

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

Description:

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Comments:

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Your comment: Dear Sir/Madam:

I appreciate the Federal Reserve Board encouraging public input on ways to modernize and strengthen the Community Reinvestment Act (CRA). On behalf of The Resurrection Project (TRP) in Chicago, I am writing in support of an updated CRA that responds to changes in the banking sector, such as the decrease in community-based banks and the evolving ways in which consumers use bank, and the needs of our communities that stem from profound racial inequities and disinvestment. Specifically, we need a stronger CRA evaluation process for banks so that "outstanding" and "satisfactory" grades are given less frequently than in the past. The current rating system suggests that the banking system is doing a good job meeting the CRA's goals, which is clearly not the case.

We need an evaluation process that more meaningfully addresses systemic inequities in access to credit, expands financial inclusion, and combats redlining, particularly for communities of color and rural communities. Access to credit includes affordable mortgage and home equity loans for sustainable homeownership, as well as affordable and flexible small business credit, savings, and loan products that create a foundation for sustainable small businesses.

Specific ways to strengthen the CRA examination and support communities are highlighted below:

1. Reduce the Racial Wealth Gap by Supporting Home Ownership: homeownership is vital to creating household wealth and reducing the long-standing disparities in wealth by race and ethnicity. The CRA evaluation process should include a core component that examines whether banks are providing mortgage and home equity loans that offer a path to affordable, sustainable homeownership. Banks need to do better in helping borrowers overcome barriers to homeownership caused by overly stringent underwriting criteria, appraisal bias, lack of down payment assistance, and other factors that deny access to mortgage lending. Further, encouraging homeownership is a strategy for revitalizing communities suffering from disinvestment in their single-family housing stock.

2. Evaluate Based on Community Engagement, Investment and Support: The CRA should more meaningfully require community engagement by banks with community-based organizations like TRP, including 501(c)3 nonprofit economic development, entrepreneurship, and business service

organizations, in regional and local community development planning, financial education, housing counseling efforts and other activities. This engagement must show that the bank has committed the time and resources necessary to understand and respond to local needs and must be matched with actual investment and financial support to be meaningful.

3. Target Financial Education to Those Most In Need: CRA credit should not be awarded for providing financial education to households at any income level. The CRA is intended to increase access to credit for low- and moderate-income consumers, and to address historic redlining that impacted their ability to get home and business loans and credit. Because of this, only financial education for low- and moderate-income households and small business owners should count for CRA credit.

4. Maintain Focus on Place-Based Services: National assessment areas should not be used for online or similar non-brick-and-mortar-based banks. These entities should have their evaluations tied to a place-based review of the geocoding of customer addresses and other factors. As we expect continued lessening of reliance on physical bank branches in the future, banks need to be better evaluated in terms of how well their marketing practices, financial products, and non-branch physical services (e.g., ATMs and loan production offices) meet the needs of low- and moderate-income communities- particularly communities with a large number of unbanked people and low levels of lending.

Now in its 30th year, TRP is a leading community development organization on Chicago's Southwest side. Through TRP, each year 10,000 predominantly Latino families increase their capacity to reach their goals and improve their socio-economic status. Since its founding in 1990, TRP has leveraged more than \$600M in neighborhood reinvestment, created 296,000 sq. ft. of commercial community space, developed 864 units of affordable housing, and created more than 1,700 homeowners. Since 2016, TRP Lending, the organization's Community Development Financial Institution (CDFI), has deployed \$1.5M in loan capital, creating 49 new homeowners.

By encouraging CRA investment and increased homeownership in historically under-served and under-resourced communities, TRP increases access to capital in neighborhoods that have been ignored by traditional and mission lenders. TRP reaches underserved families which, because of no credit history, immigration status, limited English skills, or few savings are shut out from traditional mortgage lending. TRP's wealth building programs and its affiliated CDFI, build upon the organization's 30-year history in creating more stable and economically vibrant communities. These efforts are supported by CRA contributions, and without, TRP would be unable to support as many families in building wealth and achieving homeownership. Through TRP and CRA driven lending, families and individuals achieve homeownership, build household wealth, and increase the stability of neighborhoods.

To protect the CRA ecosystem, we urge you to consider our recommendations to strengthen the CRA. Thank you for the opportunity to submit comments. Today more than ever, we know there is a lot more work to be done to create healthier communities. If you have any questions or would like to learn more about our organization, please contact Kristen Komara, VP of Full Circle Homes, at kkomara@resurrectionproject.org or 312.880.1143.