



COMMUNITY HOUSING PARTNERS

Community Housing Partners

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February 16, 2021

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

To Whom it May Concern:

Community Housing Partners (CHP) welcomes the opportunity to comment on the Federal Reserve Board's Notice of Proposed Rulemaking regarding the Community Reinvestment Act (CRA). CHP is a 501(c)(3) nonprofit and NeighborWorks organization that provides housing opportunities and related services to low-income (LMI) individuals and families across the Southeast and Mid-Atlantic. For 45 years, we have furthered our mission of creating homes and communities that are healthy, sustainable, and affordable. In 2020, we provided more than 11,000 people with stable rental housing and invested \$77.7 million in homes that meet green standards.

Like other organizations around the country, CHP has found that serving the needs of low-to moderate-income populations have become even more challenging and crucial during the COVID-19 pandemic. The Federal Reserve Board must strengthen CRA exams in order to promote recovery from this pandemic. Although the approaches described in the Advance Notice of Proposed Rulemaking will make CRA exams more objective, they may also make grading tougher. If virtually every bank continues to pass their CRA exams, we are concerned that banks will not engage in serious efforts to help communities of color and LMI neighborhoods recover from the pandemic.

The National Community Reinvestment Coalition (NCRC) recently released a report finding a strong relationship between redlining and susceptibility to COVID. Redlined neighborhoods have the highest levels of health conditions such as asthma, diabetes, and kidney disease, which make residents more susceptible to COVID-19. Life expectancy is almost four years lower in the redlined communities.

The report has also found that, since the start of the pandemic, about 41% of African American businesses have been closed compared to just 17% of white-owned small businesses. Discrimination in lending contributes to these differences in survival rates. Additional research by the NCRC has similarly found that African Americans apply for Paycheck Protection Program (PPP) loans for their small businesses during the pandemic typically received less information than their white peers.

We believe that CRA must be strengthened in order to combat discrimination. The Fed emphasizes improving the performance measures on CRA exams including those used on the lending test that compare a bank's percent of loans to LMI borrowers to other lenders.

The Fed does not describe in detail the impact of its reforms on CRA ratings except to hint that banks may continue to receive the same grades.

Moreover, the Fed is proposing to reduce the number of ratings on a state level and on subtests from five to four. This proposal would result in fewer distinctions in performance whereas new CRA exams must reveal more distinctions in order to motivate banks to be more responsive to COVID-19 recovery needs. Five ratings must be retained on the state level and on subtests.

The Fed asks whether underserved areas should be designated based on high levels of poverty or low levels of retail lending. NCRC advocated an approach based on low levels of lending which would effectively target redlined neighborhoods and communities of color.

In order to be an effective anti-redlining tool, as it was originally intended to be, the CRA needs to consider race directly. We understand that agencies have hesitated to do so, but we believe that the CRA statute allows this because the law emphasizes banks meeting credit needs in all communities, particularly underserved ones. CRA exams should include performance measures assessing lending, investing, branching, and services to people of color and communities of color. The Fed should 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.

In the interest of reaching underserved areas, CHP supports the Fed's proposals to improve data collection including community development financing data, which would better enable stakeholders to determine communities most in need. We also support the Fed's proposals to expand assessment areas, which are geographical 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 expanding financial education to any income since LMI consumers and people of color are most likely to be unbanked as revealed by surveys of the Federal Deposit Insurance Corporation (FDIC). Likewise, the Fed should further develop its procedures for awarding CRA credit for financing affordable housing that is unsubsidized so that such financing serves LMI residents. Finally, we applaud the Fed proposal to eliminate distinctions in the rigor of examination among assessment areas that have resulted in banks neglecting smaller cities, rural counties, and Native American reservations.

CHP appreciates the direction the Fed has embarked upon but caution that it must not end up with proposals that replicate existing CRA ratings inflation, as this will not help our communities devastated by COVID-19. We encourage the Fed to remain consistent with the original intent of the Act.

Sincerely,

A handwritten signature in cursive script that reads "Janaka Casper".

Janaka Casper, CEO
Community Housing Partners