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Federal Reserve Board

Via email: [regs.comments@federalreserve.gov](mailto:regs.comments@federalreserve.gov)

Re: Comments on Federal Reserve CRA ANPR: Docket Number R-1723 and RIN Number 7100-AF94

To Whom It May Concern:

CAMEO (California Association for Micro Enterprise Opportunity) writes this letter in response to the Federal Reserve Board (Board)'s proposal to reform Community Reinvestment Act (CRA) rules. We appreciate the Board's interest in strengthening the CRA so that banks can better meet the credit needs of low- and moderate-income (LMI) communities and communities of color in our state and throughout the country.

CAMEO is California's statewide network made up of over 300 organizations, agencies, and individuals dedicated to furthering microbusiness development in California – 30 of which are CDFIs. Annually, CAMEO members serve about 34,000 very small businesses with training, business and credit assistance and loans. These firms – largely start-ups with less than five employees – support or create 51,000 new jobs in California and generate a total of \$2.5 billion in economic activity.

Our mission is to grow a thriving ecosystem of support for underserved entrepreneurs. Our vision is that all entrepreneurs have access to the resources they need to succeed, creating family economic mobility and community prosperity. We partner with banks to build the ecosystem. Banks are crucial partners that provide loan capital and grant funding to many of our members in order to engage in small business development activities.

We thank the Board for refusing to join the Office of the Comptroller of the Currency (OCC) which ignored public comments and rushed through a harmful CRA rule which will lead to less reinvestment, and to reinvestment that is less responsive to community need. We commend the board for initiating a more thoughtful process that relies on data, and that calls out important objectives, such as: more effectively meeting the needs of LMI communities and addressing inequities in credit, promoting community engagement, and recognizing that CRA and fair lending responsibilities are mutually reinforcing. We urge all three bank regulators to join this process and develop a unified CRA approach.

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.



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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. 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 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. 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 could include performance measures assessing lending, investing, branching and services to people of color 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 Indian reservations and other underserved areas.

In the interest of reaching underserved areas, we strongly support 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 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 actually serves LMI residents.



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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.

We appreciate 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.

Thank you for seeking our input and for your efforts to update the CRA to increase responsible lending and investment in LMI communities and communities of color. To discuss this comment letter, further, feel free to contact Heidi Pickman, VP of Policy, [hpickman@CAMEOnetwork.org](mailto:hpickman@CAMEOnetwork.org).

Sincerely,

  
Carblina Martinez  
CEO



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### **About CAMEO**

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