

Docket Number R-1723 and RIN Number 7100-AF94

To Whom it May Concern:

We at Community Ventures fully support the CRA and are appreciative of the many ways the CRA has helped our clients. However, more must be done to ensure that low to moderate income neighborhoods and communities of color receive the majority of the benefits of the CRA program.

We encourage the Federal Reserve Board to strengthen the CRA exams to reduce the high rate of CRA inflation. If the approach in the Advance Notice of Proposed Rulemaking (ANPR) on CRA makes the CRA exams more objective and transparent we believe that will push banks to strengthen their efforts to help communities who were low priority for banks, and who have been hardest hit by the pandemic and the resulting economic devastation.

While the Covid-19 pandemic has been hard on businesses across the board, three times as many minority owned businesses have closed compared to white owned businesses, with discrimination playing a leading role in that disparity.

An NCR 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 to combat discrimination and encourage partnership with non-profits to help our hardest hit communities recover from the pandemic.

Community Ventures "American Dream Home Loan Fund" is a perfect example of the partnership of a lead non-profit and several banks coming together within the CRA to allow Kentuckians with no hope of ever getting into their own homes to go down an educational and financial path that resulted in the keys to their own homes being placed in their hands. These banks are committed to benefitting those Kentuckians who need help the most, and that should be the only purpose of this program.

However, we are unclear whether the Fed's ANPR proposals will address CRA ratings inflation as the proposals do not describe in any detail the impact of the initial thresholds on CRA ratings. We would like to see that clarified.

It appears that the Fed is proposing to reduce the number of ratings on a state level and on subtests from five to four. We believe this proposal would result in fewer distinctions in performance. A new CRA exam system should reveal more distinctions in performance which would motivate banks to be more responsive to COVID-19 recovery needs. We would like for five ratings to be retained on the state level as well as on subtests.

Because of the need to address racial inequities, Community Ventures supports NCRC's designation of underserved census tracts based on low levels of lending which would effectively target neighborhoods redlined because of the HOLC classifications. We also believe it is vitally important for the Fed to include race designations on CRA exams. The CRA allows this as the law requires that banks meet credit needs in all communities, with a strong focus on underserved communities.

We also believe CRA exams should include performance measures that assess lending, investing, branch location and services to minorities and communities of color. 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 would also like to see CRA consideration for lending and investing in majority

minority census tracts outside of assessment areas similar to what the Fed is considering for Indian reservations and other underserved areas.

We do not support the idea of a national assessment area for internet banks, as we believe that data analysis can designate areas where high numbers of retail loans or deposits are located.

The Fed proposal to eliminate distinctions between full-scope and limited-scope assessment areas has our support. Full-scope assessment areas, usually the largest cities, count more on current CRA exams than limited-scope areas where smaller cities and rural counties are located. Our concern is that these limited-scope areas are most likely populated by communities of color, Native American reservations and other underserved communities and they continue to receive less CRA-related loans and investments. That must be addressed.

We believe, and have proven in our service to our clients, that financial education is critical for our LMI customers. However, we do not support expanding financial education to include all income levels. 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), and we believe the required financial education should be limited to the population it will best serve.

We encourage the Fed to 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, and we believe it should be based on need. Likewise, the Fed should further develop its procedures for awarding CRA credit to finance non-subsidized affordable housing to ensure that such financing actually serves LMI tenants.

Collecting improved community development and deposit data on a census tract or county level should be at the top of the Fed "to do list". This would help the CRA exams better target community development financing to communities that need it the most.

We appreciate the opportunity to weigh in on the CRA issues, and we ask that the Fed consider our suggestions carefully. We all have the same goal: strengthen the CRA, update the exams, and see to it that the communities economically and socially devastated by the pandemic, that really need the most assistance, receive that assistance.

Community Ventures sees this proposal as an important starting point for interagency cooperation and rulemaking which will strengthen CRA and take a critical step towards creating more financially resilient communities and guarantee an equitable recovery across the board.

Sincerely,

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