

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

Description:

Comment ID: 138032

From: Community Development Attorney, Cristin Burnett

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Subject: R-1723 Community Reinvestment Act

Comments:

NONCONFIDENTIAL // EXTERNAL

To Whom It May Concern:

At Mid-Minnesota Legal Aid our mission is to advocate for the legal rights of disadvantaged people to have safe, healthy and independent lives in strong communities. We specialize in providing professional legal help to Minnesotans who traditionally lack access to the American justice system and cannot afford the services of a private attorney. These groups generally include people with low incomes, seniors and people with disabilities. MMLA works to ensure each Minnesotan has access to basic rights like housing, safety, economic stability, and education.

We appreciate the opportunity to comment on the Federal Reserve's Advance Notice of Proposed Rulemaking (ANPR) on the Community Reinvestment Act (CRA). We support many of the objectives to modernize the rule, and comment on those aimed at combatting discrimination in lending and encouraging banks to help communities of color and low and moderate income (LMI) neighborhoods. As our National Community Reinvestment Coalition (NCRC) partners note in its comment letter, since the start of the COVID-19 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. A NCRC investigation also 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. The CRA rule must combat ongoing systemic inequity in credit access for communities of color, exacerbated by the pandemic and pandemic relief.

The Federal Reserve has described approaches that will make CRA exams more objective, which is welcomed by both banks and community advocates. However, if the result is that nearly every bank continues to pass their CRA exams, banks will not engage in serious efforts to help underserved communities. That said, we support the Federal Reserve's approach separately evaluating retail and community development activities and retaining a focus on branch locations to determine whether banks are meeting community needs. We also ask the Federal Reserve to consider explicitly including race on CRA exams. CRA exams could include performance measures assessing lending, investing, branching and services to people of color and communities of color. The Federal Reserve could also provide CRA consideration for lending and investing in majority minority census tracts outside of assessment areas just as it is considering for Indian reservations and other underserved areas.

In the interest of reaching underserved areas, we strongly support the Federal Reserve'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 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.

Finally, we support the Federal Reserve's approach to clarify activity that would qualify for CRA credit

by providing examples and a pre-approval process. We recommend the examples to be updated based on observations made in examination, data collection and pre-approval requests so that banks are continually encouraged to innovate and replicate successful investment approaches across LMI communities. We strongly support that CRA credit be extended only to activities focused on LMI consumers and people of color as this population is most likely to be unbanked as revealed by surveys of the Federal Deposit Insurance Corporation (FDIC). We encourage the Federal Reserve to continue to develop its procedures for awarding CRA credit for financing and providing technical assistance to entities developing affordable housing. It is critical to include naturally occurring affordable housing in the definition of affordable housing.

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.

Thank you for your consideration of our perspective.

Sincerely,
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