear that the issues the CRA was intended to address are still with us, and we hope that the Fed takes this opportunity to take meaningful steps to keep the promise made by the CRA.

The pandemic has also brought forward a focus on issues of equitable small business lending. NCRC took an in-depth look at these issues and found that there were significant issues around Paycheck Protection Program (PPP) lending.[iii] We've seen this in our local communities. Minority-owned businesses have been harder hit, especially those located in majority-minority neighborhoods and municipalities. While CDFI partners were able to mitigate some of these issues, it is clear that small business capital access is still not being offered in an equitable manner. The CRA must be strengthened to help our communities recover from the pandemic

Include Racial Equity in CRA Modernization

Whether it be in home mortgage small business lending, we continue to see persistent patterns of discrimination against borrowers of color. A modernized CRA that explicitly examines lending through a racial equity lens would be an invaluable tool in expanding capital access to our region's minority communities. Specifically, the Fed must include race as a consideration in CRA exams. This includes evaluating lending, investing, branches and services to people of color and communities of color explicitly as a component of CRA exams. Racial and ethnic data should be included in analysis of performance contexts and assessment areas.

We also support NCRC's proposal for an "underserved census tracts" designation that we believe would help target lending to our region's majority-Black neighborhoods and municipalities. Without these kinds of reforms that explicitly focus on race in the CRA, we fear that the Fed's CRA modernization effort would fail to meet one of the original objectives of CRA to overcome redlining.

Assessment Areas Must Reflect Local Communities

Assessment Area designations must accurately capture where banks are doing business and emphasize the local needs of each of those unique communities. A bank should be required to include areas where bank services are located and areas where there are significant levels of bank deposits and/or loans. New ways to capture and analyze data can help banks identify these areas.

We share other advocates' concern around online or "fintech" lenders' lack of local CRA assessment areas. National charters for these non-traditional lenders opens the door for evermore lending moving outside of meaningful CRA examination or enforcement. We do not support the idea of national Assessment Areas. As the industry changes, we can't allow lenders to shirk their obligations to lend to low-to-moderate income communities and borrowers. Innovations in lending technology must not be used to allow greater inequities.

CRA Exams Must Have Tough Rating System to Prevent Grade Inflation

The CRA must be strengthened to prevent grade inflation. Currently, nearly all banks receive a passing rating on their CRA exam, despite significant disinvestment and even discrimination in low- and moderate-income communities and communities of color. Over the last decade, SLEHCRA has filed and settled numerous fair lending complaints against banks that had received Satisfactory ratings. Reforms must be made to ensure the CRA exam process has a tough rating system and banks are held accountable for their performance in meeting the credit needs of low- and moderate income communities.

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The Fed is also proposing to reduce the number of possible ratings on the subtests from five to four. We believe it is important to keep all five possible ratings on subtests in order to prevent grade inflation. There is a high motivation if a bank receives Low Satisfactory on any possible test, and that motivation and accountability is important to maintain and strengthen in new CRA rules.

CRA Activities and Services Must Benefit LMI Communities

The CRA is intended to focus on low- and moderate-income communities and increasing credit access, investment, and financial services to these. We appreciate that the Fed's proposal centers the needs of LMI individuals and communities in determining what counts as a CRA activity. However, the Fed asks if financial education to any income level should be counted as a CRA activity. We strongly disagree, and urge the Fed to specify in the final rule that only financial education for low- and moderate-income households and small business owners should count for CRA credit. Likewise, the Fed asks if banks should receive CRA credit for volunteer activities unrelated to the provision of financial services or community development. While we see many banks participating in volunteer activities as good neighbors and corporate social responsibility, for the purposes of CRA credit it is critical that the primary objective remains centered around meeting the credit needs of the community.

Closing

SLEHCRA's member organizations are happy that the Fed has chosen to modernize the CRA. We are also happy that many of the Office of the Comptroller of the Currency (OCC)'s most problematic CRA policy changes aren't replicated in this ANPR. While the Fed's proposal is a significant improvement over the OCC's, we hope that the Fed listens to consumer advocates' concerns and that the Fed takes the necessary steps to address them, prior to any implementation of a final rule. Failure to do so will mean that the inequities that the pandemic has exacerbated will continue with us, long after the virus has been brought under control. If that happens, then we will have failed to take advantage of this opportunity to address these systemic issues.

Sincerely,

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Metropolitan St. Louis Equal Housing and Opportunity Council (EHOC)

Jacqueline A Hutchinson

Jackie Hutchinson, Co-Chair, SLEHCRA
Consumers Council of Missouri

Additional Sign On Organizations:
Coalition of Concerned Citizens, Alton Area
Man of Valor, Inc.
Moorish Science Temple of America #5
North County Churches United for Racial Harmony and Justice
R.A.A.! -Ready, Aim, Advocate! Committee

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[i] https://ncrc.org/holc-health/
[ii] ttps://ncrc.org/de-facto-or-de-jure-housing-inequities-the-outcomes-are-the-same/
[iii] https://ncrc.org/lending-discrimination-within-the-paycheck-protection-program/