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February 16, 2021

The Federal Reserve Board  
*submitted 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:

SCANPH is a nonprofit membership association representing affordable housing developers across the five counties of Los Angeles, Orange, Riverside, San Bernardino, and Ventura. Our mission is to facilitate the development of affordable homes across Southern California by advancing effective public policies, sustainable financial resources, strong member organizations, and beneficial partnerships.

Our members are developers who provide below market rate homes for low and extremely low income residents and for people experiencing homelessness. Our focus is economically disadvantaged individuals and families in most need of affordable housing.

**SCANPH writes this letter in response to the Federal Reserve Board's (the "Board") 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 Southern California and throughout the country.

We commend the board for initiating a 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.

**On behalf of nonprofit organizations that build and operate affordable housing, the bottom line is that the Fed needs to strengthen CRA rules so that banks do more to support affordable housing, which is so badly needed.**

We recommend that any CRA reform be informed by the following key principles:

1. **Take race into account.** CRA should hold banks accountable to meet the credits needs of borrowers and neighborhoods of color, so that it achieves its Congressional purpose of addressing redlining.

2. **End CRA grade inflation and ensure greater reinvestment.** CRA reform efforts should refine the system so that banks are incentivized to do more to serve communities.
3. **Impose consequences for harm caused.** Banks should suffer downgrades and potentially fail their CRA exams if they discriminate, displace, or harm community credit needs.
4. **Consider both quantity and quality of reinvestment** to ensure bank activity targets low and moderate income and Black, Indigenous, and People of Color neighborhoods and people, and helps meet local community credit needs.
5. **Maintain a separate focus on community development lending and investment.** Community development is critical and deserves its own test, but combining lending and investment together could disrupt the affordable housing finance system.
6. **Expand scrutiny of financial services such as branches and bank accounts.** The Board does well to highlight the impact that branch and product access can have on bringing people into the financial mainstream, and helping them to achieve financial stability and build wealth.
7. **Increase community participation.** The Board is commended for acknowledging the important role that community and public input has played and will always play in helping to ensure that banks are serving LMI communities and communities of color.
8. **Bank obligations should be tied to bank presence and activity, while also encouraging reinvestment in poorly served areas like rural communities and Native American lands.**
9. **Beware of creating loopholes or alternatives that do not serve the goals of CRA.** Banks will gravitate towards the easiest and cheapest methods of passing their CRA evaluations, so care is needed to prevent allocation of CRA credit for soft but less impactful activities.

The Community Reinvestment Act has done so much for LMI communities, creating trillions of dollars in lending and investment opportunities that help families and neighborhoods stabilize and build wealth. But too often the CRA rules have ignored the communities of color meant to be served by the nation's anti-redlining laws and set the bar too low for banks.

CRA rules need to be strengthened to address these concerns. Thank you for seeking our input.

Sincerely,



Francisco Martinez

Policy Director

Southern California Association of NonProfit Housing (SCANPH)

cc: California Reinvestment Coalition