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PROFOUND HOPE INDUSTRIES

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To Whom It May Concern:

As Founder and Principal of Profound Hope Industries, a community development consulting agency, I appreciate the opportunity to comment on the Notice of Proposed Rulemaking (NPR) updating the Community Reinvestment Act (CRA). My professional expertise is in community development, with a decade in the CDFI industry. My resume includes tenure managing a small HUD-approved housing counseling agency. I have also conducted formal academic research on the history of CRA and the impacts of technology and Information and Communications Technology on place-based community revitalization efforts. It is laudable that CRA is being modernized, since the landscape has changed significantly since the passage of HMDA and CRA in 1977. The way we do business has been significantly reordered in a landscape with widespread availability of high-speed data, communications, and internet.

In any modernization effort, it is important that the intent and history of CRA is preserved. CRA was initiated by a group of community organizers in response to racially discriminatory lending practices that left Black communities disinvested and without opportunity to build long-term wealth through homeownership. Modernizing CRA must not ignore the long-standing impacts of historic denial of mortgage loans. A 2020 Brookings Institute study demonstrates the wealth gap between White and Black households in the United States is still a factor of ten times difference.[1] Special purpose credit programs are an important mechanism in reversing some of the effects, and lending diversity should be utilized as a measure for CRA tests in any updated regulation. At minimum, lending activity should mirror the racial demographics of an assessment area. This is a very baseline starting point to correct imbalances in historic community investment.

I support proposed changes to enhance clarity and transparency and expand access to low-to-moderate income communities, with the following recommendations. Updated CRA rules should accomplish the following:

1. Prioritize preservation of access to mortgages and individual homeownership. CRA was intended to directly improve access to mortgages for individual homeowners in discrete, defined neighborhoods throughout the United States. Urban neighborhoods were particularly negatively impacted by redlining. Because of the historic devaluation of properties owned by minority communities, many of these same urban areas are currently experiencing gentrification. In many cases, when investments flow to formerly redlined neighborhoods, gentrification displaces long-term residents who found the communities an affordable place to live. Increased property taxes due to rising property valuation often pushes existing renters and homeowners past the threshold of affordability. Larger-dollar CRA activities should not be prioritized over smaller-scale, higher volume lending activities for mortgages and affordable refinances and rehab loans direct to consumers. A priority of CRA should be to improve homeownership rates. Accountability

[1] https://www.brookings.edu/blog/up-front/2020/02/27/examining-the-black-white-wealth-gap/

measures should be in place so CRA credits not only increase homeownership rates in an assessment area but preserve homeownership for existing residents. Activities that prioritize first time homebuyers and foreclosure prevention counseling and affordable consumer credit align with the intent of CRA. When larger lending and investment transactions occur, due diligence tests should be conducted to ensure CRA investments are flowing through to beneficiaries, and accountability measures that counter displacement should be in place.

2. Scale qualifying deposit activity to local area median income and population. The proposal to define assessment areas around regions of deposit activity is commendable and should be implemented. In today's highly digital society, it is possible for geographic spread beyond a bank's physical footprint as the result of a consumer's ability to access a financial institution primarily through the internet or a mobile device. However, it is important not to overlook a geographic concentration of activity that can be easily misidentified due to lower average consumer balances or inability to access mobile tools. Without a lens that scales what is considered significant deposit activity to lived realities of consumers in underserved markets, potential concentrations of depository activity may be overlooked. For example, a high-income or dense market with significant mobile access has the potential to demonstrate high levels of deposit activity even when a branch is lacking. In a lower-income or rural community, consumers may not have as much money to deposit, must drive greater distances to access a bank branch, mistrust financial institutions, or may not be able to access banking services with frequency through online mechanisms. Sheer dollar and numeric volume of depository activity alone should not define a geographic assessment area, but should be measured against local, place-based metrics. CRA regulation should also incentivize investments in contiguous geographies beyond assessment areas that qualify as underserved or banking deserts.
3. Consider whether implementation accounts for differential access to technology. Access to technology is not as pervasive as decision makers may assume. According to a 2021 Pew Research Study, 25% of adults over age 65 report not using the internet, and 14% of survey households with an annual income below $30,000 report never using the internet.[2] Additionally, the same survey discovers that only 71% of Black households and 65% of Latino have in-home broadband access. While mobile banking is a useful tool, there are limitations to online activities that can be conducted on a smartphone. CRA modernization looks to update guidance based on the current macro-economic environment which includes data and mobile tools. Technology centered strategies such as delivery services or mobile banking access will not solve problems for neighborhoods that lack these facilities in physical presence. Terri Friedline, author of *Banking on a Revolution: Why Financial Technology Won't Save a Broken System*, points out a problem she refers to as digital redlining. Friedline states: neighborhoods experience differential access to digital technologies that often mirrors lending activity in those same communities. These communities may have access to some degree of technology, but at a lesser or slower pace than neighborhoods with more wealth. These same neighborhoods that lack access to traditional financial institutions do not have the appropriate resources for robust use of online banking platforms and digital tools.[3] Low-income communities lag in access to high-speed technology necessary to make basic online transactions easy and efficient. Although the industry is clearly moving toward efficiency and increased digitalization, mechanisms must be in place to ensure expanded parameters that account for digital access are not exclusionary and further exacerbate inequities for consumers struggling with resources.

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[2]Pew Research. https://www.pewresearch.org/fact-tank/2021/04/02/7-of-americans-dont-use-the-internet-who-are-they/

[3] Friedline, Terri. *Banking on a Revolution: Why Fintech Won't Save a Broken system*. Oxford University Press, 2021.

Artificial intelligence utilized by financial institutions lender should be subject to review and oversight for algorithmic bias. Lorena Rodriguez, in an article titled *All Data Is Not Credit Data*, writes extensively about the current effect of technology on lending laws regulated by the Fair Housing Act of 1968.[4] She points out that algorithms have incorporated alternative credit scoring models into their decision trees. Rodriguez notes two serious issues with alternative data – 1) the Consumer Financial Protection Bureau has acknowledged these criteria are often incomplete and 2) private tech companies do not have to disclose the scoring factors built into their decision trees.[5] The lack of private or regulatory accountability around Big Data should receive continued attention. Automation introduces the possibility of re-segregation of communities based on race and class that civil rights organizers fought to overcome.

4. Include individuals with disabilities as a qualifying category for CRA. The disability population does not explicitly CRA or CDFI criteria as an underserved population, but deserves attention. Although not historically marginalized in the same manner that led to the initiation of CRA, the disability community experiences substantial and unique need. FDIC data has documented people with disabilities are more likely than their nondisabled peers to be unbanked, lack access to credit and be low- and moderate-income (LMI). Americans with disabilities are one of the largest minority groups in the country and growing. Estimated numbers vary from 40 million to over 60 million people. The term "disability" describes a diverse group of individuals with a broad range of needs. Disability includes visible physical disabilities, chronic illness, and the rare disease community. Onset can be pediatric or at any time in a person's lifespan. Workforce development and opportunities for entrepreneurship are a particularly critical need for this population. According to the U.S. Bureau of Labor Statistics, unemployment rates for the disability community is 10.1%. The disability community is also more likely to be self-employed than the general population when individuals are actively working. Without adequate employment opportunity and support for entrepreneurship, this population is unlikely to be able to access products and services that create economic opportunity and financial well-being. I also personally advocate for this amendment as a member of the rare disease community. While conducting recent research on the intersection of community development and disability support, resources for financial well-being were found to be severely lacking. The disability community is cross-sectional and includes individuals of every race, gender, economic status, sexual orientation, and religion. Members of the community face additional economic burden due to ongoing healthcare costs and social burden of illness that create inability to afford basic living expenses. This community should be formally defined as underserved.

Thank you for your time and attention to the review of these preceding comments.

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[4] Rodriguez, Lorena. "All Data is Not Credit Data: Closing the Gap Between the Fair Housing Act and Algorithmic Decision Making in The Lending Industry." *Columbia Law Review*, vol. 120, no. 7, Columbia Law Review Association, Inc., 2020, pp. 1843–84, https://www.jstor.org/stable/26958733.

[5] ibid