Proposal: 1723 (AF94) Reg BB - Community Reinvestment Act

Description:

Comment ID: 137695

From: African Career Education & Resource Inc., Nelima Sitati Munene

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Subject: R-1723 Community Reinvestment Act

Comments:

NONCONFIDENTIAL // EXTERNAL
Federal Reserve Board Community Reinvestment Act
ANPR Short Comment

Subject: Docket Number R-1723 and RIN Number 7100-AF94
To Whom it May Concern:
My name is Nelima Sitati Munene. I am the Executive Director and a member
of African Career Education & Resource Inc. We are a grassroots issue based
organization based in Minnesota. Our mission is to close the inequity gaps
that exist within our communities. I am writing to offer comments on my
behalf of thousands of our constituency base members. Our organization is
deeply involved with community development finance because housing is an
issue that greatly impacts our community in a negatively disproportionate
way.
I believe the Federal Reserve Board (Fed) must strengthen CRA exams in
order to promote recovery from the COVID-19 pandemic. The Fed has described
approaches in its Advance Notice of Proposed Rulemaking (ANPR) on CRA that
will make CRA exams more objective. Yet, questions remain about whether the
Fed's approach will make grading tougher. If nearly every bank continues to
pass their CRA exams, banks will not engage in serious efforts to help
communities of color and low- and moderate-income (LMI) neighborhoods
recover from the pandemic.
Our partners at NCRC recently released a report finding a strong
relationship between redlining and susceptibility to COVID. Redlined
neighborhoods have the highest levels of health conditions such as asthma,
diabetes and kidney disease, which make residents more susceptible to
COVID-19. Life expectancy is almost four years lower in the redlined
communities.
Since the start of the pandemic, about 41% of African American businesses
have been closed compared to just 17% of White-owned small businesses.
Discrimination in lending contributes to these differences in survival
rates. A NCRC investigation https ://ncrc .org/lending-discrimination-within-the-paycheck-protection-
program/
found that African Americans applying for Paycheck Protection Program (PPP)
loans for their small businesses during the pandemic were likely to receive
less information than Whites.
CRA must be strengthened in order to combat discrimination. The Fed
emphasizes improving the performance measures on CRA exams including those
used on the lending test that compare a bank's percent of loans to LMI
borrowers to other lenders. The Fed does not describe in detail the impact
of its reforms on CRA ratings except to hint that banks may continue to
receive the same grades.
Moreover, the Fed is proposing to reduce the number of ratings on a state

level and on subtests from five to four. This proposal would result in fewer distinctions in performance whereas new CRA exams must reveal more distinctions in order to motivate banks to be more responsive to COVID-19 recovery needs. Five ratings must be retained on the state level and on subtests.

The Fed asks whether underserved areas should be designated based on high levels of poverty or low levels of retail lending. NCRC advocated an approach based on low levels of lending which would effectively target redlined neighborhoods and communities of color.

We also ask the Fed to consider explicitly including race on CRA exams. The agencies have hesitated to do so but we believe that the CRA statute allows this since the law emphasizes banks meeting credit needs in all communities, but particularly underserved ones. CRA exams could include performance measures assessing lending, investing, branching and services to people of color and communities of color. The Fed could also provide CRA consideration for lending and investing in majority minority census tracts outside of assessment areas just as the Fed is considering for Native American communities and other underserved areas.

In the interest of reaching underserved areas, we strongly support the Fed's proposals to improve data collection including community development financing data, which would better enable stakeholders to determine communities most in need.

We support the Fed's proposals to expand assessment areas, which are geographical areas on CRA exams. 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 do not support expanding financial education to any income since LMI consumers and people of color are most likely to be unbanked as revealed by surveys of the Federal Deposit Insurance Corporation (FDIC). Likewise, the Fed should further develop its procedures for awarding CRA credit for financing affordable housing that is unsubsidized so that such financing actually serves LMI residents.

Finally, we applaud the Fed proposal to eliminate distinctions in the rigor of examination among assessment areas that have resulted in banks neglecting smaller cities, rural counties and Native American reservations. We appreciate the direction the Fed has embarked upon but caution that it must not end up with proposals that replicate existing CRA ratings inflation as this will not help our communities devastated by COVID-19. Financial health and financial access is an important tool we all need for safety, growth and more equal opportunity for underserved members of our communities.

Regards,
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