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February 8, 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)**

Dear Governors:

The Public Interest Law Project greatly appreciates the Federal Reserve's (Fed) thoughtful and inclusive approach to modernizing the Community Reinvestment Act (CRA) regulations. PILP is a nonprofit California support center for local public interest and legal aid programs focusing on affordable housing. 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. CRA is a critical tool to meet the credit needs of low income communities and communities of color in California and throughout the country.

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

1. Take race into account. The CRA should hold banks accountable to meet the credit needs of borrowers and neighborhoods of color so that it achieves its Congressional purpose of addressing redlining.
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, not the same, or less.
3. Impose consequences for harm caused. Banks should suffer downgrades and potentially fail their CRA exams if they discriminate, displace, or exacerbate community credit needs.
4. Consider both quantity and quality of reinvestment to ensure bank activity adequately serves low- and moderate-income and Black, Indigenous and People of Color (BIPOC) neighborhoods and people, and helps meet local community credit needs.
5. Maintain a separate focus on community development (CD) lending and investment. Community development is critical and deserves its own test. But, combining lending and investment could disrupt the affordable housing and economic development ecosystems.
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.
7. Increase community participation. The Board acknowledges the important role that community input plays in ensuring that banks are serving LMI communities and communities of color.

8. Tie bank obligations to bank presence and activity, while also encouraging reinvestment in poorly served areas like rural communities and Native American lands.
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 allocation of CRA credit for soft but less impactful activities.

We specifically support the proposal to establish a separate community development (CD) test but oppose the suggestion that the CD lending and CD investments tests be combined. We are very concerned that doing so would disfavor Housing Credit investments, which can be complex and expensive for banks to transact and therefore may provide a lower return than CD lending. The Fed also proposes to encourage patient CD lending, which could further favor CD lending over CD investing. Both lending and investment are critical to the affordable housing ecosystem, and the ability to produce new housing would be dramatically diminished if banks are allowed to substitute lending for investing. For this reason, lending and investing must be examined separately, even if they are rolled up into one CD rating. In addition, the rules should prioritize annual investments and lending, with patient lending garnering higher impact scores.

We also support efforts to reduce inequities in Housing Credit pricing between CRA “hot spots and not spots” that currently see a pricing differential of 10-15%. This can best be achieved without undermining the obligations within the bank’s territory by granting banks credit at the assessment area level for Housing Credit investments made anywhere within a state in which a bank has one or more assessment areas. Eliminating the separate investment test while simultaneously expanding the array of activities that qualify for CRA credit under the CD Test could have the effect of displacing Housing Credit investments with activities that are less impactful for low-income communities and households.

Some stakeholders have noted, as included in the ANPR, that “large-scale development and infrastructure projects may sometimes have limited benefit for targeted geographies.” For this reason, essential infrastructure and community facilities should qualify for CRA credit only if they primarily benefit low-income individuals and communities.

We commend the Fed for proposing data collection on community development activity as current data is sparse. Standards regarding affordability should not be relaxed and at least 50% of units in a building should be deed restricted at prices that are affordable to low- or moderate-income households and at least 10% below market in order for a CD loan to qualify for CRA credit for creating affordable housing.

Impact scoring should add credit for developments that are dedicated to serving (in whole or significant part) extremely low-income residents, homeless persons, and are located in areas that affirmatively further fair housing. Impact scoring should also reward banks that adopt [CRC’s Anti Displacement Code of Conduct](#) or similar best practice policies that are effectively designed to mitigate gentrification and displacement.

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 blue ink that reads "Michael Rawson". The signature is written in a cursive style with a large initial "M" and "R".

Michael Rawson, Director

The Public Interest Law Project