

February 15, 2021

Re: Advanced Notice of Rulemaking on the Community Reinvestment Act
Docket Number R-1723 and RIN Number 7100-AF94

To Whom It May Concern:

NeighborWorks Housing Solutions appreciates the efforts outlined by the Federal Reserve Board (Fed) in the Advanced Notice of Rulemaking on the Community Reinvestment Act. The COVID pandemic and the resulting events of the past year have cast the disparities between low- and moderate-income neighborhoods and more affluent communities into stark relief. The Community Reinvestment Act (CRA) is a critical tool in addressing these inequities on a broad basis. It is more critical than ever that CRA be strengthened in order to ensure that banks engage in meaningful efforts in the communities where they are most needed.

NeighborWorks Housing Solutions (NHS) is a housing and community development organization that has developed nearly 900 units of affordable housing; has an additional 471 units in the development pipeline, currently owns and manages nearly 800 homes and apartments; and provides close to 2,900 rental subsidies across more than 75 communities in southern Massachusetts. We are a Community Development Financial Institution (CDFI) and chartered member of NeighborWorks America. We also offer homelessness prevention services; housing counseling and education; and homeowner and small business lending and technical assistance. It is primarily through these services that we have witnessed the pandemic's devastation of personal and small business finances in low- and moderate-income neighborhoods. We are the regional administering agency for federal and state emergency rental assistance funds for 56 communities across southeastern Massachusetts, assisting thousands of tenants and homeowners over the course of the last ten months.

Many of our housing production and economic development efforts have been directly attributable to CRA activities of local banks. Our most recent CRA-related collaboration is the Brockton Venture Loan Fund, enabling us to offer small businesses a fixed rate loan to support expanding business in downtown Brockton. We are fortunate to have partnered with many committed banks and financial institutions on these projects.

We appreciate the Fed's overall approach to make the CRA exams more objective and transparent. Our concern is whether or not they go far enough. What is the anticipated impact of these reforms on ratings? A grading system that results in the same institutions meeting the CRA requirements will not provide the motivation and intentional investment required in low- and moderate-income communities at this unprecedented moment in time.

The Fed proposed to reduce the number of ratings on a state level; and on subtests from five to four. Rather than having fewer distinctions in performance, this a time for identifying more distinctions in order to motivate banks to targeted responses to pandemic recovery needs. Five ratings must be retained on the state level and on subtests.

The Fed proposal identifies the importance of addressing racial inequities. We believe that the proposal could be strengthened to increase lending to people of color and more fully address that goal. The Fed poses the question of underserved areas being designated on high levels of poverty or low levels of retail lending. While there may be overlap between the two measures, the key organizing principle of CRA has been to address inequities in housing and lending due to prior governmental and private practices. The lending measure is most consistent with that perspective.

We also request that the Fed further consider explicitly including race on CRA exams. There are a number of ways this could be addressed including CRA consideration for lending and investing in majority minority census tracts outside of assessment areas, similar to the proposed consideration for Native American reservations and underserved areas.

We encourage the Fed to continue CRA's focus on low- and moderate-income (LMI) communities. Rather than expanding consideration of financial education to any income group, we recommend maintaining the targeting on LMI consumers. CRA credit for financial education or other community development activity could still be earned for additional subgroups such as people of color, people with disabilities, or older adults. In a similar vein, the procedures for awarding CRA credit for financing affordable housing that is not subsidized should be developed to ensure that the financing actually serves LMI tenants.

We support the Fed's proposals to expand assessment areas, and eliminate distinctions in the rigor of examinations that have in the past resulted in banks neglecting smaller cities, rural areas, and Native American reservations. We would further note that in addition to areas around branches, assessment areas must include areas outside of branches with significant amounts of bank lending or deposit taking.

Any assessment of CRA performance is based on existing data. We strongly support the Fed's proposal to improve data collection, including community development financing data. The reliability of the assessment is only as good as the reliability and the comprehensiveness of the data.

The Community Reinvestment Act of 1977 was established to address fairness and access to housing and credit. While it has been successful, those goals have not been fully realized. Now is the time to fully fortify the Act, and keep it true to the statutory intent of increasing investment in LMI communities, not simply maintaining the status quo. We appreciate the steps that the Fed has proposed and urge diligence as we work with communities struggling to recover from this pandemic.

Very truly yours,



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