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622 West 500 North, Salt Lake City, UT 84116
(801) 539-1590 | www.nwsaltlake.org

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

February 16, 2021

To: Federal Reserve
Re: Advance Notice of Rulemaking on the Community Reinvestment Act (CRA)

I am submitting comments on behalf of NeighborWorks Salt Lake and the communities we serve throughout Salt Lake County who benefit from the Community Reinvestment Act. NeighborWorks Salt Lake was established in 1977 as a 501c3 community development corporation and designated a Community Development Financial Institution in 1999.

NeighborWorks Salt Lake appreciates the need for updates and changes that reflect the reality of day, and we are optimistic that your thoughtful consideration will yield better more impactful work for all those involved. However, we are concerned about several aspects of the Advance Notice of Proposed Rulemaking (ANPR) being considered by the Federal Reserve Board.

With a pandemic that continues to wreak havoc our global health and wellbeing, those of us dedicated to serving and investing in our most vulnerable, and underserved communities face a critical decision: How do we best balance the application of the CRA in a way that is clear and consistent for those hoping to contribute innovative services and funds, with the need to make sure that qualified activities encompass the spirit of the law and serve those who continue to feel the impact of unfair lending practices. We believe that the ANPR is a step in the right direction, and hopefully an indication of the Fed's willingness to continue engaging in meaningful dialogue with organizations like ours who are working on the frontlines of CRA efforts. With that in mind, we would like to offer the following into record as commentary in hopes of an improved and fairer application of the CRA going forward.

COVID and Redlining

We know that there is a correlation between working class and minority redlined neighborhoods and their susceptibility to COVID based on a recent report https://ncrc.org/holc-health by the National Community Reinvestment Coalition (NCRC). The households in these neighborhoods are more likely to work in industries that will be quick to suffer economically and physically and slow to recover. This means that the financial crisis facing this nation will be focused and amplified in these already vulnerable communities.

These neighborhoods also have the highest incidence of detrimental health conditions such as asthma, diabetes, kidney disease and stroke, which make residents more susceptible to COVID-19. Life expectancy is almost four years lower in the redlined communities. In Salt Lake County, a recent study conducted by the Utah State Multicultural Advisory Committee https://multicultural.utah.gov/multicultural-advisory-committee, found that multicultural communities were hit the hardest, and continue to bear the disproportionate brunt of the pandemic.

Nationally, many reports reflect CRA attempts to assist in recovery are inadequate at best and discriminatory in practice. Since the start of the pandemic, more than 440,000 African American businesses have been closed or 41% compared to just 17% of White-owned small businesses (https://www.nationalgeographic.com/history/2020/07). Discrimination in lending contributes significantly to racial disparities in small business survival rates. The same NCRC investigation (https://ncrc.org/lending-discrimination-within-the-paycheck-protection-program), found that African American testers applying for Paycheck Protection Program (PPP) loans for their small businesses during the pandemic were likely to receive less information or encouragement to apply than White testers. Utah data is currently being collected on the impact of PPP for minority owned businesses.

The Feds must take stronger action to insure and strengthen CRA mandates to combat discrimination and help our communities recover from the pandemic. We support NCRC's designation of underserved census tracts based on low levels of lending which would effectively target neighborhoods redlined because of the Home Owners' Loan Corporation (HOLC) classifications.

We also ask 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 can include racial and ethnic demographic data in performance context analysis and require banks to affirmatively include communities of color in their assessment areas.

Focus on Educating lower-income communities and Communities of Color

As proposed currently, we do not support expanding financial education to *any* income since LMI consumers and people of color are most likely to be unbanked or underbanked as revealed by surveys conducted by the Federal Deposit Insurance Corporation (FDIC). The Fed can designate additional subgroups in the population such as people of color, people with disabilities or older adults for whom CRA credit for financial education or other community development activity can be earned instead of opening it up to everyone regardless of need.

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Maintain Assessment Areas

It is important that CRA assessment areas (AA) are consistently defined, and they remain tied to the communities where banks have branches or locate their offices. We are concerned that a shift toward more broadly defined AAs (internet banking is the best example) will dilute the incentive to participate in CRA qualified activities locally, when there might be a more appealing project or opportunity in an area, the bank is only tangentially associated with geographically. An industrial loan bank headquartered in downtown Salt Lake City, for example, might be more inclined to seek out a simple, one and done qualifying activity in California instead of looking to the underserved community in their own backyard. This is currently not the case in Utah. Industrial loan banks or limited purpose banks have been instrumental in creating thousands of units of affordable housing and positively impacting low and moderate-income communities.

Encourage True Innovation

If 2020 had taught us anything as a community partner, it is that to successfully serve our community during a crisis, we need to be constantly willing to adapt and innovate. The "way we've always done things" is no longer a palatable option, and the most successful partnerships we have called upon in the last year have involved banks who were willing to step outside of a very narrow, and comfortable understanding of the CRA to take on activities where there is no guarantee of qualified credit. Bold approaches to community investment should not be discouraged. The Feds should seek out ways to incentivize banks to take on more creative, and more complex deals that often better reflect the needs of those communities. *Define* qualified activities but do so in a way that gives our financial partners the latitude they need to do thoughtful and meaningful work. Enable their response to community needs quickly and precisely in real time.

Conclusion

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. Thank you again for taking the time to review our comments and for considering the input of the communities your decisions will impact.

Sincerely,

Maria Garciaz

Maria Garciaz
CEO
NeighborWorks Salt Lake