Comments on Federal Reserve CRA

ANPR: Docket Number R-1723 and RIN Number 7100-AF94

To whom it may concern:

My name is Hope Knight and I am the President and CEO of the Greater Jamaica Development Corporation (GJDC). GJDC is a non-profit that works to plan, promote, coordinate, and advance responsible development to revitalize Jamaica, New York and Southeast Queens. We are a member of the Association for Neighborhood Housing and Development.

As the leader of an economic development organization in a formerly redlined community, the CRA is foundational to my work. We appreciate this opportunity to comment on the Federal Reserve Board's ANPR regarding reforming the CRA. GJDC supports efforts to modernize and strengthen the CRA. CRA reform must incorporate the following key principles.

Regulators should evaluate banks on the <u>quantity, quality and impact</u> of their activities within the local communities they serve with an affirmative obligation to serve low- and moderate-income people and communities and people and communities of color. The CRA should never have been color blind.

This is especially critical for small business support. We support the board's proposal to evaluate borrower and distribution metrics and have a separate qualitative analysis. In this case, the metrics should have the higher weight, with the possibility of additional credit for responsive products and practices and downgrade for problematic behavior. The exam must evaluate the data across multiple data points, ensuring that it **prioritizes small loans to very small businesses, BIPOC-owned businesses, and lending in underserved communitie**s. This can be done by looking at low- and moderate-income communities separately; categories of loan size and business size to prioritize smaller businesses and loans; lending by race/ethnicity of owner and in communities of color; originations vs purchases. As data is available, regulators should also evaluate loan types separately (credit cards serve a purpose but aren't as impactful or in has high demand as traditional loans and lines of credit).

The qualitative analysis would evaluate the products and practices the bank has implemented to achieve metrics in a meaningful way. Banks that prioritize larger businesses, bypass immigrant communities or borrowers of color, or rely only on credit card loans should be downgraded. Banks that demonstrate responsive products and practices should get positive credit.

Regulators can evaluate how well banks support small businesses in other areas of the CRA as well, such as loans and investments in CDFIs, technical assistance, direct grants to small businesses (by the bank or through a nonprofit). Banks that fully engage in PPP, through the forgiveness process should get credit, especially if they serve previously unbanked owners or non-customers. However, they should be downgraded if they prioritize larger businesses and refuse to serve unbanked or underbanked owners, as those are the ones most likely to need help.

Similar metrics for consumer lending makes sense, but quality is more important than volume in this category. High volumes of high-cost credit cards or other loans are not helpful and banks should not be incentivized to increase that volume.

With respect to community development finance, we tentatively support the combining of community development lending and investments, into a comprehensive community development finance test, but only if it maintains a strong requirement to make investments**.** The high concentration of banks and a strong CRA obligation through the investment test have helped drive up the price of LIHTC, which is a critical source of financing for affordable housing. The CRA must incentivize LIHTC and a broad range of investments, including NMTC, EQ2, deposits, and more. Grants are also a critical component of the investment test and help community organizations continue and build the community development work they do.

We support both a quantity and quality metric. Dollars are important, but equally important is the impact of that activity. The quality score should offer more nuance than just 1, 2, or 3, and should prioritize impactful activities as determined by local communities. Examples of what this would include in NYC:

- Housing developed by mission driven developers; deep affordable housing for homeless populations, and very low-income people living below 20%, 30%, and 40% AMI; permanent affordability that doesn't expire in 30-40 years. Supportive housing.
- Support for quality jobs, and not simply low-wage jobs with no path to middle class.
- Grants, loans and investments in CDFIs
- Additional activities with mission-driven entities for community services, such as childcare, healthcare, financial education,
- Support for organizing and policy work that will benefit LMI and BIPOC populations.
- As in all sections, banks should be downgraded for harm or displacement. Large developments can do more harm than good.

We also support the framework for evaluating branches. The Federal Reserve put forth a comprehensive analysis of bank branch locations, impact of branches opened and closed, products and practices. In addition to factors in the ANPR, regulators should consider branching in communities of color; branches in unbanked and underbanked neighborhoods (at the census tract or neighborhood level); access for immigrants; and efforts to bring people into mainstream banking.

As the CRA reform proposal is further developed, community input and community needs must be at the heart of the CRA. We support the Board's goal for CRA reform to promote community engagement, however there is little detail in the ANPR to support that goal. Community input must be woven into all aspects of the CRA exam process. Currently it is very passive, relying upon community members to submit comments. Few people know about this process, and likely not the people who are most impacted by a bank's CRA activities, good or bad. In addition to demographic and statistical data, regulators must do proactive outreach and consult research centered on low-income, and BIPOC communities to identify local needs and evaluate how well banks are meeting those needs.

Additionally, assessment areas must maintain place-based, local obligations. We appreciate the ANPR maintains branch-based assessment areas. ATM-based areas should remain obligatory, not optional. We oppose national assessment areas for internet banks. And for other banks, we oppose any area larger than an MSA. As it stands today, low-income, BIPOC neighborhoods are persistently neglected within New York City. Too often, when investment comes in, it is for larger scale developments that fuel displacement, rather than branches, bank accounts, home and small business loans, or other loans local communities need. The CRA must maintain and strengthen a place-based, local commitment to partnering with and meeting the needs of the populations the CRA was meant to serve: LMI people and communities and people and communities of color.

Conclusion

Now is the time to ensure we have a strong CRA that ensures banks truly meets the needs of our communities. We urge you to use this as an opportunity to develop an interagency approach so that all banks are held to the same standards. No CRA should allowing 98% of banks to pass their exam in the face of persistent disparities, unmet banking and credit needs, and patterns of lending that foster displacement. Banks should be evaluated at the holding company level and be held accountable for their lending, all affiliates, and entities with which they do business with (referrals, partnerships, etc).

Low-income communities of color deserve equal access to banking and credit; safe, affordable housing; quality jobs; and access to services. The CRA must ensure they do.

Thank you for this opportunity to comment.

Sincerely

Hope Knight