

Docket Number R-1723 and RIN Number 7100-AF94

February 16, 2021

To Whom it May Concern:

The Federal Reserve Board (Fed) must strengthen the rigor of CRA exams in order to promote recovery from the COVID-19 pandemic. The Fed has described approaches in its Advance Notice of Proposed Rulemaking (ANPR) on CRA that will make CRA exams more objective and transparent. Yet, questions remain about whether the Fed's approach will reduce the high rate of CRA inflation. If nearly every bank continues to pass their CRA exams, banks will not engage in strenuous efforts to help communities of color and low- and moderate-income (LMI) neighborhoods recover from the pandemic's devastation.

The Maryland Consumer Rights Coalition (MCRC) is a statewide coalition that advances economic inclusion and financial justice through research, advocacy, consumer education, and direct service. MCRC leads fair housing work in Maryland through its recent adoption of the Fair Housing Action Center of Maryland (FHAC). FHAC works to ensure every Marylander has access to safe, affordable housing, free from discrimination, harassment, and code violations.

Last March, MCRC shifted all of our programs online. We continued to offer essential services such as financial coaching and counseling, tax credits assistance, benefits check-ups, and tenant assistance online and by phone. Through our direct service programs, we continued to work hard to ensure that older adults and tenants receive the assistance they need to increase their financial health and remain safely housed. In fact, our SOAR staff secured free chrome books for our older adult clients and trained them how to use the new technology so they could connect to us and to others online.

We also helped connect our seniors to food when their cupboards were bare, arranged food deliveries when needed, and managed to double the number of households we helped apply for our Homeowners and Renters Tax Credits. This year we've returned more than \$500,000 to older adults across the state through tax credits, benefits-checkups, and more. In October, we

launched the Medical Debt Freedom Fund to raise money to directly pay off patients' medical debts, focusing on patients who are being sued for medical debts under \$5,000.

While we've been helping Maryland families everyday, we also continued advocating for policies to eradicate these problems and create a better, more just future. We've been fighting for rental assistance, pauses on foreclosures, evictions, and utility shut-offs, prohibiting debt collection and stimulus checks from being seized to pay other debts. Our Executive Director, Marceline White, co-chaired the Attorney General's Access to Justice Task Force's Consumer Protection Committee and our Tenants' Rights Director, Carol Ott, was a member of the Housing Committee. Our staff led the charge for systemic solutions to tackle debt collection and evictions by expanding protections and curbing predatory practices.

As we work to protect Marylanders from the devastating economic effects of COVID-19, we have become convinced that strong CRA regulations are a critical component of a just and equitable recovery.

The National Community Reinvestment Coalition (NCRC) recently released a major report finding significant correlations between redlining and susceptibility to COVID. In the 1930s, the Home Owners Loan Corporation (HOLC) commissioned the production of maps that rated neighborhoods based on the risk of lending in them. Working class and minority neighborhoods usually received the riskiest designation of hazardous. The designations subsequently facilitated redlining and discrimination against these neighborhoods, which remain starved of credit and are predominantly lower-income and minority. These neighborhoods also have the highest incidence of 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 than the neighborhoods not designated as hazardous by HOLC. In Baltimore City the disparity is even more stark -- residents of historically redlined neighborhoods can expect to live as much as 21 years less than their counterparts in historically white neighborhoods.

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. Discrimination in lending contributes significantly to racial disparities in small business survival rates. A NCRC investigation 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. CRA must be strengthened considerably in order to combat discrimination and help our communities recover from the pandemic.

An analysis of CRA performance evaluations demonstrates that more than 98% of banks passed their CRA PE in 2014. This stands in stark contrast to both community perception of bank performance and the ground truth in redlined communities that still struggle to access credit. It is unclear if the Fed's ANPR proposals will address CRA ratings inflation. 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 and communities to other lenders. However, the Fed proposes thresholds that appear to replicate the high ratings on CRA exams. The Fed does not describe in any detail the impact of its initial thresholds on CRA ratings and hints the thresholds replicate the current CRA ratings distribution.

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 a new CRA exam system must reveal more distinctions in performance 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.

MCRC believes that the Federal Reserve proposal should be strengthened to increase lending to people of color. The Fed recognizes the importance of addressing racial inequities. It asks the public whether underserved areas should be designated based on high levels of poverty or low levels of retail lending. We support NCRC's designation of underserved census tracts based on low levels of lending which would effectively target neighborhoods redlined because of the HOLC classifications. Maps of mortgage lending in Baltimore City today are shockingly similar to the redlining maps published in the 1930s.

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. In addition, 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 (geographical areas on CRA exams). 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. Baltimore City remains as hypersegregated today as it was in 1968 when the Fair Housing Act was passed. CRA is a tool that can and should be used to address racial disparities in lending.

Assessment areas must support and reflect a commitment to local lending, investments and services. We support the Fed's proposals to expand assessment 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 the idea of a national assessment area for internet banks that the Fed discusses. This approach undermines the community-based focus of CRA. Instead, we believe that data analysis can designate areas where high numbers of retail loans or deposits are located.

We applaud the Fed proposal to eliminate distinctions between full-scope and limited-scope assessment areas. Full-scope assessment areas, which are usually the largest cities, count more on current CRA exams than limited-scope areas that generally are smaller cities and rural counties.

We appreciate that the Fed proposal generally does not stray away from the focus on LMI communities. However, 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. Likewise, the Fed should further develop its procedures for awarding CRA credit for financing affordable housing that is not subsidized so that such financing actually serves LMI tenants.

Finally, the Fed should pursue its proposals to collect improved community development and deposit data. Community development and deposit data should be collected on a census tract level or at least on a county level so that CRA exams can better target community development financing to areas of need.

We appreciate the direction the Fed has embarked in its ANPR but caution that it must not end up with a set of proposals that replicate existing CRA ratings inflation as this will not help our communities devastated by COVID-19. 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.

Sincerely,

Marceline White
Executive Director
Maryland Consumer Rights Coalition