

Proposal: 1723 (AF94) Reg BB - Community Reinvestment Act

Description:

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Comment ID: 137691

From: Carol Bromer

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Subject: R-1723 Community Reinvestment Act

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Comments:

NONCONFIDENTIAL // EXTERNAL

To Whom It May Concern:

My name is Carol Bromer, and I am writing as a member/former Board member of Jewish Community Action in Minnesota.

JCA is deeply involved with community development finance through our work on housing. I am also an active member of

Edina Neighbors for Affordable Housing (ENAH) which supports policies to protect, preserve, and produce more affordable

housing in cooperation with Edina's city government. I have some volunteer experience on the Northside of Minneapolis,

an area with many minority households, bringing information to them for remedy as mortgages were failing and evictions were rampant around a decade ago.

I believe the Federal Reserve Board (Fed) must strengthen CRA exams in order to promote recovery from the COVID-19 pandemic.

The Fed has described approaches in its Advance Notice of Rulemaking (ANPR) on CRA which will make CRA exams more

objective. Yet questions remain as to whether the Fed's approach will make grading tougher. If nearly every bank continues to pass

their CRA exams, banks may not engage in serious efforts to help communities of color and low and moderate income (LMI)

neighborhoods recover from the effects of the pandemic.

Our partners at NCRC recently released a report finding a strong correlation between red-lining and susceptibility to COVID.

Red-lined neighborhoods have the highest levels of conditions (asthma, diabetes, kidney disease) which make residents more

susceptible to COVID-19 and lowers their life expectancy nearly four years.

Since the start of the pandemic, about 41% of African American businesses have been closed, compared to only 17% of

White-owned small businesses. Discrimination in lending contributes to these differences in survival rates. A NCRC investigation

found that African Americans applying for Paycheck Protection Program (PPP) loans for their small businesses during the

pandemic were likely to receive less information than Whites.

CRA must be strengthened in order to combat discrimination. The Fed emphasizes improving the performance measure 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 the banks may continue to receive the same grades.

Also, 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. New CRA exams must reveal more distinctions in order to

motivate banks to be more responsive to COVID-19 recovery needs. FIVE ratings need to 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 re-lined neighborhoods and communities of color. 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, particularly underserved ones. CRA exams could include performance measure assessing lending, investing, branching and services to people and communities of color. 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 Native American/Indigenous communities and other underserved areas. In the interest of reaching underserved areas, we strongly support the Fed's proposal to improve data collection including community development financing data which would better enable stakeholders to identify communities most in need. We 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 the 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 actually serves LMI residents. Lastly, we praise the Fed proposal to eliminate distinctions in the rigor of examination among assessment areas that have resulted in banks electing smaller cities, rural counties, and Native American/Indigenous reservations. Financial health and financial access are important tools we all need for safety, growth and more equal opportunity for underserved members of our communities. We caution the Fed that it does not end up replicating CRA ratings inflation as this will not help our communities devastated by COVID-19. With respect,  
Carol Bromer