February 23, 2021

To: Federal Reserve Board (via email: 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,

The Unity Council 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.

The Unity Council is a Social Equity Development Corporation with a 55-year history in the Fruitvale neighborhood of Oakland, California. Our mission is to promote social equity and improve quality of life by building vibrant communities where everyone can work, learn, and thrive. As an affordable housing developer, we know that banks have a responsibility to help meet the credit needs of the communities in which they do business, including low- and moderate-income (LMI) neighborhoods where we operate in. We hope the Board does not miss the opportunity to hold banks accountable for equitable community re-investment and development.

We highlight the following key principles, which should inform any CRA reform efforts:

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. CRA rules should look at whether banks are helping to meet the credit needs of LMI people and neighborhoods and people and neighborhoods of color. Race matters.

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 of color, not the same, or less. The new system must set the bar higher so that less than 96% of banks are rated Satisfactory or Outstanding, as is the case now.

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. No exceptions. Banks have a responsibility and should be required to prevent foreclosures on homeowners and mom and pop landlords, and prevent defaults and credit impairment for small business owners and consumers. Banks must adopt and implement policies against displacement financing.

4. **Consider both quantity and quality of reinvestment** to ensure bank activity targets LMI and Black, Indigenous and People of Color ("BIPOC") neighborhoods and people, and meets local community credit needs. CRA rules should discount or downgrade loans and investments that come with high rates and fees, lead to excessive loan defaults, create a cycle of indebtedness, subject consumers to excessive or abusive debt collection practices, or result in displacement, as just a few examples.

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. Bank support for Low Income Housing Tax Credits, equity investments, and philanthropic contributions have a huge impact on communities and should be evaluated separately from community development lending.

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. CRA should continue to focus on branch presence, while also evaluating how well banks are providing deposit products and financial services that help consumers avoid high cost alternatives and move towards financial independence.

7. **Increase community participation**. The Board is commended for acknowledging the important role that community and public input has played in helping to ensure that banks are serving LMI communities and communities of color. Community input should be sought through all phases of CRA implementation. Community Benefits Agreements should be encouraged. More time should be provided for public input, and public hearings more readily granted during bank exam, bank merger and bank branch closing applications.

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**. Banks should have CRA obligations in all communities where they seek to derive profits, and certainly the communities that represent a majority of bank lending. The Board is commended for getting rid of the limited scope analysis which has led to less reinvestment in rural communities, and for searching for ways to further meet the credit needs in rural communities and Indian Country.

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 reallocation of CRA credit towards easy but less impactful activities. The CRA rules should not favor Strategic Plans unless that process is strengthened, and banks should not easily be able to get CRA credit for activities outside of their assessment areas that do not have a significant positive impact on LMI people and people of color.

Conclusion

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 the CRA rules have ignored the communities of color meant to be served by the nation's anti redlining law, and have set the bar too low for banks by allowing weak reinvestment activity, discrimination, redlining, displacement, harm and rejection of community input.** Thank you for the opportunity to comment. To discuss this comment letter, further, feel free to contact Karely Ordaz, Chief of Staff at kordaz@unitycouncil.org.

Sincerely,
Chris Iglesias, CEO