



February 16, 2021

Board of Governors of the Federal Reserve System
Sent via email to regs.comments@federalreserve.gov

RE: Community Reinvestment Act Proposed Rulemaking
Docket Number (R-1723) and RIN (7100-AF94)

To Whom it May Concern:

I write on behalf of the Minnesota Housing Partnership in regard to the Federal Reserve's modernization of the Community Reinvestment Act (CRA) regulations. CRA is a critical tool to meet the credit needs of under-resourced communities and communities of color in Minnesota and throughout the country.

The CRA was originally enacted to end redlining; any changes to the CRA should reinforce and strengthen that original intent. The Federal Reserve must strengthen CRA exams in order to promote recovery from the COVID-19 pandemic and achieve the original intent of the CRA. Banks will need motivation and structure to engage in serious efforts to support communities of color and low- and moderate-income (LMI) neighborhoods.

Wealth and race have a strong relationship to susceptibility to COVID. One report by NCRC found that redlined neighborhoods have the highest levels of health conditions that make asthma more susceptible to COVID-19, such as asthma, diabetes and kidney disease. Expanding on these findings, a report from the University of Minnesota's Center on Women, Gender, and Public Policy has found that women of color, many of whom live in redlined neighborhoods, are a demographic most at risk to both exposure to the virus, from serving in at-risk jobs, and the economic devastation of lay off. It has been [widely reported](#) that the Paycheck Protection Program (PPP) advantaged larger white businesses, while Black, Indigenous, and people of color owned businesses were passed over or unable to access these resources at an unacceptable rate.

CRA must be strengthened in order to combat discrimination. We recommend that the Federal Reserve consider explicitly including race on CRA exams. As well, the Federal Reserve could provide CRA consideration for lending and investing in majority minority census tracts outside of assessment areas; this approach has similarity to the approach the Federal Reserve is considering for Native American communities and other underserved areas.

CRA plays a critical role in the development of affordable rental housing by incentivizing banks both to lend on preferred terms and to invest in the Low-Income Housing Tax Credit (Housing Credit). The Housing Credit finances virtually all new affordable rental housing; an estimated 85 percent of Housing Credit investments are made by CRA-motivated institutions.

In previous comments regarding the CRA, MHP has opposed changes that could undermine the Housing Credit or reduce investment in the Housing Credit. We identify, as one concern, that the Federal Reserve's proposal of combining that CD lending and CD investment tests may disfavor Housing Credit investments as they may produce lower return than patient CD lending activities. Both lending and



investment are important to a robust affordable housing ecosystem; we encourage lending and investing be examined separately, on their own merits, even if later combined in one score, as both are important to producing new affordable homes.

Of note as well, MHP urges caution in determining benefit from large development and infrastructure projects, as these projects may sometimes have limited benefit for targeted geographics. MHP has noted these concerns previously, such that investment in some areas can crowd out investment in less desirable functions. For instance, one huge investment could be made in urban infrastructure, by which a bank will have satisfied its ratio. This could discourage banks from executing smaller deals more responsive to local needs, which could significantly shift investment away from affordable housing activities like the Housing Credit and Housing Bonds. Essential infrastructure and community facilities should qualify for CRA credit only if they primarily benefit under-resourced individuals and communities.

MHP recommends the use of impact scoring to add credit for developments that are dedicated to serving extremely low-income residents and persons facing homelessness, among other factors. Impact scoring can also be utilized to reward policies that are effectively designed to mitigate gentrification and displacement and end redlining.

Finally, as MHP has previously noted regarding the CRA, community context and meetings with community stakeholders are essential elements of assessment. Without motivation to obtain community input, what is left is a cold metric system that is easy to comply with but reduces quality of investment. MHP encourage any measures by which CRA accounts for public accountability standards through community context as critical to ensuring quality as well as quantity of CRA investments.

Thank you for the opportunity to comment and for all the Fed's efforts to modernize and improve the CRA regulations in a responsible manner.

Sincerely,

A handwritten signature in black ink, appearing to read 'Elizabeth Glidden', with a long, sweeping underline.

Elizabeth Glidden
Deputy Director and Director of Policy

See [COVID-19's Unequal Impacts on Minnesota Workers: A Race and Gender Lens](https://www.hhh.umn.edu/sites/hhh.umn.edu/files/2020-12/CWGPP_COVID_Work_Report_Full.pdf): https://www.hhh.umn.edu/sites/hhh.umn.edu/files/2020-12/CWGPP_COVID_Work_Report_Full.pdf