



Neighborhood Housing Services of Baltimore, Inc.

25 E. 20th Street, Suite 170
Baltimore, MD 21218

Phone (410) 327-1200
Fax (410) 675-1855

www.nhsbaltimore.org

February 11, 2021

The Honorable Ann E. Misback, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington, DC 20551

RE: **Docket Number R-1723 and RIN Number 7100-AF94**

Dear Secretary Misback:

The Board of Governors of the Federal Reserve System (Board) published an advance notice of proposed rulemaking (ANPR) to solicit public input regarding modernizing the Board's Community Reinvestment Act (CRA) regulatory and supervisory framework to more effectively meet the needs of low- and moderate-income (LMI) communities and address inequities in credit access. Neighborhood Housing Services of Baltimore (NHS) appreciated the opportunity to provide feedback to the Board as you consider ways to better support communities historically impacted by unfair lending practices.

Neighborhood Housing Services of Baltimore (NHS) was founded in 1974 and continues to serve the Baltimore community through a series of programs. Currently, NHS is a member of the NeighborWorks America network, a Community Development Financial Institution (CDFI) lender, HUD certified Housing Counseling agency, and does community engagement in West Baltimore. During 2020, NHS provided housing counseling services to 832 customers, created 424 homeowners and preserved 99 homes (many of them vulnerable seniors). Collectively, this resulted in over \$102 million leveraged for communities. Partnership with financial institutions motivated in part, or whole, by CRA was critical in obtaining much of these results.

Bank partnerships have been critical to the growth and success of lending through our CDFI. Most loans originated by NHS are made in partnership with financial institutions. Currently, NHS partners with 10 financial institutions in offering down payment and closing cost assistance (DPA) to LMI borrowers. These relationships are critical to help borrowers below 80% of the area median income (AMI) access homeownership. NHS has found that savings for down payment and closing costs is the biggest barrier for many LMI families to be able to achieve their goal of homeownership. During 2020, 100% of loans originated by NHS were made in persistent poverty areas.

The Board asks the public whether underserved areas should be designated based on high levels of poverty or low levels of retail lending. NHS advocates an approach based on low levels of lending which would effectively target redlined neighborhoods and communities of color.

The CRA statute allows for the inclusion of race on their exams 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 Indian reservations and other underserved areas.





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Another significant impact on our communities is the treatment of bank branches. In 2019, NHS and our partners were able to facilitate the opening of a new bank branch in our community in a new mixed used building that our partnership developed. Located in the heart of the community, the bank is the first new financial institution opened in the community for more than 10 years. With no other branch in close proximity, the branch is providing critical services to the community that has historically been preyed upon by predatory practices and high-cost financial services. Therefore, we support the Board's proposals to expand assessment areas on CRA exams. In addition to areas around branches, we believe that assessment areas should include areas outside of where the branches are located if there is a significant amount of bank lending or deposit-taking. We do not, however, support a national assessment area for internet banks that the Board discussed. Instead, we believe that data analysis can designate areas where high numbers of retail loans or deposits are located.

As a CDFI, NHS of Baltimore strongly supports inclusion of automatic credit for activities undertaken in partnership with a CDFI. This proposal is consistent with the intent of CRA because CDFI are required to invest more than 60% of their activities to low-income people or in low-income communities. By helping direct additional resources to CDFI, the proposed revisions will help additional capital flow into areas of need.

The ANPR also proposes reducing the number of bank categories from 3 to 2 and creates the threshold of \$750 million for banks that are subject to a higher standard of CRA. While we can accept the reduction to two categories, we would proposal a lower threshold of \$350 million of assets to be subject to the larger bank threshold. This will include a significantly larger number of banks in CRA and help additional resources flow to communities in need. Smaller banks are often much more responsive to the needs of communities. We are concerned that if this obligation is removed, some smaller banks would no longer help drive capital into areas of greatest need.

The ANPR also poses the question to determine if publicizing community development loan and investment data at the county level would be beneficial and provide transparency. NHS strongly supports this proposal. Currently, data on bank lending can be difficult for members of the community to access and understand. Creating a clear reporting system that includes all banks being asked in a specific county for each area of lending would allow for much greater transparency to the public. The community will be much better positioned to respond to the performance of banks.

Changes are needed to modernize CRA. Technology has expanded far beyond what was under consideration at the time of the last update 25 years ago. Establishing consistency and predictability across evaluations would also be beneficial. We appreciate the Board's efforts to strengthen CRA and believe this is a critical step toward interagency rulemaking that will benefit all communities, especially those that have been underserved and historically overlooked for far too long.

Sincerely,

Daniel T. Ellis
Executive Director

